

## ABSTRACT

### IMPACT OF CORPORATE TAX RATE REDUCTION ON INVESTMENTS OF LISTED COMPANIES IN INDONESIA

This study investigates the impact of Indonesia's 2020 corporate tax rate reduction on firm-level investment, labor expenses, and revenue growth. Using a Difference-in-Differences (DiD) approach, the research compares the responses of domestic and foreign-owned listed companies on the Indonesia Stock Exchange. The study hypothesizes that domestic firms, having limited opportunities for international profit shifting, would respond more strongly to the tax cut than foreign-affiliated firms. A panel dataset of 3,043 firm-year observations from 418 companies between 2016 and 2023 was used. To improve the robustness of the analysis, a matched sample of 1,002 observations was constructed using propensity score matching. The regression analysis and robustness checks found no consistent evidence that domestic firms increased investment, labor expenses, or revenue growth more than foreign firms after the tax reform. While descriptive statistics suggest that domestic firms showed relatively better investment recovery in the matched sample, the regression results did not support the hypotheses. These findings suggest that the effectiveness of tax cuts in stimulating real economic activity may be limited, especially during periods of economic uncertainty such as the COVID-19 pandemic. The results contribute to the policy debate on designing and targeting tax incentives, especially in emerging markets with diverse firm ownership structures.

**Keywords:** *corporate tax rate reduction, investment, labor expenses, revenue growth*