

Impacts of Changing Corporate Tax Policy on the Risk Level of Firms

Dinh Tran Ngoc Huy

Ph.D. Candidate, Banking University, HCM City, Vietnam.

CITATION: Huy, Dinh Tran Ngoc (2014), "Impacts of Changing Corporate Tax Policy On The Risk Level of Firms", *MERC Global's International Journal of Management*, Vol. 2, Issue 3, pp. 97-108.

ARTICLE HISTORY: Submitted: November 18, 2013, Revision received: March 30, 2014, Accepted: April 20, 2014

ARTICLE TYPE: Research paper

ABSTRACT

In this study, an endeavour is made to analyse the impacts of tax policy on market risk for the listed firms in the electric power industry of Vietnam during and after the period 2007-2009. In a sample size of 20 listed firms in the electric power industry, with raw stock data from Vietnam Ho Chi Minh as well as Ha Noi stock exchange, study determines beta mean values less than 0,5 that are admissible. Further, in three scenarios of tax rates (i.e. 20%, 25%, and 28%), this study recognise that the risk dispersion in the research sample is minimal, which is evidenced by beta var results. By modulating tax rates in three scenarios, the study also concluded that both equity and asset beta mean values have a positive relationship with the increasing levels of tax rates. Decisively, this paper acknowledges the question of how much the risk dispersion is in the electric power industry of Vietnam in these three tax rate scenarios.

KEYWORDS: Corporate tax, Tax policy, Tax rate, Market risk, Equity beta, Financial crisis, Electric power industry, Vietnam.

REFERENCES

1. Chen, Duanjie and Mintz, Jack (2011), "New Estimates of Effective Corporate Tax Rates on Business Investment", *Tax & Budget*, No. 64, February.
2. Eugene, F. F. and French, K. R. (2004), "The Capital Asset Pricing Model: Theory and Evidence", *Journal of Economic Perspectives*, Vol. 18, No. 3, pp. 25-46.
3. Fernandez, P. (2008), "Levered and Unlevered Beta", SSRN Working paper series.
4. Huy, Dinh Tran Ngoc (2013), "A Two Factors Model on the Risk Level of Viet Nam Construction Material Industry", *MERC Global's International Journal of Management*, Vol. 02, Issue: 01, pp. 20-32.
5. Kang, Sung; Reese, Laura and Skidmore, Mark (2013), "The Effects of Changes in Property Tax Rates and School Spending on Residential and Business Property Value Growth", CESifo Working Paper: Public Finance, No. 3899.
6. Kimberly, C. A. (2012), "In Search of Corporate Tax Incidence", *Tax Law Review*, Vol. 65, No. 3, pp. 433-472.
7. Mamun, Md. Abdullah Al (2013), "Performance Evaluation of Prime Bank Limited in Terms of Capital Adequacy", *Global Journal of Management and Business Research*, Vol. 13, Issue 9, pp. 26-29.
8. Mooij, Ruud de; Keen, Michael and Orihara, Masanori (2013), "Taxation, Bank Leverage, and Financial Crises", IMF working paper, Fiscal Affairs Department, International Monetary Fund.
9. Ovat, O. O. (2013), "Liquidity Constraints and Entrepreneurial Financing in Nigeria: The Fate of Fresh Graduate Entrepreneurs", *Global Journal of Management and Business Research*, Vol. 13, Issue 9, pp. 49-57.
10. Pereiro, L. E. (2010), "The Beta Dilemma in Emerging Markets", *Journal of Applied Corporate Finance*, Vol. 22, Issue 4, pp. 110-122.
11. Shevlin, Terry; Urcan, Oktay and Vasvari, Florin (2013), "Corporate Tax Avoidance and Public Debt Costs", working paper, pp. 01-59, available at: <http://www.insead.edu/facultyresearch/areas/accounting/events/documents/DraftSUV1August2013.pdf>.