Jurnal Akuntansi dan Keuangan, Vol. 27, No. 1, May 2025, 62-78
ISSN 1411-0288 print / ISSN 2338-8137 online
DOI: https://doi.org/10.9744/jak.27.1.62-78

The Effect of Tax Relief Regulations on Dividend Policy of Publicly Listed Companies in Indonesia

Harapon Angun Kasogi[1*], Zaäfri Ananto Husodo[2]
[1,2]Management Department, Universitas Indonesia
Jl. Prof. Dr. Sumitro Djojohadikusumo, Depok 16424, Indonesia
*Corresponding author; Email: harapon.angun1987@kemenkeu.go.id

ABSTRACT

This study aims to analyze the impact of tax relief regulations, effective since 2021, on the dividend policies of publicly listed companies in Indonesia. We use panel data covering a three-year period before and after the implementation of the tax relief. This study uses a total of 413 listed companies, resulting in 2489 observations over the six-year research period. Logit regression and fixed-effect regression analyses are employed to identify the effects on the number of companies distributing dividends and the total dividends distributed, with firm-specific characteristics used as control variables. The logit regression results indicate that tax relief does not lead to a significant increase in the number of companies distributing dividends. However, there is a significant increase in the dividend levels among dividend-paying companies. To further encourage dividend distribution, the government can optimize existing regulations by considering criteria for tax relief eligibility based on dividend distribution activities. These findings can also serve as a consideration for investors when constructing their portfolios and for companies when designing dividend policies.

Keywords: Taxation; tax policy; tax relief; dividend policy; income tax; dividend tax; Indonesia.

INTRODUCTION

The primary objective in corporate decision-making is to maximize shareholder wealth [68], [20], [9], [25]. One decision in the effort to increase shareholder wealth that often raises questions and prompts research is the dividend distribution policy; see, for example, [49], [32], [63], [36], [18], and [47]. [2] explains that numerous studies on dividend policy have been conducted since several decades ago, yet they yield varying conclusions and continue to generate debate. [59] also claims that numerous questions related to dividend policy remain unresolved.

Later on, the bibliometric study by [24] identifies six research clusters on the topic of dividend policy that could be explored in future studies, one of which focuses on the relationship between taxation and corporate behavior in relation to dividend distribution policies. [24] shows that developed countries, such as the United States and European nations, are frequently the subjects of research on dividend policies, whereas Indonesia is among the countries that are least studied. Research on more specific topics, such as the link between tax regulation and dividend distribution policies, is also more commonly conducted in developed countries compared to developing or emerging ones, as highlighted by [2], [35], and [59].

Previous studies show differing conclusions regarding the relationship between tax regulations and dividend distribution. For example, research in the United States by [15], in Canada by [21], in Finland by [39], in Taiwan by [12], and in South Korea by [42] and [43] show a significant relationship between tax regulations and corporate dividend distribution policies. However, other studies conclude that there is no significant relationship between tax regulations and dividend policy, as seen in research conducted in Pakistan by [38], in the United Kingdom by [26], and in Serbia by [35]. Furthermore, [31] examined the impact of changes in tax regulations on dividend policies among OECD countries, concluding that changes in tax burdens significantly impacted dividend payouts among dividend-paying firms when tax rates rose but had no significant effect when tax rates decreased.

[15] explain that the varied conclusions are due to the limited diversity in tax policies related to dividends, suggesting the need for studies that encompass a broader range of tax policy variations to achieve more aligned findings. On the other hand, research to identify the relationship between tax policy and corporate dividend policy can only be conducted when there is a change in the tax burden resulting from adjustments in a country's fiscal regulations.

Several countries have implemented changes in fiscal policy regulations related to taxation, which typically involve alterations in taxation systems and tax rates. Changes in the taxation system often aim

to eliminate the economic effects of double taxation, where corporate profits are taxed at the company level and dividends are taxed at the shareholder level [19]. The change in regulation by applying the single taxation method aims to impose tax on company profits only once to reduce the tax burden borne by taxpayers. However, some countries have made the opposite change, moving from a single taxation system to a double taxation system, which increases the tax burden on taxpayers, as seen in Norway [8]. The alteration to the level of tax rates through decreasing or increasing tax rates for both corporate income tax and dividend tax is also part of the regulatory changes that are often implemented in various countries [31], [39], [38].

Indonesia, as a developing country, has also implemented regulatory changes concerning fiscal policy in the taxation field. In 2021, the Indonesian government introduced tax relief regulations that included a reduction in corporate income tax rates and the elimination of dividend taxation specifically for domestic investors. We anticipate several benefits from this policy. First, we anticipate that the tax incentives will boost the dividend distribution and promote greater equity among different investor groups. This increased dividend distribution is expected to enhance the investment climate by creating new funding opportunities as the cost of funds decreases, thus encouraging investment growth [1], [37], [16]. Furthermore, tax relief policy on a broader scale may contribute to more stable economic growth [1].

The reduction in corporate income tax rates was regulated through Government Regulation No. 30 of 2020 on the Reduction of Income Tax Rates for Domestic Corporate Taxpayers in the Form of Publicly Listed Companies, which has been subsequently further regulated in Law No. 7 of 2021 on the Harmonization of Tax Regulations. According to this regulation, the corporate income tax rate for publicly listed companies, previously set at 25%, has been reduced to 22%, applicable to the 2020 tax year, which is reported in 2021. In addition to the reduction of the corporate income tax rate, the government also introduced regulations eliminating dividend taxation for taxpayers through Law No. 11 of 2020 on Job Creation. This policy resulted in a significant shift in the taxation system towards single taxation, as dividends were removed as a taxable object, not only for corporations holding more than 25% ownership, but also for ownership stakes below 25% by corporations and for individual domestic taxpayers.

Following the implementation of these regulations, the taxation of profits earned by companies has become lower, with taxes now levied only once at the corporate profit level, without any additional taxation when those profits are distributed as dividends, except for foreign taxpayers. Under the previous regulation, companies had an attractive option to retain earnings rather than distribute dividends, expecting that retained earnings would be used for investment purposes. This option could potentially increase the company's valuation through the accumulation of profit growth, allowing investors to obtain capital gains taxed at a lower rate. However, with the new regulation, the tax burden on dividends now equals the tax burden on capital gains, effectively reducing it to zero. When calculating the overall tax burden based on net profit, the effective tax savings before and after the tax relief policy are implemented, as shown in Table 1, suggest that the elimination of double taxation for domestic taxpayers and the reduction in the corporate income tax rate will mathematically increase the share of profits that shareholders can receive. This change may impact corporate behavior in determining dividend policies, offering an intriguing subject for further research.

Table 1. Effective Reduction in Tax Rate Before and After Tax Relief

Tax-payers	Changes in Tariff		Dividend/ Profit before tax		Effective reduction
	Profit before tax	Divi-dend	Before	After	
Domestic Entity >=25%	Reduced by 3%	Remains 0%	75.00%	78.00%	3.00%
Domestic Entity <25%		Reduced by 25%	56.25%	78.00%	21.75%
Domestic Individual		Reduced by 10%	67.50%	78.00%	10.50%
Foreign Taxpayer		Remains 20%	60.00%	62.40%	2.40%

Source: Compiled results based on old and new regulations

The objective of this study is to analyze the implications of the reduction in corporate income tax and the elimination of dividend taxation policies on dividend distribution practices in publicly listed companies in Indonesia. This research is expected to contribute to bridging the gap in empirical studies on the impact of tax regulations on corporate finance policies, particularly concerning dividend distribution practices as influenced by fiscal regulations, an area that has been relatively underexplored in developing countries compared to developed ones. The results of this study can serve as a reference for examining the influence of changes in tax regulations on corporate behavior in distributing dividends, which has received relatively limited research attention in Indonesia [30]. For listed companies, the results may offer valuable insights regarding dividend distribution policy, based on empirical trends in dividend payouts following the implementation of

corporate income tax reductions and the elimination of dividend taxation. For investors, this study could provide useful information for portfolio management strategies, especially in diversifying investments in companies that distribute dividends, by considering adjustments in dividend policies following the enactment of tax relief regulations.

Literature Review

One of the corporate decisions that has garnered attention from both academics and practitioners is the dividend distribution policy, which determines the proportion of profits that are either distributed or retained for investment purposes, with the aim of maximizing share-holder wealth [49], [32], [63], [36], [18], [47]. Efforts to examine the relationship between tax regulations and dividend distribution policies are closely linked to and should be grounded in several relevant theories in the field of corporate finance related to dividend policy. These include the dividend irrelevance theory, bird-in-the-hand theory, agency theory, signaling theory, traditional and new view theory, tax preference theory, and tax clientele theory.

Dividend Irrelevance Theory

According to dividend irrelevance theory, the decision to pay or not to pay dividends has no impact on firm value. Shareholders can buy or sell shares to balance the company's decision to distribute dividends, so the final economic impact on the company's value for the shareholder will be the same [49]. This theory assumes the ideal conditions where there are no frictions such as information asymmetry, agency problems, and taxes. In fact, investors often encounter these frictions in real market conditions. For example, when the tax factor is added to the Modigliani-Miller model, the company will not pay dividends because there are resources lost through taxes paid. Researchers view the existence of these frictions, including tax, as a relevant factor in determining dividend distribution policies that can affect shareholder wealth [7].

Bird in the Hand Theory

According to the bird-in-the-hand theory, dividends received at the present time are more valuable than the prospect of capital gains in the future [29]. Dividends received at the current time provide more certainty than the projected increase in profits obtained from the reinvestment of retained earnings. Management can make the decision to withhold profits for investment purposes in the expectation of generating greater returns in the future in the form of capital gains or greater dividends. However, there is no guarantee that the investment will be successful, making future profits seem riskier for investors when compared to dividends that can be received today. Furthermore, according to [40], the concept of a "bird in the hand" theory implies that dividend distribution can lead to a decrease in stock risk for shareholders.

Dividend Signaling Theory

Managers, who are responsible for the day-to-day operations of a company, possess more detailed information about the company's condition compared to shareholders [48]. Shareholders, on the other hand, have less information because they are not directly involved in the management of the company. The issue of information asymmetry between management and shareholders can be reduced through the distribution of dividends. Dividends are believed to serve as a signal regarding the company's current and future performance [45]. From the investor's perspective, only managers who are confident about the company's future performance are likely to decide whether to increase dividend payouts. An increase in dividends will lead to an appreciation in the company's stock price as investors respond positively to the information suggesting higher future profits, while a reduction in dividends will result in a decline in stock price [3], [71], [56], [13]. This signaling theory aligns with research by [6] on publicly listed companies in Indonesia, which indicated that expectations of future profit growth are a primary consideration for management when deciding to increase dividend payouts.

Agency Problem Theory

Managers are employed to make decisions and take actions in the interest of shareholders. In managing a company, however, managers may have interests that differ from those of the shareholders. When managers prioritize their interests over those of shareholders, an agency problem arises [34]. As explained by [57], it is necessary to address these divergences in interests, which inevitably lead to agency costs, such as selecting the right manager, obtaining information to assess managerial performance, controlling and supervising the manager, and addressing inefficient decisions.

One example of the ineffective decisions indicating the presence of an agency problem is the allocation of cash inefficiently through over-investment by managers that primarily aim to increase sales to secure bonuses but do not contribute to

increased company profits, thus failing to enhance shareholder wealth. We can prevent this over-investment by using a dividend policy, as [11] outlines. In line with this, [51] mentions dividends can serve as one solution to agency costs. Similarly, [33] shows that firms with high dividend payouts are associated with low levels of agency costs.

Traditional View and New View Theory

According to the traditional view theory, companies that distribute dividends will have a lower cost of funds than those that do not distribute them [60]. This lower cost of funds is due to the perception of investors that companies that pay dividends are lower-risk companies. The low risk is attributed to the benefits that investors receive from dividend distribution, which serves as a signal of information and helps mitigate agency problems [73], [16]. According to the traditional view, taxes on dividends and corporate income tax are burdensome for companies, making it difficult for them to provide benefits to investors, signal information effectively, and mitigate agency conflicts through dividend distribution; thus, these tax burdens contribute to an increased cost of funds. Reducing the dividend tax will incentivize an increase in dividend distribution, which will lower the cost of funds and subsequently encourage investment activities.

In contrast to the traditional view, the new view theory argues that changes in dividend taxation do not affect dividend policy [60]. This perspective suggests that the profits a company earns are better retained for investment purposes, and the level of taxes will not influence the decision to distribute dividends. Even though dividend taxes may decrease, if there are investments that need funding, the company will prioritize using retained earnings for investment financing. The new view believes that internal financing, such as retained earnings, has a much lower cost of funds compared to external financing options that would need to be considered if the company decides to distribute dividends [73].

Tax Preference Theory

Investors perceive the true return on investment as consisting of capital gains and dividends, after accounting for taxes. The difference in tax rates between capital gains and dividends, and the varying rates between the two, can influence investors' preferences when making investment decisions [39]. [5] explains that investor preferences will change in line with changes in tax burden due to the issuance of new regulations. Investors will prefer stocks that distribute lower dividends and seek capital gains when the tax rate on capital gains is lower than that on dividends. Conversely, investors will favor capital gains if the tax rate on dividends is significantly higher than that on capital gains.

Tax Clientele Theory

The tax clientele theory suggests that, in efforts to increase shareholder wealth, firms should align their dividend payment policies with the interests of shareholders, particularly with respect to the tax burdens borne by them [70]. The adjustment of dividend policies to match investor preferences becomes crucial as it can affect market responses, thereby impacting the firm's stock price, as explained by [6] and [67].

Previous Research

[15] demonstrated an increase in both the number of dividend-paying companies and the total dividends paid when the U.S. government reduced the tax burden on dividends paid to individual investors through the Jobs and Growth Tax Relief Reconciliation Act of 2003. [21] identified an increase in the amount of dividends paid when the Canadian government reduced the dividend tax burden in 2006. Similarly, [39] explained the relationship between changes in tax regulations and dividend policy, noting a decrease in dividend payments as the tax burden on dividends increased in Finland in 2004. Furthermore, [42] and [43] highlight an increase in dividend distribution associated with tax relief policies, based on criteria for dividend distribution activity in South Korea.

[26] conducted research in the United Kingdom, concluding that there was no significant relationship between tax changes and dividend policy. [14] performed a qualitative study through a survey of corporate managers in the United Arab Emirates, finding that managers did not consider the level of dividend taxes when making dividend distribution decisions. [38] examined the impact of an increase in capital gains tax in Pakistan in 2010, hypothesizing that the change would lead to increased dividend payments as investors would prefer dividend-paying companies over companies that generate capital gains, which would be subject to higher taxes. However, the study results showed no significant effect of the capital gains tax increase on dividend payouts. [35] studied the relationship between corporate income tax and dividend payouts in Serbia, finding no significant effect.

[31] conducted research on companies in OECD countries. Their findings indicated that in

the group of dividend-paying companies, a relationship between dividend payments and tax regulations only emerged when regulations led to an increase in the dividend tax burden, which resulted in lower dividend payouts. Conversely, the introduction of regulations that reduced the tax burden on dividends did not lead to an increase in dividend payments.

Hypothesis development

[49] argued that dividend payments do not affect the wealth of shareholders. However, several of the fundamental assumptions in Modigliani and Miller's explanation are less applicable in real-world scenarios, one of which is the presence of tax burdens. Taxes are viewed as a friction that can significantly influence dividend policy, thereby impacting shareholder wealth [7]. [73] explains that corporate income tax and dividend tax are components of the costs associated with dividend decisions.

In the context of Indonesia, the government has introduced regulations to alleviate the tax burden, such as a reduction in the corporate income tax rate from 25% to 22% for the 2020 fiscal year, reported in 2021, and the elimination of dividend taxation on individual and institutional investors with holdings below 25%. The reduction in corporate tax rates leads to a lower tax burden, which in turn increases the estimated profits and cash flow of companies. The lower corporate tax rate contributes to higher earnings, thus providing greater flexibility for companies to increase the dividends they distribute [35].

Additionally, the sustained increase in profits due to the permanent reduction in corporate income tax rates can be used by managers to increase dividend payouts, which may lead to an appreciation in the company's stock valuation, as per the dividend signaling theory mentioned by [6]. The reduction in corporate income taxes will also result in a higher accumulation of company profits in the form of retained earnings, which may heighten agency conflicts if the higher accumulated retained earnings are not invested efficiently to achieve optimal company growth for the purpose of increasing shareholder wealth. To mitigate the heightened agency conflicts, increasing dividends can serve as a solution, as suggested by agency conflict theory. Furthermore, the reduction in corporate income taxes, which leads to improved company cash flow, also increases the company's capability to distribute dividends in response to investors' preference for receiving them now rather than future capital gains in accordance with the bird-in-the-hand theory.

Regarding dividend taxation, before the government's tax relief policy was implemented, domestic shareholders with ownership below 25% incurred a higher tax burden on dividends compared to taxes on capital gains. This could lead companies to refrain from paying dividends, expecting that an increase in retained earnings would result in a higher stock valuation, thereby allowing investors to benefit from capital gains, which are taxed at a lower rate. The removal of dividend taxation has equalized the tax burden on dividends and capital gains. This change could lead to a shift in investor preferences based on tax preference theory. Investors who previously favored capital gains due to their lower tax rates may now shift their investments towards companies offering dividends, as dividends are no longer subject to taxation.

From the side of company management, the elimination of dividends as a tax object can be a driving factor for increasing dividends for the purpose of obtaining a lower cost of funds and causing appreciation of the company's share value in the market, according to traditional views [6]. In addition, based on tax preference theory, an increase in dividend payments could potentially cause a shift in investor preferences to favor dividends due to a decrease in taxes. Therefore, company management, whose primary goal is to enhance shareholder wealth, can modify the dividend payment policy in response to changes in shareholder preferences resulting from the implementation of provisions that lessen the tax burden on dividends as outlined by tax clientele theory [70].

Some previous researchers have attempted to examine corporate dividend policy through two approaches, specifically dividend propensity and dividend intensity. Dividend propensity research aims to identify factors that influence a company's decision to pay or not pay dividends, while dividend intensity research seeks to examine the factors that affect the amount of dividends distributed if the company decides to pay them [4]. [23] explain that these two stages of research describe a coherent process in studies related to dividend distribution policy, making these approaches provide more accurate research results. Based on the description above, the hypothesis to be studied regarding the effect of tax relief on corporate dividend policy is as follows.

H_{01}: Tax relief does not have a significant impact on the company's decision to pay or not pay dividend payments (dividend propensity).

H_{a1}: Tax relief has a significant impact on the company's decision to pay or not pay dividend payments (dividend propensity).

H_{02}: Tax relief does not have a significant impact on the amount of dividends paid by the company (dividend intensity).

H_{a2}: Tax relief does not have a significant impact on the amount of dividends paid by the company (dividend intensity).

Other Determinants of Dividend Policy

This study also uses various company characteristic factors that affect the company's dividend distribution policy including profitability, liquidity, cash flow improvement, company size, leverage, efficiency, company age, government company status, and past dividend distribution policy as control variables based on various previous studies, for example, the studies by [41], [33], [23], [10], [61], [55], [27], and [64]. Company profitability is one of the determinants that is often researched, where companies that generate larger profits will have more resources to provide larger dividends, and vice versa [41]. The factor of the company's liquidity condition, which describes the availability of cash, can also affect its ability to distribute dividends [33]. Additionally, the company's ability to generate extra cash from its business activities, after accounting for investment expenditures, also influences dividend distribution [55].

Furthermore, company size is also believed to be a determining factor for dividend payout policy [10], [54]. Large companies tend to distribute larger dividends than small companies because it becomes more difficult for shareholders to supervise management, which helps reduce existing agency problems. Additionally, the larger the company, the easier it is to access the capital market when it requires financing, allowing the company to use alternative sources of financing besides retained earnings, which leads to the distribution of dividends to shareholders [61]. The company's capital structure can also indicate its financial distress status; specifically, a lower level of financial distress, which is represented by a smaller ratio of debt to assets, increases the likelihood that the company will be able to distribute dividends [69], [27]. The age of the company can also influence the dividend distribution policy, as older companies tend to have slower growth but generate stable cash flows, resulting in a higher tendency to allocate profits as dividends [55], [10].

The level of company efficiency shows how optimally the company manages its resources. The more efficient the company is, the more the more optimally it can generate profits for dividend distribution. In addition, the company's efficiency level can also show the potential agency conflicts that occur so that dividends are needed to overcome existing agency problems [23]. The company's status as a government company is also a factor that affects the company's dividend distribution. The government often uses dividends from state-owned companies as a source of routine income, which encourages these companies to pay dividends regularly [65]. Finally, the dividend distribution policy in the past is also a determinant of dividend distribution. Companies that paid dividends in the past have a higher tendency to pay dividends than companies that do not pay dividends [4], [7].

RESEARCH METHOD

Research Model

The research methods in this study include descriptive analysis, t-tests, and regression analysis. Panel data, comprising cross-section and time series data, will be the subject of analysis. The regression analysis model uses two levels of analysis. We conduct the first analysis to examine the impact of tax relief on the company's decision to distribute dividends or not (dividend propensity). The next analysis is conducted to identify the effect of tax relief on the amount of dividends paid by companies that make the decision to distribute dividends (dividend intensity).

In the first test, the regression model used is a logit model that aims to test the effect of tax relief on the increase in the probability of a company deciding whether to pay dividends (dividend propensity) or not. The independent variable in this model is 1 for companies that pay dividends in a year and 0 for companies that do not pay dividends in a year. We outline the following logit model.

$$\begin{aligned} Pdiv_{i,t} = {} & \alpha + \beta_1 Tax_t + \beta_2 Size_{i,t} + \beta_3 Liquid_{i,t} + \\ & \beta_4 Cashflow_{i,t} + \beta_5 Profit_{i,t} + \beta_6 Leverage_{i,t} + \\ & \beta_7 Efficient_{i,t} + \beta_8 Age_{i,t} + \beta_9 State_{i,t} + \\ & \beta_{10} Plagdiv_{i,t-1} + \varepsilon_{i,t} \end{aligned} \quad (1)$$

The regression model used in the next stage is the fixed-effect regression model, which aims to identify the impact of tax relief and other factors on the amount of dividends paid by companies that distribute dividends. The fixed effect model is employed because it accommodates individual company factors. This regression model, which accounts for company-specific fixed effects, is designed to identify the influence of independent variables specifically for each unique company. Time factors are also incorporated into the model to account for the specific effects of the time under this study. The regression model in this research is similar to the one used by [4], [38], and [22].

$$Div_{i,t}=\alpha+\beta_1 Tax_t+\beta_2 Size_{i,t}+\beta_3 Liquid_{i,t}+\beta_4 Cashflow_{i,t}+\beta_5 Profit_{i,t}+\beta_6 Leverage_{i,t}+\beta_7 Efficient_{i,t}+\beta_8 Age_{i,t}+\beta_9 State_{i,t}+\beta_{10} Yield/Payout_{i,t-1}+\varepsilon_{i,t} \quad (2)$$

Table 2. Variable Description

Variable	Description	Expected Sign	Reference
Pdiv	Valued at 1 if the company pays dividends in year t and 0 otherwise.	-	[4], [27]
Dividend Yield / Yield	Dividend per share in year t divided by the share price per share at the end of year t.	-	[41]
Payout Ratio / Payout	Dividend per share in year t divided by earnings per share in year t.	-	[41], [38]
Tax Relief/ Tax	It is assigned a value of 0 before the tax relief and 1 after the tax relief.	+	[38]
Company Size/Size	The natural logarithm of the company's total assets in year t.	+	[10], [54]
Liquidity/ Liquid	The total cash and cash equivalents in year t divided by the total assets in year t.	+	[33]
Free Cash Flow/ Cashflow	The increase or decrease in cash during year t divided by the total assets in year t.	+	[55]
Profitability/ Profit	Net income in year t divided by total assets in year t.	+	[64]
Leverage /Leverage	Total debt in year t divided by total assets in year t.	-	[27]
Efficiency/ Efficient	Total sales in year t divided by total assets in year t.	+	[23]
Company Age/Age	The natural logarithm of the company's age, calculated from the IPO date up to year t.	+	[10]
State Owned Company/ State	Dummy variable: 1 if the company is a state-owned enterprise (BUMN/BUMD), 0 otherwise.	+	[65], [23]
Plagdiv	Assigned a value of 1 if the company distributed dividends in year t−1.	+	[7]

The dependent variable is measured using the dividend yield and dividend payout ratio distributed by the company. The dividend yield is measured by dividing the dividend for the book year t, which is paid in t+1, by the stock price at the end of the year t. The dividend payout ratio is measured by dividing dividends paid by earnings per share. The tax variable is a dummy variable worth 0 before the enactment of the tax relief policy and worth 1 after the enactment of the tax relief policy. The control variables used in this model are based on previous research. Control variables used in both models include company size (size), company liquidity (liquid), cashflow increase (Cashflow), profitability (Profit), level of debt (Leverage), efficiency (Efficient), company age (Age), and government ownership status (State). Table 2 below provides a description of each research variable.

Research Data

We retrieved financial data for this study from the Refinitiv Eikon database. The companies selected were from the list of companies listed on the Indonesia Stock Exchange since 2017, totaling 511 companies. The research was conducted on publicly listed companies in Indonesia for dividends for the book year 2017 to the book year 2022, which were distributed from 2018 to 2023. The purpose of using the period is to have a comparison of 3 years before the enactment of the tax relief regulation, namely for the 2017, 2018, and 2019 book year dividends, and 3 years after the enactment of the tax relief regulation for the 2020, 2021, and 2022 book year dividends to produce balanced panel data.

Of the 511 companies, there are 84 companies in the financial sector, such as banking, financing, and insurance companies. Companies in the financial sector are not included in the research sample, so 424 companies are obtained. Companies in the financial sector are not included as samples as in previous studies because this sector has different regulations, business practices, and accounting practices from other industries [41], [70]. We selected 413 companies with complete financial reports from the 424 total, resulting in a total of 2,478 observations. The data from 413 companies is used in the logit regression analysis in the first stage to examine the effect of tax relief on the decision to distribute dividends or not.

In the second stage of regression analysis to identify the effect of tax relief on the amount of dividends paid, an additional criterion is added, which is companies that paid dividends at least once during the period 2017 to 2022 (which were distributed between 2018 and 2023). This criterion is similar to the criteria used by [38] and aims to analyze the effect of changes in tax regulations on the group of dividend-paying companies. This second model measures the amount of dividends as an independent variable using dividend yield and dividend payout ratio. For models that use the independent variable dividend payout ratio, the criterion that the company does not report losses is added, which aims to exclude data on negative dividend payouts so that it can be used in the regression model. As a result, 225 companies, or 1.350 observations, were selected for the amount of dividends measured using dividend yield, and 178 companies, or 1,068 observations, were selected for the amount of dividends measured using the dividend payout ratio.

RESULTS AND DISCUSSION

Descriptive Statistics

Table 3. Descriptive Statistics

Vari-able	Com-panies	Obs.	Mean	Std. dev.	Min	Max
Yield	413	2,478	0.017	0.039	0	0.261
Lagyield	413	2,478	0.015	0.031	0	0.188
Payout	413	2,478	0.161	0.268	0	0.900
Lagpayout	413	2,478	0.155	0.259	0	0.884
Tax	413	2,478	0.500	0.500	0	1.000
Size	413	2,478	28.708	1.598	25.726	31.572
Liquid	413	2,478	0.055	0.054	0.003	0.182
Cashflow	413	2,478	0.016	0.063	-0.085	0.126
Profit	413	2,478	0.031	0.071	-0.085	0.154
Leverage	413	2,478	0.501	0.241	0.140	0.963
Efficient	413	2,478	0.718	0.618	0.037	2.302
Age	413	2,478	2.695	0.642	1.386	3.466
State	413	2,478	0.042	0.201	0	1.000

Source: Tabulated company data

Table 3 shows that among the 413 companies with a total of 2,478 observations sampled in the study, the average dividend yield from 2017 to 2022 is 1.7%, with a minimum dividend yield of 0% and a maximum of 26.1%. Meanwhile, the average dividend payout ratio over the same period is 16.1%, with a minimum of 0% and a maximum of 90%. Of the whole sample of companies studied during the study period, as shown in Table 4, ranging from 65.9% to 69.2% with an average of 67.4% of companies are profit-making companies, and ranging from 30.8% to 32.6% with an average of 32.6% incurring losses. Companies that are profitable are more likely to distribute dividends than those that incur losses. The average number of companies that are profitable and distribute dividends is 34.8%, while companies that incur losses but still distribute payouts make up only an average of 3.7% of the total sample studied. The data shows a fairly normal phenomenon because, of course, profitable companies have more adequate resources derived from profit generation to be distributed as dividends than companies that incur losses.

Overall, during the financial years 2017 to 2022, the average number of companies with both profits and losses that paid dividends was 38.4% of the total sample (Table 4). In other words, 61.6% of the total companies sampled did not pay dividends during the period. This result shows that there are fewer companies that pay dividends when compared to companies that do not pay dividends during the study period.

The trend per year (Figure 1) in the sample of companies studied shows that the average dividend yield for the book year up to 2019 has a curve shape that tends to stagnate with an average dividend yield value ranging from 1.25% to 1.45%. This average dividend yield then increased in the 2020 book year dividend by 1.58%, in 2021 by 2.06%, and in 2022 by 2.61%. A similar thing is seen in the trend of the dividend payout ratio for the book year up to 2019, with a curve line that tends to slope with an average of 12% to 16%, which then increases to more than 27% in 2020 to 2022.

Table 4. Dividend-Paying Companies (Book Year 2017–2022)

Year	Companies			Dividend-Paying Companies		
	All	Profit	Loss	All	Profit	Loss
2017	413	272	141	175	145	30
	100%	65.9%	34.1%	42.4%	35.1%	7.3%
2018	413	275	138	173	145	28
	100%	66.6%	33.4%	41.9%	35.1%	6.8%
2019	413	277	136	132	121	11
	100%	67.1%	32.9%	32.0%	29.3%	2.7%
2020	413	283	130	139	132	7
	100%	68.5%	31.5%	33.7%	32.0%	1.7%
2021	413	286	127	160	154	6
	100%	69.2%	30.8%	38.7%	37.3%	1.5%
2022	413	277	136	174	164	10
	100%	67.1%	32.9%	42.1%	39.7%	2.4%
Average proportion to the total sample	100%	67.4%	32.6%	38.4%	34.8%	3.7%

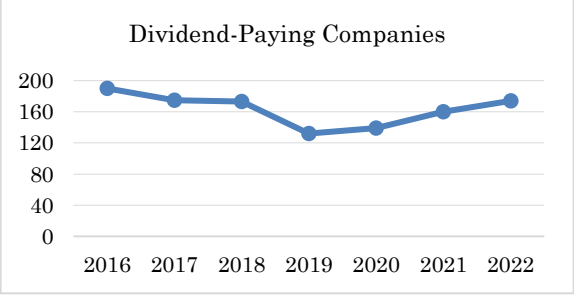
Source: Tabulated company data

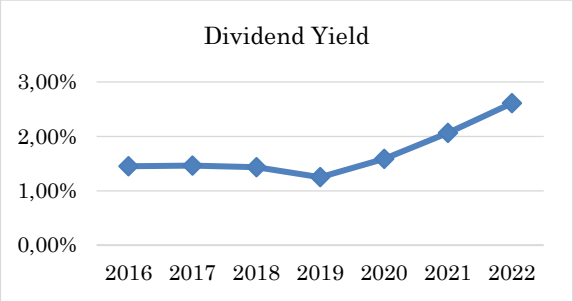
Table 5. Dividend Payment Trend of Dividend-Paying Companies from Book Year 2016 to 2022

	2016	2017	2018	2019	2020	2021	2022
Payer	190	175	173	132	139	160	174
%Payer	46.0%	42.4%	41.9%	32.0%	33.7%	38.7%	42.1%
Yield	1.45%	1.46%	1.44%	1.25%	1.58%	2.06%	2.61%
Payout	15.2%	15.4%	14.8%	12.5%	17.5%	18.2%	18.1%

Source: Tabulated company data

From the trend displayed in Figure 1, there is an interesting anomaly where the increase in the average dividend yield and payout ratio does not seem to be accompanied by an increase in the number of companies paying dividends. The number of companies that paid dividends was 175, 173, and 132 companies for the 2017, 2018, and 2019 book years, respectively. After the enactment of the tax relief regulation, the number of companies that paid dividends was 141, 160, and 175 companies for the 2020, 2021, and 2022 book years.





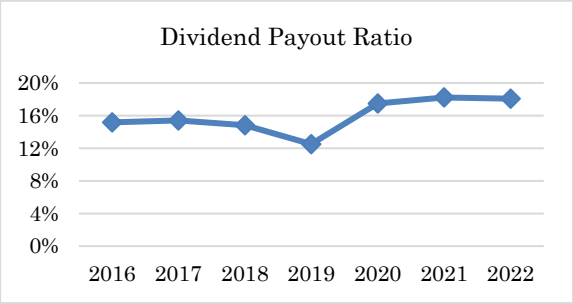


Figure 1. Dividend Trend of Dividend-Paying Companies
Source: Tabulated company data

The average percentage of dividend-paying companies compared to all companies tends to decrease from more than 40% for 2017 to less than 40% for 2019 to 2021 and back above 40% for 2022 (Table 5). Figure 1 also shows that the average level of dividend yield and dividend payout ratio has increased after the enactment of the tax relief rules for dividends for the 2020 book year. On the other hand, the number of dividend-paying companies tends to remain stable despite a slight increase. The tax relief policy does not increase the number of dividend-paying companies, but it does increase the amount of dividends distributed by those that do.

T-test Before and After Tax Relief Regulation

We conduct an initial analysis using a t-test to determine the impact of tax relief on dividend distribution. This test aims to compare the average amount of dividends distributed by companies before and after the tax reduction policy. We perform the test by comparing the average dividend yield and dividend payout ratio for all research samples. In addition, we also carry out a different test on a limited group of dividend-dividing companies by excluding companies that have never distributed dividends in the 2017 to 2022 book year dividends. We add the criterion of the company not experiencing losses to the dividend payout ratio measurements, in order to produce positive payout data.

It is shown in Table 6 that the average value of dividend payout ratio and dividend yield before the tax reduction policy is enacted is smaller than after the tax reduction policy, as indicated by the t-stat, which is negative and significant based on the t-stat with p-value. On average, the difference in dividend yield is 0.7%, and the dividend payout ratio is 3.7% between the period before and after the tax relief policy. There is a more significant difference when the comparison is limited to the group of dividend-paying companies, where the average difference in dividend yield is 1.5% and the average difference in dividend payout ratio is 11.9% between the period before and after the tax relief policy. These differences indicate an increase in dividend payments after the enactment of tax relief. To further confirm that the tax reduction policy influences the t-test results, a regression analysis is conducted by considering other determining factors.

Table 6. t-test Dividend Yield and Payout Ratio Before and After Tax Relief

Variable	Companies	Obs.	Mean		t-stat	p-value
			Before	After		
Div. Yield	413	2,478	1.38%	2.09%	-3.023	0.002
	225	1,350	2.55%	4.06%	-3.633	0.000
Div. Payout Ratio	413	2,478	14.20%	17.90%	-2.209	0.027
	178	1,068	28.83%	40.70%	-3.907	0.000

Source: t-test with Microsoft Excel

Regression Analysis

Table 7. Regression Result for Dividend Propensity

Variable	Model 1	Model 2	Model 3	Model 4	Model 5
Tax	-0.024	-0.010	-0.138	-0.261	0.348
	(0.083)	(0.141)	(0.108)	(0.182)	(0.241)
Size			0.581***	0.587***	0.371***
			(0.0371)	(0.0374)	(0.0506)
Liquid			3.642***	3.400***	3.885**
			(1.026)	(1.029)	(1.539)
Cashflow			3.680***	3.990***	3.779***
			(0.923)	(0.937)	(1.329)
Profit			8.498***	8.771***	6.102***
			(0.852)	(0.864)	(1.182)
Leverage			-2.956***	-2.964***	-2.050***
			(0.247)	(0.248)	(0.330)
Efficient			1.190***	1.190***	0.746***
			(0.0955)	(0.0965)	(0.119)
Age			-0.0541	-0.0423	0.150
			(0.0837)	(0.0850)	(0.112)
State			0.608***	0.622***	0.509
			(0.228)	(0.230)	(0.337)
Plagdiv					3.914***
					(0.161)
Constant	-0.458***	-0.307***	-17.14***	-17.06***	-13.54***
	(0.058)	(0.010)	(1.104)	(1.112)	(1.513)
Time Effect	no	yes	no	yes	yes
Wald chi2	0.08	52.76	140.22	157.56	736.91
Prob > chi2	0.773	0.000	0.000	0.000	0.000
Pseudo-R2	0.00	0.00	0.31	0.32	0.59
No of Obs	2,478	2,478	2,478	2,478	2,478
Companies	413	413	413	413	413

Robust standard errors in parentheses (probit)
*** p<0.01, ** p<0.05, * p<0.1
Source: Results from Stata processing

Logit regression is used to identify the effect of the tax reduction policy on a company's decision to distribute dividends, using five variations of the model. There are 413 companies with a total of 2,478 observations used in logit regression. In Model 1, the only variable tested is the tax variable. Model 2 is similar to Model 1 but adds the time effect variable. Table 7 shows that the results of Models 1 and 2, which only use the tax variable, do not indicate any positive effect on the probability of the company deciding to distribute dividends. The control variable of firm characteristics is then included in Model 3, followed by the addition of the time variable in Model 4. Similar to the previous results, the results of Models 3 and 4 do not indicate that the tax variable increases the likelihood of the company deciding to distribute dividends. Model 5 incorporates the dividend policy variable from the previous period, yet it yields identical results as the previous models.

Table 8. Regression Result for Dividend Intensity (Dividend Yield)

Variable	Model 1	Model 2	Model 3	Model 4	Model 5
Tax	0.015***	0.024***	0.010***	0.013**	0.012**
	(0.003)	(0.005)	(0.003)	(0.005)	(0.005)
Size			0.028**	0.027**	0.023**
			(0.012)	(0.013)	(0.011)
Liquid			0.073	0.061	0.063
			(0.049)	(0.049)	(0.047)
Cashflow			0.052**	0.059***	0.047**
			(0.021)	(0.022)	(0.022)
Profit			0.092	0.103	0.097*
			(0.063)	(0.063)	(0.058)
Leverage			-0.110***	-0.108***	-0.109***
			(0.037)	(0.036)	(0.035)
Efficient			0.029***	0.026***	0.022***
			(0.007)	(0.006)	(0.006)
Age			0.003*	0.003*	0.003*
			(0.002)	(0.002)	(0.002)
State			0.004	0.003	0.004
			(0.008)	(0.008)	(0.009)
Lagyield					0.191***
					(0.065)
Constant	0.026***	0.027***	-0.798**	-0.756**	-0.634*
	(0.002)	(0.002)	(0.347)	(0.369)	(0.330)
Time FE	no	yes	no	yes	yes
Firm FE	yes	yes	yes	yes	yes
R-squared	0.034	0.056	0.133	0.141	0.164
F Stat	24.23	6.72	3.87	3.87	5.03
Prob > F	0.000	0.000	0.000	0.000	0.000
No of Obs	1,350	1,350	1,350	1,350	1,350
Companies	225	225	225	225	225

Robust standard errors in parentheses
*** p<0.01, ** p<0.05, * p<0.1
Source: Results from Stata processing

The logit regression results show that firm characteristic variables such as firm size (Size), liquidity (Liquidity), cash flow (Cashflow), profitability (Profit), and efficiency (Efficient), as well as previous dividend distribution decisions, significantly contribute to increasing the likelihood of the firm deciding to distribute dividends. This indicates that the greater the company size, liquidity, cash flow, profitability, and efficiency, the greater the possibility of a company deciding to distribute dividends. Conversely, the leverage variable shows a negative and significant effect, which means that the greater the level of corporate debt, the lower the likelihood of a company distributing dividends. The significant effect of these control variables indicates that company characteristics and previous dividend distribution decisions are more dominant factors for companies to consider when deciding whether to pay dividends, compared to government tax relief regulations.

Table 9. Regression Result for Dividend Intensity (Dividend Payout Ratio)

Variable	Model 1	Model 2	Model 3	Model 4	Model 5
Tax	0.119***	0.092***	0.122***	0.094**	0.093**
	(0.018)	(0.026)	(0.020)	(0.038)	(0.038)
Size			-0.076	-0.052	-0.052
			(0.058)	(0.071)	(0.071)
Liquid			0.357	0.313	0.313
			(0.271)	(0.275)	(0.275)
Cashflow			-0.094	-0.097	-0.099
			(0.158)	(0.160)	(0.157)
Profit			0.759*	0.822*	0.819**
			(0.406)	(0.417)	(0.414)
Leverage			-0.271	-0.289*	-0.290*
			(0.167)	(0.170)	(0.174)
Efficient			0.019	0.020	0.020
			(0.056)	(0.057)	(0.058)
Age			0.022*	0.022*	0.022*
			(0.012)	(0.012)	(0.012)
State			-0.018	-0.018	-0.018
			(0.040)	(0.0393)	(0.039)
Lagpayout				0.094**	0.003
				(0.038)	(0.051)
Constant	0.288***	0.306***	2.468	-0.053	1.807
	(0.008)	(0.016)	(1.700)	(0.071)	(2.07)
Time effect	no	yes	no	yes	yes
Firm effect	yes	yes	yes	yes	yes
R-squared	0.066	0.068	0.084	0.085	0.085
F Stat	46.03	10.03	6.37	4.62	4.42
Prob > F	0.000	0.000	0.000	0.000	0.000
No of Obs	1,068	1,068	1,068	1,068	1,068
Companies	178	178	178	178	178

Robust standard errors in parentheses
*** p<0.01, ** p<0.05, * p<0.1
Source: Results from Stata processing

Then, in the fixed regression analysis, 225 companies, or 1350 observations, were used for regression using dividend yield, and 178 companies, or 1068 observations, were used for regression using dividend payout ratio. The fixed-effect regression yields different results from the previous regression. The fixed-effect regression results show that the tax variable is positive and significant for both the yield and payout variables (Table 8 and Table 9). The results in Models 1 and 2 are consistent with the t-test analysis, where the tax relief variable leads to an increase in the dividend distribution. The significant effect of the tax variable is also observed

after considering company characteristics as control variables, as shown in the results of Models 3 and 4. Furthermore, after factoring in the dividend distribution from the previous period in Model 5, the same conclusion is reached that the tax relief factor has a significant and positive effect on the amount of dividends.

The consistency of the results, showing that the tax relief variable (Tax) is significant in both models using dividend yield and dividend payout ratio as dependent variables, has accounted for company characteristics as control variables, such as company size, liquidity, cash flow, profitability, and capital leverage. When examining the results in Model 5, dividends increased by 1.2% for dividend yield and by 9.3% for dividend payout ratio (Tables 7 and 8). These results indicate that tax relief is a factor considered by the group of dividend-paying companies in determining the amount of dividends distributed.

Discussion

The results show that the tax relief policy, specifically the reduction of corporate income tax and the exclusion of dividends from taxable objects, has an impact on increasing the amount of dividends distributed by dividend-paying companies. These results are consistent with previous studies, such as [15], [21], [42], and [43], which demonstrate that changes in tax regulations influence the dividends distributed to shareholders. When compared to studies in other developing countries, the results of this study differ from those by [38] in Pakistan and [35] in Serbia, where the tax policy had no effect on the amount of dividends distributed. This discrepancy may be due to differences in the policies implemented. In Pakistan, only changes in capital gains tax rates were applied, and in Serbia, only differences in corporate income tax rates were introduced. As a result, the impact of tax regulations on dividend distribution policies is not as strong as in Indonesia, where the regulatory changes involve both a reduction in corporate income tax and the elimination of dividend taxes.

The reduction in corporate income tax will increase profits, which in turn enhances the company's capacity to distribute dividends. For companies that pay dividends, this profit increase will encourage a higher dividend payout, helping to reduce agency problems between managers and shareholders. Increasing profits in future periods, resulting from the corporate tax reduction, can also be utilized by company managers to signal information to shareholders through increasing dividends, as explained by dividend signaling theory. This increase in dividends is also consistent with the bird-in-the-hand theory, which suggests that an increase in profits boosts investors' preference for receiving dividends because dividends are perceived as less risky than holding profits and deferring payments of dividends to future periods.

The findings for the group of dividend-paying companies align with the traditional view theory, which treats dividend taxes as one component of the cost of funds. The reduction in these taxes can ease the burden on companies, making it easier for them to distribute dividends and meet investors' required returns [73]. The tax burden on dividends and corporate income taxes adds an additional burden when companies attempt to distribute dividends as a means of signaling information to shareholders and reducing conflicts with management. The government's tax reduction policy lessens this burden, providing an incentive for companies to share information and address management-shareholder conflicts through increased dividend distribution.

Furthermore, the research findings for the dividend-paying companies are also in line with tax preference theory, as the elimination of the dividend tax burden increases the number of investors in the market who favor companies that distribute dividends. This is because there is no longer a capital gains tax advantage over dividends, as was the case before the policy eliminating taxes on dividends. Consistent with tax clientele theory, companies with dividend distribution policies take advantage of the tax relief offered by the government to meet investor expectations by increasing the amount of dividends paid.

However, the results of the logit regression on the entire sample of companies highlight one crucial aspect. It shows that the tax reduction policy does not affect the dividend distribution policy of the company as a whole but is limited to dividend-paying companies. These results are in line with the data on dividend distribution trends before and after the tax relief regulation (Table 4), which shows that the number of companies paying dividends tends to stagnate, but the average dividend amount increases after the implementation of the government's tax reduction policy. These findings suggest that the effect of tax relief regulations is not a factor that companies consider when deciding whether or not to distribute dividends. Several factors contribute to this phenomenon. First, according to the results of previous studies and the results of the logit regression in this study, it is known that when the company determines whether to distribute or not to distribute dividends, the company's characteristic factors, including company size, company liquidity, company cash flow, company profit, company capital structure, company efficiency level, and

dividend distribution policy in the previous period, are determinants that are considered more than the tax factor. Thus, the tax factor is still not the main determinant for companies to distribute dividends or not, but only a factor that encourages an increase in dividend distribution when the company has decided to distribute dividends.

Second, some companies that report profits may prefer to retain those profits for internal financing of their investments. As shown in the statistical description (Table 4), a significant number of profit-making companies do not distribute dividends. According to the new view theory, these companies typically view retaining profits as a more rational decision than distributing dividends. This is because retained earnings provide internal financing, which is believed to have a lower cost of funds and is more accessible than alternative financing sources.

Third, there are differences in capital market conditions between developed and developing countries, especially regarding minority investor protection. In developing countries, the protection of minority investors is much weaker compared to developed countries [17], [53], [72], [66]. The weak protection of minority investors in developing countries causes majority shareholders, who have the final say in dividend distribution decisions, to sometimes make expropriation efforts against minority investors by not prioritizing the distribution of company profits in the form of dividends [50]. Majority shareholders can unilaterally distribute profits through intra-group transactions [62], [46], [58]. These transactions often provide economic benefits to majority shareholders but do not benefit minority shareholders.

The initial purpose of the corporate income tax reduction and dividend elimination policy is to encourage an increase in dividend distribution to increase the return received by investors and simultaneously reduce the *cost of funds* in the capital market. However, since the results of this study suggest that the impact of the tax reduction policy is limited to companies that pay dividends, its effects can be considered less than optimal. This policy's contribution to improving the investment climate and boosting economic stability appears to be more limited as well. We should consider further refining the regulations to encourage more companies to distribute dividends among publicly listed companies while simultaneously promoting enhanced protection for minority shareholders [44], [28], [52].

The government can optimize current regulations by considering examples from other countries. One such example is South Korea's regulation of tax relief for companies that actively distribute dividends, based on the criteria of a historical average dividend distribution threshold [42] and [43]. This regulation has successfully encouraged many companies, which previously did not or rarely distributed dividends, to increase their dividend payments to receive tax relief incentives. Indonesia could consider adopting and adapting similar regulations, like those in South Korea, to provide tax relief for companies that actively distribute dividends. The criteria for dividend distribution activities to qualify for tax relief can be aligned with the provision of incentives aimed at reducing the corporate tax burden, such as a reduction in the corporate income tax rate. For instance, companies that meet specific criteria could benefit from a reduced corporate income tax rate on the portion of dividends distributed.

The criteria formulated could encompass the historical average dividend amount, measured by indicators such as the dividend payout ratio. Companies with a dividend payout ratio exceeding the average payout ratio of all companies over the past few years may qualify for tax relief. A policy based on average dividend distribution is relative, meaning that companies must distribute dividends at a level higher than the overall average, as measured by either the dividend payout ratio or dividend yield. However, this policy has the disadvantage that, due to its relativity, some companies paying dividends may not qualify for tax relief if their dividends remain below the average level of dividends distributed.

Alternatively, more definite criteria could be considered, such as using the amount of profit distributed as dividends to determine which portion of profit qualifies for a lower corporate income tax rate compared to the normal tax rate. By applying criteria based on the portion of profit distributed as dividends, every public company that distributes dividends can benefit from a reduced tax rate. Tax regulatory policies that link dividend distribution activities with incentives based on relative or definite criteria could more optimally encourage companies to distribute dividends, which could also improve the investment climate in Indonesia.

The findings of this study can also give helpful guidance to for investors when constructing their portfolios. For dividend-oriented investors, the tax reduction on dividends is considered positive news regarding the increase in returns in the form of dividends after the enactment of the tax relief policy. However, for investors who are not dividend-oriented but rather capital gain-oriented, it is also worth paying attention to the results of this study. The increase in dividends in dividend-paying companies indicates a shift to more favorable conditions in terms of risk and reward for companies

and other advantages compared to companies that do not pay dividends.

According to the traditional view theory, the tax burden is an additional burden component of the implementation of dividend distribution to overcome asymmetric information and agency problems [73]. The implementation of this tax reduction policy reduces these obstacles, resulting in a lower risk of investing in dividend-paying stocks compared to non-dividend-paying companies. The reduced risk is contributed by the increase in dividends as a reflection of the reduction of asymmetric information problems based on dividend signaling theory and the handling of agency conflicts based on agency problem theory. Furthermore, an increase in dividends as a result of tax relief regulations can increase the perception of risk in non-dividend-paying companies in terms of certainty of returns according to the bird-in-the-hand theory.

Hence, after the enactment of tax relief regulation, capital gain-oriented investors need to have extra confidence related to the benefits obtained from returns in the form of capital gains from non-dividend-paying companies based on the expectation that the company's growth from investment from retained earnings can exceed the benefits of dividend returns that are more certain and less risky from dividend-paying companies. Moreover, the practices of profit distribution through intra-group transactions that are not favorable to minority investors further increase the investment risk in the shares of companies that are frequently absent in distributing dividends.

From the perspective of companies listed on the stock exchange, the trend of increasing dividends among dividend-paying companies after implementing tax reduction policies warrants special attention, especially for those companies that have never distributed dividends. Increasing investor awareness of the reduction in corporate income tax burden and tax burden on dividends for domestic investors, coupled with increased dividend payments and reduced risk of asymmetric information and agency problems, may lead to a decrease in investor interest in companies that do not pay dividends. The situation when investments from these companies that are sourced from undistributed dividends fail to achieve the company's expected growth or even show slower growth compared to companies that distribute dividends, combined with concerns about the lack of protection for minority investors, may result in decreased investor participation in companies that do not distribute dividends. This, in turn, may affect the valuation of companies' stock prices, resulting in suboptimal achievement of the goal of increasing shareholder wealth. Therefore, companies that have never distributed dividends could reconsider their dividend policy to align with the trends in dividend distribution activities in the Indonesian stock market.

CONCLUSION

Tax relief regulations by the government to reduce the corporate income tax rate and eliminate taxes on dividends can increase the amount of dividends distributed after the regulations are enacted. The results of this study show that the increase in dividends comes from higher dividend payouts within the group of dividend-paying companies. The increase in dividend distribution in the group of dividend-dividing companies is in line with existing theories such as traditional view theory, tax clientele theory, and tax preference theory. However, the number of companies distributing dividends has remained stagnant, resulting in many companies not making a significant contribution to the overall increase in distributed dividends. In other words, tax relief regulations are not the primary factor in a company's decision to distribute dividends. Instead, company characteristics such as size, liquidity, cash flow, profitability, leverage, efficiency, and previous dividend policies are the key determinants for companies in deciding whether to distribute dividends or not.

Identifying the result of the study is essential for understanding how effectively the government's regulations, aimed at reducing tax burdens, influence corporate behavior, particularly in relation to dividend distribution policies. Changes in dividend distribution behavior could serve as an early indicator of whether the primary goal of these policies has been achieved, namely enhancing the investment climate and promoting more stable and equitable economic growth. Likewise, the results of this research related to dividend changes can also be a relevant insight for investors in portfolio construction and for companies related to dividend policy.

Considering that the purpose of the tax relief policy is to serve as an incentive to encourage dividend distribution, thereby reducing the cost of funds and supporting the improvement of the investment climate, the results of this study suggest that this goal has been achieved, albeit to a limited extent. The government can optimize existing regulations by providing tax reduction incentives based on criteria for the level of dividend distribution activity by companies. This policy could serve as an alternative option to consider in efforts to improve existing regulations to encourage a larger number of public companies to distribute dividends.

Investors could also reconsider the shares of dividend-paying companies in constructing portfolios after the enactment of the tax relief policy, given several advantages such as an increase in distributed dividends, no tax burden on dividends for domestic investors, and lower risk of asymmetric information and agency problems compared to non-dividend-paying stocks. On the other hand, the advantages offered need to be considered by companies, especially those that do not or rarely distribute dividends, in rethinking their dividend policy to anticipate the possibility of reduced investor interest in the shares of companies that do not pay dividends.

However, it is important to acknowledge that this study has limitations in terms of the relatively short research period of only 6 years, covering dividends from the book year 2017 to 2022, which were distributed between 2018 and 2023. Therefore, extending the research period could enhance future studies.

REFERENCES

[1] Ahmad, N., & Xiao, W. (2013). End of double taxation: Is the policy better when announced? *Journal of Policy Modeling*, *35*(6), 928–942. https://doi.org/10.1016/j.jpolmod.2012.12.004

[2] Al-Najjar, B., & Kilincarslan, E. (2019). What do we know about the dividend puzzle? – A literature survey. *International Journal of Managerial Finance*, *15*(2), 205–235. https://doi.org/10.1108/IJMF-03-2018-0090

[3] Anwar, S., Singh, S., & Jain, P. K. (2017). Impact of cash dividend announcements: evidence from the Indian manufacturing companies. *Journal of Emerging Market Finance*, *16*(1), 29–60. https://doi.org/10.1177/0972652716686238

[4] Arko, A. C., Abor, J., K.D. Adjasi, C., & Amidu, M. (2014). What influence dividend decisions of firms in Sub-Saharan African? *Journal of Accounting in Emerging Economies*, *4*(1), 57–78. https://doi.org/10.1108/jaee-12-2011-0053

[5] Badenhorst, W. M. (2017). Tax preferences, dividends and lobbying for maximum value. *South African Journal of Economic and management Sciences*, *21*(1), a1476. https://doi.org/10.4102/sajems.v25i1.4534

[6] Baker, H. K., & Powell, G. E. (2012). Dividend policy in Indonesia: Survey evidence from executives. *Journal of Asia Business Studies*, *6*(1), 79–92. https://doi.org/10.1108/15587891211191399

[7] Baker, H. K., & Weigand, R. (2015). Corporate dividend policy revisited. *Managerial Finance*, *41*(2), 126–144. https://doi.org/10.1108/MF-03-2014-0077

[8] Berzins, J., Bøhren, Ø., & Stacescu, B. (2019). Dividends and taxes: The moderating role of agency conflicts. *Journal of Corporate Finance*, *58*, 583–604. https://doi.org/10.1016/j.jcorpfin.2019.07.003

[9] Bhagat, S., & Hubbard, G. (2020). Should the modern corporation maximize shareholder value. In *AEI Economic Perspective*. https://www.aei.org/research-products/report/should-the-modern-corporation-maximize-shareholder-value/

[10] Brawn, D. A., & Šević, A. (2018). "Firm size matters: Industry sector, firm age and volatility do too in determining which publicly-listed US firms pay a dividend." *International Review of Financial Analysis*, *58*(5), 132–152. https://doi.org/10.1016/j.irfa.2018.05.002

[11] Budiarso, N. S., & Pontoh, W. (2020). The role of dividend yield as agency conflict determinant: Case of Indonesia. *Investment Management and Financial Innovations*, *17*(1), 188–196. https://doi.org/10.21511/imfi.17(1).2020.17

[12] Chan, C. H., & Lin, M. H. (2017). Imputation tax system, dividend payout, and investor behavior: Evidence from the Taiwan stock exchange. *Asia Pacific Management Review*, *22*(3), 146–158. https://doi.org/10.1016/j.apmrv.2016.12.002

[13] Chatterjee, C., & Tiwari, S. (2022). Dividend reduction and stock price reaction in Indian market: is there a role of share repurchase? *Journal of Indian Business Research*, *14*(4), 447–471. https://doi.org/10.1108/JIBR-11-2020-0348

[14] Chazi, A., Boubakri, N., & Zanella, F. (2011). Pacific-basin finance journal corporate dividend policy in practice: Evidence from an emerging market with a tax-free environment. *Pacific-Basin Finance Journal*, *19*(2), 245–259. https://doi.org/10.1016/j.pacfin.2010.11.001

[15] Chetty, R., & Saez, E. (2005). Dividend taxes and corporate behavior: evidence from the 2003 dividend tax cut. *The Quarterly Journal of Economics*, *120*(3), 791–833. https://www.jstor.org/stable/25098756

[16] Chul, S., & Park, S. S. (2023). Dividend taxes and corporate choice : Evidence from 2015 tax cut in South Korea. *Pacific-Basin Finance Journal*, *79*, 101983. https://doi.org/10.1016/j.pacfin.2023.101983

[17] Claessens, S., Djankov, Si., Fan, J. P. H., & Lang, L. H. P. (1999). Expropriation of minority shareholders : Evidence from East Asia. *The World Bank*, *1*(1), 1-22. http://documents.worldbank.org/curated/en/281211468771272365-evidence-from-East-Asia

[18] Danni, W., & Zong, Q. (2024). Analyzing the influence of dividend policy on corporate value:

a financial perspective with haier as a case study. *Analyzing the Influence of Dividend Policy on Corporate Value: A Financial Perspective with Haier as a Case Study*, *32*(1), 199–206. https://doi.org/10.31966/jabminternational.v32i1.1464

[19] Darussalam, D. S., & Marhani, R. (2024). Konsep dasar pajak: berdasarkan perspektif international *Danny Darussalam Tax Center Publlisher (PT Dimensi Internasional Tax)*, *1*(2), 160–161. https://ddtc.co.id/id/riset/publikasi/buku/konsep-dasar-pajak-berdasarkan-perspektif-internasional/

[20] Denis, D. (2019). The case for maximizing long-run shareholder value. *Journal of Applied Corporate Finance*, *31*(3), 81–89. https://doi.org/10.1111/jacf.12362

[21] Deslandes, M., Landry, S., & Fortin, A. (2015). The effects of a tax dividend cut on payout policies: Canadian evidence. *International Journal of Managerial Finance*, *11*(1), 2–22. https://doi.org/10.1108/IJMF-05-2014-0081

[22] Dhamija, S., & Arora, R. K. (2019). Impact of dividend tax change on the payout policy of Indian companies. *Global Business Review*, *20*(5), 1282–1291. https://doi.org/10.1177/0972150919846814

[23] Duygun, M., Guney, Y., & Moin, A. (2018). Dividend policy of Indonesian listed firms: The role of families and the state. *Economic Modelling*, *75*, 336–354. https://doi.org/10.1016/j.econmod.2018.07.007

[24] Ed-Dafali, S., Patel, R., & Iqbal, N. (2023). A bibliometric review of dividend policy literature. *Research in International Business and Finance*, *65*, 101987. https://doi.org/10.1016/j.ribaf.2023.101987

[25] Fligstein, N., & Goldstein, A. (2022). The legacy of shareholder value capitalism. *Annual Review of Sociology*, *48*(1), 193–211. https://doi.org/10.1146/annurev-soc-030420-120827

[26] Geiler, P., & Renneboog, L. (2015). Taxes, earnings payout, and payout channel choice. *Journal of International Financial Markets, Institutions and Money*, *37*, 178–203. https://doi.org/10.1016/j.intfin.2015.01.005

[27] Ghose, B., Baruah, D., & Gope, K. (2022). Propensity to propose and pay dividend: does firm characteristics matter? In *Global Business Review*. https://doi.org/10.1177/09721509221110314

[28] Gong, M., Wang, Y., & Yang, X. (2021). Do independent directors restrain controlling shareholders' tunneling? Evidence from a natural experiment in China. *Economic Modelling*, *94*, 548–559. https://doi.org/10.1016/j.econmod.2020.01.023

[29] Gordon, M. J. (1963). Optimal Investment and Financing Policy. *The Journal of Finance*, *18*(2), 264–272. https://doi.org/10.2307/2977907

[30] Herawati, N., & Bandi, B. (2017). Dua puluh tahun riset perpajakan dalam akuntansi: suatu studi bibliografi. *Jurnal Akuntansi Dan Keuangan*, *19*(2), 102–121. https://doi.org/10.9744/jak.19.2.102-121

[31] Herron, R., & Platt, K. (2021). World dividends and tax shocks ☆. *Global Finance Journal*, *47*, 100516. https://doi.org/10.1016/j.gfj.2020.100516

[32] Irawati, A. E., & Komariyah, E. F. (2019). The role of capital structure on the effect of dividend policy and business risk on firm value (evidence from Indonesian manufacturing company). *The Indonesian Journal of Accounting Research (IJAR)*, *22*(2), 207–228. http://doi.org/10.33312/ijar.463

[33] Jabbouri, I., & El Bakouri, A. (2017). Does a high dividend payout ratio signal proper corporate governance or high agency cost of debt? *Corporate Ownership and Control*, *14*(2), 51-58. https://doi.org/10.22495/cocv14i2art5

[34] Jensen, M. C., & Meckling, W. H. (1976). Theory of the firm: managerial behaviour, agency costs and ownership structure. *Journal of Financial Economics*, *3*(4), 305–360. https://doi.org/10.1016/0304-405X(76)90026-X

[35] Jovković, B., & Vržina, S. (2021). Taxation and dividend payout: the case of the Republic of Serbia. *Management: Journal of Sustainable Business and Management Solutions in Emerging Economies*, *26*(3), 35–47. https://doi.org/10.7595/management.fon.2021.0016

[36] Kapons, M., Kelly, P., Stoumbos, R., & Zambrana, R. (2023). Dividends, trust, and firm value. *Review of Accounting Studies*, *28*(3), 1354–1387. https://doi.org/10.1007/s11142-023-09795-4

[37] Kementerian Keuangan. (2019). *Naskah Akademik Rancangan Undang-Undang Tentang Ketentuan dan Fasilitas Perpajakan Untuk Penguatan Perekonomian*. 191-197.

[38] Khan, N. U., Shah Jehan, Q. U. A., & Shah, A. (2017). Impact of taxation on dividend policy: Evidence from Pakistan. *Research in International Business and Finance*, *42*, 365–375. https://doi.org/10.1016/j.ribaf.2017.07.157

[39] Korkeamaki, T., Liljeblom, E., & Pasternack, D. (2010). Tax reform and payout policy: Do shareholder clienteles or payout policy adjust? *Journal of Corporate Finance*, 16(4), 572–587. https://doi.org/10.1016/j.jcorpfin.2009.12.003

[40] Kuzucu, N. (2015). A survey of managerial perspective on corporate dividend policy. *International Journal of Research in Business and Social Science (2147- 4478), 4*(2), 1–19. https://doi.org/DOI:10.20525/ijrbs.v4i2.22

[41] Labhane, N. B., & Mahakud, J. (2016). Determinants of dividend policy of indian companies. *Paradigm*, *20*(1), 36–55. https://doi.org/10.1177/0971890716637698

[42] Lee, J. H., & Lee, Y. (2019). Dividend taxes and payout policy: Evidence from Korea's 2015–2017 dividend tax cut. *Journal of Economic Research*, *24*(2), 157–196. DOI : 10.17256/jer.2019.24.2.002

[43] Lee, Y. K. (2022). The effect of ownership structure on corporate payout policy and performance: Evidence from Korea's exogenous dividends tax shock. *Pacific-Basin Finance Journal*, *73*, 101763. https://doi.org/10.1016/j.pacfin.2022.101763

[44] Lertnuwat, N. (2018). Regulating controlling shareholders in Thai private companies. *Asia Pacific Law Review*, *26*(2), 147–169. https://doi.org/10.1080/10192557.2019.1569362

[45] Liu, C., & Chen, A. S. (2015). Do firms use dividend changes to signal future profitability? A simultaneous equation analysis. *International Review of Financial Analysis*, *37*, 194–207. https://doi.org/10.1016/j.irfa.2014.12.001

[46] Malawat, F. F., & Widodo, C. (2022). Kepemilikan ultimate perusahaan di Indonesia: praktik tunneling. *Jurnal Ekonomi Modernisasi*, *18*(1), 120–131. https://doi.org/10.21067/jem.v18i1.6391

[47] Maulana, Y., Marliani, A., & Komarudin, M. N. (2024). The impact of debt policy, dividend policy, and investment decisions on value creation (study of coal mining companies listed on the IDX for the 2018-2022 Period). *International Journal Administration, Business & Organization*, *5*(2), 48–55. https://doi.org/10.61242/ijabo.24.404

[48] Miller, M. H., & Rock, K. (1985). Dividend policy under asymmetric information. *Source: The Journal of Finance*, *40*(4), 1031–1051. https://doi.org/10.1111/j.1540-6261.1985.tb02362.x

[49] Modigliani, F., & Miller, M. H. (1961). Dividend policy, growth, and the valuation of shares. *Source: The Journal of Business*, *34*(4), 411–433. http://www.jstor.org/stable/2351143

[50] Moin, A., Guney, Y., & El Kalak, I. (2020). The effects of ownership structure, sub-optimal cash holdings and investment inefficiency on dividend policy: evidence from Indonesia. *Review of Quantitative Finance and Accounting*, *55*(3), 857–900. https://doi.org/10.1007/s11156-019-00862-z

[51] Morris, B., & Roseman, B. (2015). Dividends as a solution to agency cost and opaqueness: theory and evidence. *International Journal of Economics and Finance*, *7*(1), 24–36. DOI:10.5539/ijef.v7n1p24

[52] Nuraina, E., Nasih, M., & Agustia, D. (2022). Political connection, foreign institutional investors and tunneling: evidence from Indonesia. *23*(2), 417–426. https://doi.org/10.3846/btp.2022.16025

[53] Nurazi, R., Santi, F., & Usman, B. (2015). Tunnelling: Evidence from Indonesia Stock Exchange. *11*(2), 127–150. https://ejournal.usm.my/aamjaf/article/view/aamjaf_vol11-no2-2015_6

[54] Nyere, L., & Wesson, N. (2019). Factors influencing dividend payout decisions: Evidence from South Africa. *South African Journal of Business Management*, *50*(1), a4534. https://doi.org/10.4102/sajbm.v50i1.1302

[55] Oh, H., & Park, S. (2021). Corporate sustainable management, dividend policy and chaebol. *Sustainability*, *13*(13), 7495. https://doi.org/10.3390/su13137495

[56] Oktafiani, F., Irdiana, S., Moridu, I., Latuni, F., & Sesario, R. (2022). Effect of dividend policy on stock price in LQ45 companies. *Budapest International Research and Critics Institute-Journal*, *5*(2), 10031–10039. https://www.bircu-journal.com/index.php/birci/article/view/4801

[57] Panda, B., & Leepsa, N. M. (2017). Agency theory: review of theory and evidence on problems and perspectives. *Indian Journal of Corporate Governance*, *10*(1), 74–95. https://doi.org/10.1177/0974686217701467

[58] Perdana, C. M. P., & Minanurohman, A. (2024). Tunnelling behavior: exploring corporate governance and ownership structure. *Jurnal Akuntansi Dan Keuangan*, *26*(1), 1–17. https://doi.org/10.9744/jak.26.1.1-17

[59] Pinto, G., Rastogi, S., Kadam, S., & Sharma, A. (2020). Bibliometric study on dividend policy. Qualitative *Research in Financial Markets*, *12*(1), 72–95. https://doi.org/10.1108/QRFM-11-2018-0118

[60] Poterba, J. (2004). Taxation and corporate payout policy. *American Economic Review*, *94*(2), 171–175. https://doi.org/10.1257/0002828041301416

[61] Rój, J. (2019). The determinants of corporate dividend policy in Poland. *Ekonomika*, *98*(1), 96–110. https://doi.org/10.15388/Ekon.2019.1.6

[62] Saraswati, R. S., & Sujana, I. K. (2017). Pengaruh pajak, mekanisme bonus, dan tunneling incentive pada indikasi melakukan transfer pricing. *E-Jurnal Akuntansi*, *19*(2), 1000–1029.

https://ojs.unud.ac.id/index.php/Akuntansi/article/view/27656

[63] Seth, R., & Mahenthiran, S. (2022). Impact of dividend payouts and corporate social responsibility on firm value – Evidence from India. *Journal of Business Research*, *146*, 571–581. https://doi.org/10.1016/j.jbusres.2022.03.053

[64] Singh, R., Gupta, C. P., & Chaudhary, P. (2023). Dividend policy and corporate life cycle: a study of Indian companies. *Managerial Finance*, *49*(11), 1722–1749. https://doi.org/10.1108/MF-01-2023-0053

[65] Sulaeman, R. N., & Gunawan, A. (2016). Dividend policy in Indonesia state owned enterprises. *International Journal of Scientific & Technology Research*, *5*(06), 238–242. www.ijstr.org

[66] Sun, P., Ma, S., & Xu, X. (2022). Multi-Factor Collaborative governance of controlling shareholder expropriation behavior in emerging economies: a perspective of double principal-agent conflicts. *Sage Open*, *12*(2), 21582440221097404. https://doi.org/10.1177/21582440221097403

[67] Uysal, V., & Hoelscher, S. (2018). Local clientele: geography and comovement of stock returns. *Review of Behavioral Finance*, *10*(3), 231–251. https://doi.org/10.1108/RBF-07-2017-0071

[68] Venugopal, M., Reddy, R. M., & Sharma G, B. P. (2018). Shareholder value creation: a review of the theoretical and empirical Literature. *Asia-Pacific Journal of Management Research and Innovation*, *14*(3–4), 74–80. https://doi.org/10.1177/2319510X18817189

[69] Wahjudi, E. (2020). Factors affecting dividend policy in manufacturing companies in Indonesia Stock Exchange. *Journal of Management Development*, *39*(1), 4–17. https://doi.org/10.1108/JMD-07-2018-0211

[70] Yu, X., Wang, Y., Chen, Y., & Wang, G. (2021). Dividend payouts and catering to demands: Evidence from a dividend tax reform. *International Review of Financial Analysis*, *77*, 101841. https://doi.org/10.1016/j.irfa.2021.101841

[71] Yuliana, I., Indiyanto, A., Yusuf, M., & Prajawati, M. I. (2021). Dividend as a moderation variable to increase stock prices. *Jurnal Keuangan Dan Perbankan*, *25*(4), 880–894. https://doi.org/10.26905/jkdp.v25i4.5842

[72] Zhang, X., Yang, X., Strange, R., & Zhang, Q. (2017). Informed trading by foreign institutional investors as a constraint on tunneling: Evidence from China. *Corporate Governance: An International Review*, *25*(4), 222–235. https://doi.org/10.1111/corg.12206

[73] Zodrow, G. (1991). On the "traditional" and "new" views of dividend taxation. *National Tax Journal*, *44*(4), 497–509. https://doi.org/10.1086/NTJ41788936