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Implementation of Tax Incentives on Issuers' Financial Ratios: Reduction and Reaction

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ABSTRACT: This study aims to analyze whether the implementation of reduction (deduction) of tax incentives has or does not have a reaction (influence) on the financial ratio (ROE) of shares of IDX issuers LQ45 Index during the COVID-19 outbreak in 2022. The study employs a hypothesis testing approach with classical assumption tests and simple regression analysis, focusing on secondary data from the LQ45 index during the 2022 Covid-19 outbreak. It examined a population of 45, using 36 samples that met specific criteria. A simple linear analysis model was used to investigate the impact, if any, of tax incentive reductions on the financial ratio (ROE) of the issuers' stocks. This study, which uses simple regression analysis, reveals that the implementation of tax incentive reductions made by the Indonesian government does not react (influence) on the financial ratio (ROE) of IDX-listed stocks in the LQ45 Index during the COVID-19 outbreak in 2022. The study suggests that the Indonesian government's tax incentive reductions may not impact the financial ratios (ROE) of companies listed on the IDX, particularly in the LQ45 Index during the Covid-19 outbreak in 2022. This lack of impact is attributed to companies not utilizing these incentives, possibly due to insufficient awareness of their benefits and challenging criteria set by the government for obtaining these incentives. Despite common beliefs that tax incentives can influence financial performance, this study indicates they might not significantly affect the financial ratios of these companies. The real implications is research indicates that the Indonesian government's reduction of tax incentives did not elicit a response in the financial ratio (ROE) of shares issued by LQ45 Index companies on the Indonesia Stock Exchange during the Covid-19 outbreak in 2022. This suggests that the implementation of tax incentive cuts by the Indonesian government had no impact on the financial ratio (ROE) of LQ45 issuer shares during the Covid-19 outbreak in 2022, based on a sample size of 36.

Keywords: Tax Incentives, Issuer, Financial Ratios, ROE, Public Policy

INTRODUCTION

The COVID-19 pandemic has become a global issue, causing crises in nearly every country around the world. The first spread of COVID-19 occurred in China, with the outbreak reported on December 31, 2019, in the city of Wuhan, Hubei Province, China. However, COVID-19 cases appear to have emerged before that date. According to a WHO report on February 2, 2020, the first confirmed COVID-19 cases in China occurred on December 8, 2020. A doctor from the Jin Yin-tan Hospital in Wuhan, who treated early patients, mentioned that the first known infection date was December 1, 2019, based on a report in The Lancet medical journal. However, there are many reports stating that the initial emergence date of this pandemic is different from what was originally reported on December 31, 2019 (Fauziyyah & Ersyafdi, 2021).

In Indonesia, President Joko Widodo officially announced the first COVID-19 case on March 2, 2020. Two Indonesian citizens who tested positive for COVID-19 had contact with a Japanese citizen who had visited Indonesia. On March 11, 2020, for the first time, an Indonesian citizen died from COVID-19. The victim, a 59-year-old man, was known to have attended a seminar in Bogor, West Java, from February 25 to 28, 2020 (Ihsanuddin, 2020). As of December 9, 2020, the latest data on the spread of COVID-19 in Indonesia, according to the COVID-19 Handling Task Force, shows that there were 586,842 confirmed cases, 483,497 recoveries, and 18,000 deaths. Additionally, global COVID-19 distribution data from the WHO indicates that 220 countries have been affected by COVID-19, with 67,210,778 confirmed cases and 1,540,777 deaths.

In Indonesia, COVID-19 continues to pose a significant threat across various industries, particularly in healthcare and the economy. The economic wheels have slowed down, even reaching a state of "standstill" due to the pressure of COVID-19. Several sectors profoundly affected include the industrial, tourism, trade, transportation, and investment sectors. Alongside the uncertainty that also fuels market concerns about the impact and development of this outbreak, stock prices have weakened. There is a clear distinction between the pre- and post-pandemic periods. The Composite Stock Price Index shows negative movement due to COVID-19, thereby affecting the Indonesian economy (Rifa'i et al., 2020). Global stock exchanges also experienced a decline in prices, evidenced by the simultaneous decrease in composite stock price indices of global exchanges during the pandemic. In Indonesia, the Composite Stock Price Index (IHSG) of the Indonesia Stock Exchange (IDX) declined from January 2020 until reaching its lowest point in early April. However, starting in May 2020, it began to show a slow upward trend. Almost all stock exchanges worldwide were similarly affected.

The Indonesian government through the ministry of finance made strategic steps to overcome the extraordinary conditions that hit the world, namely Covid-19, which was a disaster for all countries, including Indonesia. Indonesia in March 2020 began the era of LSSR (Large Scale Social Restrictions) until it changed to the term IRCA (Imposing Restrictions on Community Activities) and where finally the government announced the revocation of PPKM status (IDX, 2023a) in Indonesia at the end of 2022 (Indonesia, 2022). One of the strategies of the Government of Indonesia in overcoming this situation is to create a tax incentive policy for economic recovery. There are several studies conducted by researchers regarding tax incentive policies including, (Liu & Mao, 2019)produce research that says tax incentives increase investment and company productivity. (Tang & Wang, 2022) say Tax Incentives improve CSR performance through cash savings and pollution reduction mechanisms. (Budiman et al., 2022) the results of his study found that the knowledge of MSME tax compliance can be influenced by tax incentives. The results of the study of (Murtiningtyas et al., 2022) reads that the impact of taxpayer compliance is influenced by tax incentive policies during the covid-19 pandemic. (Ashry et al., 2022) said in his research that there is a significant effect of tax incentives in attracting investment. Furthermore, (Aryodamar, 2013) said that tax incentives have no impact on the number of companies conducting IPOs (initial public offerings).

(Regita et al., 2022) produced research showing that the tax incentive policy has a positive and significant effect on the level of compliance of OP (Individual) taxpayers who are MSME actors. (Alvi et al., 2022) in their research obtained results that showed that tax incentives had no impact or effect on accounting prudence. Research conducted by (Xiao & Zhao, 2022) found that tax incentives positively affect the efficiency of corporate innovation. (Sugiyarti & Rina, 2020) in their research revealed that tax incentives affect accounting conservatism. (Kinyua & Okiro, n.d.) in their research found that tax incentives have a positive impact on the financial performance of savings and loan cooperatives in Kenya. According to (Hanita et al., n.d.) in their research suggested that during the COVID-19 virus pandemic, motor vehicle tax incentives had a significant impact on the level of compliance of taxpayers when paying motor vehicle taxes. Furthermore, research by (Auliansyah & Rachmawati, 2022) in their study explained that the tax incentive deduction variable during the Covid-19 situation had a negative and significant impact on company valuation.

The next study was conducted by (Abdelhakim & ZOUAGHI, 2022) where the results showed that tax incentives had a significant impact on financial performance in Tunisian companies. The study conducted by (Deyganto, 2022) resulted in a study that tax incentives consisting of tax holidays, tax allowances, reduced costs or tax rates, accelerated depreciation, loss carry forward, and tax exemptions have a positive and statistically significant impact on the sustainability of MSMEs. A study conducted by (Arius, 2022) found that the results of the study showed a difference in financial performance on the variables of FAR, ROA, and ROE of finance companies in Indonesia before and after the implementation of tax incentives, but there was no significant difference in NPF before and after the implementation of tax incentives.

Furthermore, research conducted by (Agustin & Djunaidy, 2022) obtained study results showing that tax incentives have a positive influence on the level of WP (Taxpayer) compliance. (Septiani & Tjaraka, 2021) in the research results show that tax incentives directly have a positive effect on stock trading volume, as indicated by the positive coefficient results. According to research by (Ifieliano et al., 2022) said that the income tax incentive discount policy did not directly affect the right issue corporate action. Turning to the research conducted by (Suryani & Noviari, 2023) said the market did not react significantly on the days around the announcement of the sales tax incentive policy on luxury goods, as measured by abnormal returns. The latest research conducted by (Ispriyarso & Wibawa, n.d.) is quite interesting, where the results of his research show that the majority of respondents or most of the respondents interviewed have not utilized these tax incentives due to ignorance of the incentives, lack of understanding of the procedures, and so on.

Looking at some of these studies or studies, it turns out that the application of tax incentive policies is more focused on activities in the economic and financial sectors. In line with this, that Indonesia's economic and financial conditions during this time span were tested by the conditions of the Covid-19 outbreak, including especially in activities in the capital market commonly known as the Indonesia Stock Exchange (IDX) which may have an impact on the financial ratio (ROE) of issuers' shares in the capital market as seen from the free fall of issuers' share prices in March 2020. We know that in the activities of the capital market there are two main things that run, namely first the economic function and the financial function (Nurhaliza, 2021). During that period, the Indonesian government made a strategy to overcome this situation by making a tax incentive policy for the shares of issuers in the Indonesia Composite Index (ICI) under the auspices of the Indonesia Stock Exchange (IDX) capital market, including the Regulation of the Minister of Finance of the Republic of Indonesia Number 123 /PMK.03 /2020 Regarding the Form and Procedures for Submitting Reports and Taxpayer Lists in the Context of Fulfilling the Requirements for Reducing Income Tax Rates for Domestic Corporate Taxpayers in the Form of Public Companies CHAPTER II Tariffs and Requirements for Reducing Tariffs Article (Menteri Keuangan Republik Indonesia, 2020), and strengthened by Government Regulation of the Republic of Indonesia Number 55 of 2022 concerning Adjustments to Regulations in the Income Tax Sector Chapter XIII Closing Provisions Article 70 (PP Nomor 55 Tahun 2022, 2022) signed directly by Mr. President.

All these regulations are none other than one of the special treatments provided by the government in terms of tax incentive facilities. The tax incentive regulation contains a public company or public company (Tbk) has the facility to get a three percent (3%) discount from the applicable income tax rate of 22% and can meet the applicable requirements so that it is also expected to support the sustainability of issuers' shares in the ICI under IDX control which may have an impact on the level of financial ratios (ROE) of the issuers. Where we know the ICI is filled with several indices or stock combinations that support the ICI maneuver, such as LQ45, IDX80, IDX30, JII, JII70, ISSI, KOMPAS100, MNC36, and others.

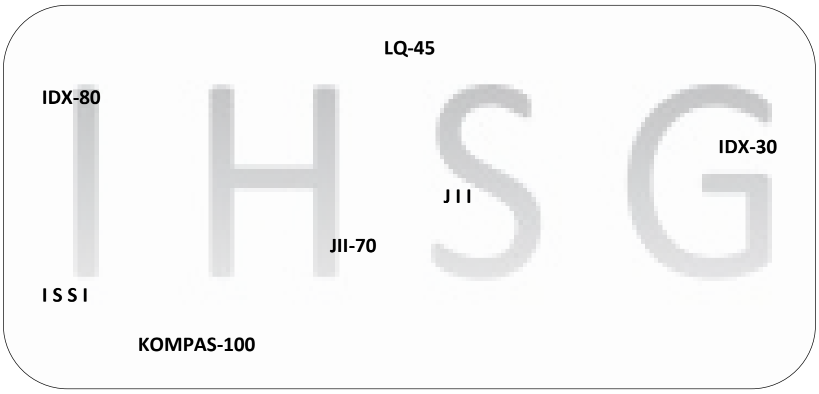


Figure 1: Illustration of the Indonesia Composite Index (ICI)

One of the oldest indices that plays an important role in supporting stock price maneuvers on the IDX is the LQ45 Index. Below are 45 issuers that are in the LQ45 index in the period January 2022. Within a year there are several changes in issuers that enter and exit the LQ45 index in accordance with the procedures and requirements made by the IDX.

Table 1: List of LQ45 index stocks January 25, 2022

Number	Issuer Code	Number	Issuer Code	Number	Issuer Code
1.	'ADRO	16.	'EXCL	31.	'MNCN
2.	'AMRT	17.	'GGRM	32.	'PGAS
3.	'ANTM	18.	'HMSP	33.	'PTBA
4.	'ASII	19.	'HRUM	34.	'PTPP
5.	'BBCA	20.	'ICBP	35.	'SMGR
6.	'BBNI	21.	'INCO	36.	'TBIG
7.	'BBRI	22.	'INDF	37.	'TINS
8.	'BBTN	23.	'INKP	38.	'TKIM
9.	'BFIN	24.	'INTP	39.	'TLKM
10.	'BMRI	25.	'ITMG	40.	'TOWR
11.	'BRPT	26.	'JPFA	41.	'TPIA
12.	'BUKA	27.	'KLBF	42.	'UNTR
13.	'CPIN	28.	'MDKA	43.	'UNVR
14.	'EMTK	29.	'MEDC	44.	'WIKA
15.	'ERAA	30.	'MIKA	45.	'WSKT

Source: (IDX, 2023)

Seeing from this introduction, and there are still not many studies on tax incentives associated with issuers' shares, and reflecting on the strategy that has been made by the government from 2020 to 2022 regarding these tax incentives which are expected to help the sustainability of issuers' shares, especially in terms of their finances during the Covid-19 outbreak in 2022, so researchers try to take the theme with the aim of knowing whether the application of tax incentive reductions made by the Indonesian government has a reaction to the financial ratios of issuers, in other words whether the tax incentive cuts have an influence on the financial ratio (ROE) of the shares of issuers of the LQ45 Index during the Covid-19 outbreak in 2022. This study is expected to be an empirical study that has its own advantages because it chooses the research subject in the form of issuers and the object of research in the form of issuers' financial ratios, and hopefully can provide benefits by providing information for stakeholders and shareholders, issuers, shareholders and the government, especially as a tax incentive policy maker so that it can be a recommendation to continue to conduct studies, improvements, and innovations in terms of implementing tax incentives that can be utilized by issuers included in the IDX after the Covid-19 outbreak.

From the explanation above, the problem formulation in the research is does the implementation of reducing tax incentives have an impact on the financial ratio (ROE) of shares of IDX LQ45 Index issuers in 2022? then the second one is does Implementation of tax incentive reduction does not have a reaction to the financial ratio (ROE) of the shares of IDX issuers in the LQ45 Index in 2022?.

Tax Incentives

Cambridge dictionary explains Tax Incentives as "a reduction in taxes that encourages companies or people to do something that will help the country's economy" (Cambridge University, 2023). The tax incentive variable in this study is a dummy variable that takes the value of 1 for issuers that meet certain criteria, namely having the number of shares registered and traded on the stock exchange at least forty percent (40%) and 0 for shares that do not fall into the category of certain criteria. According ro (Klemm & Van Parys, 2012) no tax incentives have proven to be successful in increasing gross private fixed capital formation. Apart from that, according to (Abeler & Jäger, 2015) one scenario with simple taxes, the other complex, yet both offer identical economic incentives. Participants in the complex scenario show less response to new taxes, some even ignoring them, especially those with lower cognitive ability. Surprisingly, participants equally overlook major and minor incentive changes, defying rational inattention models.

Financial Ratio (ROE)

ROE is one of several financial ratio references used by the issuer's shareholders. This ratio measures how much profit is generated by the company compared to the capital paid up by shareholders (Samsul, 2006). Stakeholders are largely dependent on financial statements to determine the decisions to be taken, both those sourced from within and outside the company. According to (Heikal et al., 2014) ROE ratios indicate how efficiently companies utilize their own capital (net worth) and assess the profitability of investments made by the company's shareholders or owners. Beside that according to (Ichsani & Suhardi, 2015) ROE impacts trading volume, albeit with limited effectiveness, as other factors also influence trading volume beyond profitability ratios. Investors consider factors beyond profitability, such as ROE, in their decision-making process.

Issuer

The Issuer is a Company Party that conducts a Public Offering (IDX, 2023b). Then according to OJK, the Issuer is a party that conducts a Public Offering, namely a Securities offering conducted by the Issuer to sell Securities to the public based on the procedures regulated in the applicable laws and regulations (Otoritas Jasa Keuangan, 2017). According to (Greenwood & Hanson, 2013) a substantial decrease in issuer quality serves as a more dependable indicator of credit market overheating compared to swift overall credit expansion. Apart from that, according to (He et al., 2012) investors assess the likelihood that major issuers may have received overly optimistic ratings compared to smaller issuers, particularly in times of economic expansion. The findings indicate that in Turkey, hot-market issuers typically generate proceeds from the sale of primary shares equivalent to 98% of their pre-IPO total assets, whereas cold-market issuers generate around 68% (Brycz et al., 2017). According to (Baker & Mansi, 2002) we examine how publicly traded corporate bond issuers and institutional investors assess four major rating agencies and their roles in capital markets. Results show stark differences between issuers and investors. While most institutional investors require only one rating for rated corporate bonds, issuers typically seek two or more. There are also discrepancies regarding the accuracy and timeliness of ratings in reflecting creditworthiness. These variations highlight the distinct roles played by rating agencies in the market.

Capital Market

The capital market is a meeting between parties who have excess funds and parties who need funds by trading securities (Tandelilin, 2010) According to Law of the Republic of Indonesia Number 8 of 1995 concerning the Capital Market, the Capital Market is defined as activities related to the Public Offering and trading of Securities, Public Companies related to the Securities they issue, as well as institutions and professions related to securities (UU Nomor 8 Tahun 1995, 1995a). In

Indonesia, the Capital Market is also referred to as the Indonesia Stock Exchange (IDX). The Stock Exchange is a party that organizes and provides systems and or facilities to bring together the sale and purchase offers of securities of other parties with the aim of trading securities between them (UU Nomor 8 Tahun 1995, 1995b). The Stock Exchange has existed in the territory of Indonesia since the Dutch colonization in the 1912 period in Batavia. At that time, the Stock Exchange was created by the Dutch East Indies through its government for the purposes of the colonial government. However, later the Stock Exchange went into suspended animation, and finally Indonesia through its government reactivated the capital market in 1977. According to (Deng et al., 2023) empirical evidence demonstrates that opening up capital markets has a positive impact on corporate environmental, social, and governance (ESG) performance, facilitated by external monitoring mechanisms. This impact varies depending on the unique characteristics of each firm.

LQ45 Indeks

LQ45 is an index that measures the price performance of 45 stocks that have high liquidity and large market capitalization and are supported by good company fundamentals (IDX, 2023b). LQ45 is one of the indexes that has been in Indonesia for quite a long time. It is recorded on the Indonesia Stock Exchange that the LQ45 has a base date of July 13, 1994 and a launch date of January 02, 1997. The LQ45 index is one of the main pillars of the Indonesia Stock Exchange in the movement of buying and selling shares in Indonesia. Every year, the return growth of the LQ45 index increases, but in 2020, the return of the LQ45 index experienced a significant decline due to the emergence of the COVID-19 pandemic. In 2021, the LQ45 index return increased by 7.4%, while in 2022, the LQ45 index return was positive again at 0.62%. Data from the Indonesian Stock Exchange (BEI) as of the end of 2022 recorded 835 companies, with 45 of them being companies included in the LQ45 Index (Hariyanto & Ferdian, 2023). The LQ45 index consists of 45 shares on the IDX with high liquidity and large market capitalization value and have passed the selection according to the selection criteria (Sucayono, 2024).

METHOD

This study is quantitative and uses an explanatory research approach that explains the relationship between existing variables. The variables include dependent (ROE) and independent variables (Tax Incentives). Hypothesis testing is done using Statistical Program for Social Science (SPSS) with data obtained through the Indonesia Stock Exchange.

Population

The population in this study are issuers that are listed and survive in the LQ45 Index in the IDX in the period from the beginning to the end of the 2022 period.

Sample

The sample was obtained using purposive sampling method through certain criteria. In this study, there are 45 issuers included in the LQ45 Index, but only 36 issuers can meet the criteria to be included in the sample of this study, including the criteria are issuers that survive in the LQ45 index for a full year in 2022 without ever leaving the LQ45 index, and have credible financial ratio data (ROE) and are free as data outliers in this study.

Table 2: List of Samples

No.	Issuer Code	Tax Incentive (Dummy 1 or 0)	Financial Ratios ROE (2022)
1.	AMRT	1	0.26
2.	ANTM	0	0.12
3.	ASII	1	0.12
4.	BBCA	1	0.18
5.	BBNI	1	0.13
6.	BBRI	1	0.17
7.	BBTN	1	0.15
8.	BFIN	1	0.19
9.	BMRI	1	0.17
10.	BRPT	0	0
11.	BUKA	1	0.11
12.	CPIN	1	0.16
13.	EMTK	0	0.28
14.	ERAA	1	0.14
15.	EXCL	0	0.06
16.	HMSP	0	0.24
17.	HRUM	0	0.28
18.	ICBP	0	0.1
19.	INCO	0	0.09
20.	INDF	1	0.1
21.	INKP	1	0.15
22.	INTP	1	0.08
23.	JPFA	1	0.14
24.	KLBF	1	0.16
25.	MDKA	1	0.04
26.	MEDC	0	0.25
27.	MIKA	0	0.19
28.	MNCN	1	0.13
29.	PGAS	1	0.1
30.	SMGR	1	0.06
31.	TBIG	0	0.13
32.	TINS	0	0.26
33.	TLKM	1	0.15
34.	TOWR	0	0.25
35.	UNTR	0	0.22
36.	WIKA	0	_0.001

Research Variables

Dependent variable: in this study, it is known that the dependent variable is ROE symbolized by the alphabet Y. Independent variable: furthermore, the independent variable is denoted by the alphabet X, namely tax incentives.

Table 3: Variable Scaling

No.	Variable	Indicators	Size
1.	ROE (Y)	$ROE = \frac{\text{Net Profit After Tax}}{\text{Total Equity}} x\ 100\%$	Scale/ Ratio
2.	Tax Incentives (X)	The total number of shares of the issuer that must be paid up and traded on the IDX is at least 40%.	Nominal *(Dummy,* 1 or 0)

Data Analysis Technique

Descriptive Statistical Analysis: This analysis aims to provide an overview or description of the data obtained from the descriptive analysis results. There are several results of this analysis including the mean, and standard deviation of each variable studied, both the independent variable (X), and the dependent variable (Y). Classical Assumption Test: Before carrying out linear regression analysis, it is necessary to start the classical assumption test. Where this assumption test is divided from normality test, heteroscedasticity test. Simple Linear Regression Analysis: Simple linear regression analysis has a purpose that is interpreted to understand the impact of one independent variable (X) on the dependent variable (Y). Get the basic model as follows:

$Y = c + \beta X + \varepsilon \ldots$

Y	: ROE ratio
c	: Constant
X	: Tax Incentive (dummy)
B	: X regression coefficient
E	: Confounding factor/residual (error)

Hypothesis Testing

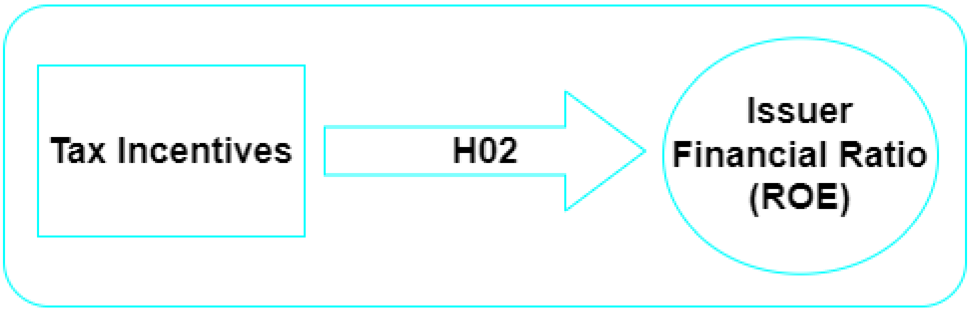
Hypothesis testing aims to determine whether the reduction in tax incentives has a reaction or has no reaction to the financial ratio (ROE) of the shares of issuers in the LQ45 Index in 2022 to the reduction in tax incentives made by the Indonesian government so that two hypotheses are formed, namely:

H01 = Implementation of tax incentive reduction has a reaction to the financial ratio (ROE) of the shares of IDX issuers LQ45 Index in 2022

H02 = Implementation of tax incentive reduction does not have a reaction to the financial ratio (ROE) of the shares of IDX issuers in the LQ45 Index in 2022

It is hoped that this hypothesis testing can help answer the objectives of this study, and thus the following scheme of thought is also formed.

Figure 2: Scheme of Thought



RESULT AND DISCUSSION

Descriptive Statistical Analysis

Table 4: Descriptive Statistical Analysis Values

Information	N	Mean	Std. Deviation
Tax_Incentive	36	0.58	0.500
ROE	36	0.148861	0.0737669

The results of Descriptive Statistical Analysis show that the data for the tax incentive variable has a Mean value of 0.58 and Std. Deviation of 0.500, with not too far a number between Mean and Std. Deviation, this indicates that the data value of the tax incentive variable (Dummy) is quite diverse or varied in the sample used. Furthermore, the ROE variable has a Mean value of 0.148861 and a Std. Deviation 0.0737669, this indicates that the number on the Std. Deviation is smaller and far enough adrift with the Mean number which means that the data on the financial ratio variable (ROE) is less diverse or varied in the sample used or in other words the data value in the sample is closer to the Mean.

Classical Assumption Test

Normality Test

Table 5: Normality Test Values

One_Sample_Kolmogorov_Smirnov Test	
N	36
Asymp_Sig.(2_tailed)	.200 [c, d]

Starting through the normality test value One_Sample_Kolmogorov_Smirnov Test research shows the nominal Asymp. Sig. (2_tailed) 0.200> 0.05 which explains the data information with a total sample size of 36 in this study is normally distributed. If the test is not normally distributed, the research cannot continue, but the results obtained exceed 0.05 so that the data used passes this test and can be continued in the next test.

Heteroscedasticity Test (Correlations Spearman's rho)

Table 6: Heteroscedasticity Test Values

Correlations			
			Unstandardized_Residual
Spearman's rho	Tax_Incentive	Sig. (2_tailed)	0.741
		N	36

After doing the normal test, the heteroscedasticity test is continued, where the test used uses the Spearman's rho Correlations Test type and the resulting table above has a Sig. (2_tailed) the independent variable tax incentive is more than (>) 0.05, namely 0.741> 0.05, which means that from these results there is no heteroscedasticity problem. This result indicates that the regression test conducted in this study is free from inequality in the variance of the residuals (the difference between the observation value and the predicted value), in other words, the residual variation from one observation to another is constant.

Simple Linear Analysis Test

Table 7: Linear Analysis Test Values

Coefficients			
Model		B	Sig.
1	(Constant)	0.165	0.000
	Tax_Incentive	0.027	0.286

After passing the normality and heteroscedasticity tests, then proceed to the simple linear analysis test, and considering the results of the simple linear analysis values obtained and supported by the SPSS program, it can be said that the Constant (α) value shows 0.165 and then the tax incentive coefficient value is (0.027). Based on this, a basic research model equation can be formed as follows:

ROE = 0.165 + (0.027 TAX_INCENTIVE) + ε …

It is also obtained from the results that the Sig. Tax_Incentive of 0.286, where this result shows a value exceeding> 0.05 which indicates that tax incentives do not have a significant effect on the financial ratio (ROE) of the issuer's shares.

Coefficient of Determination (R2)

Table 8: Coefficient Determination (R2) Values

Model Summary		
Model	R	R Square
1	.183	0.033

The coefficient of determination shows the R Square result of 0.033, this result indicates that only 3.3% of the variation in the financial ratio (ROE) can be explained by the tax incentive variable, while the remaining 96.7% can be explained using variables outside the model. This indicates that the role of tax incentives is very small in explaining the variation in the financial ratio (ROE) of LQ45 issuer shares in 2022.

Hypothesis Testing

Reading and seeing from the results of the analysis and tests, the results of the hypothesis are accepted and read, namely H02: The implementation of tax incentive reductions has no reaction to the financial ratio (ROE) of the shares of issuers in the IDX LQ45 Index in 2022. In other words, tax incentive deductions have no effect on the financial ratio (ROE) of the shares of issuers that are members of the LQ45 Index in 2022 during the Covid-19 outbreak. All tests used have met the test requirements for each test in this study, and it boils down to the results of the hypothesis, namely the reduction or deduction of tax incentives has no reaction or influence on the financial ratio (ROE) of the shares of issuers of the LQ45 Index during the Covid-19 outbreak in 2022. Interestingly, the results of this research hypothesis contradict the results of several previous studies, including the research of Kinyua & Okiro (n.d.) which states that tax incentives have a positive impact on the financial performance of Savings and Loan Cooperatives in Kenya, then the research of Abdelhakim & ZOUAGHI (2022) which reads that tax incentives have a significant impact on the financial performance of companies in Tunisia.

CONCLUSION

Tax incentives are made by the government to help the sustainability of the Indonesian economy because we know that the Covid-19 outbreak is a test for all countries in the world, so that after researchers read information and references from the beginning of the introduction to testing existing data, as well as with the very small test results of the coefficient of determination in this study, it shows that it turns out that the tax incentive reduction made by the Indonesian government has no reaction to the financial ratio (ROE) of the shares of IDX issuers LQ45 Index during the Covid-19 outbreak in 2022. This means that the implementation of tax incentive cuts made by the Indonesian government has no effect on the financial ratio (ROE) of LQ45 issuer shares during the Covid-19 outbreak in 2022 using 36 samples as test data. Researchers concluded based on the results of the hypothesis that there is a suspicion that this happened because the issuers did not take advantage of the tax incentive reduction, due to lack of knowledge of the benefits of the policy that could be directly felt by the issuers, and there were conditions or criteria determined by the Indonesian government to obtain tax incentives that were considered quite difficult to implement by the issuers, this was supported by the results of a study conducted by

Ispriyarso & Wibawa (n.d.)which stated that the respondents in their research had not taken advantage of the tax incentives due to ignorance of the incentives, and lack of understanding of the procedures.

The suggestions that researchers can express in this study are the need for an active government role as a policy maker by conducting research in advance to find information on the main needs needed by issuers regarding tax incentives that are urgently needed by issuers. Then the requirements for obtaining the tax incentive policy should not be too difficult for issuers to fulfill. And in the future, researchers hope that there will be more studies that discuss or examine by adding or combining variables including tax incentives that can determine or provide a reaction to the issuer's financial statements.

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