Impact of Dividend Taxation Changing on Dividend Policy of Romanian Companies Listed on Stock Market

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ABSTRACT

The aim of this paper is to analyze factors (with an influence on value of transactions on stock exchange) which induce companies listed on Bucharest Stock Exchange to pay dividends for period 2008 – 2015. First we will estimate five regression models, taking into account some financial and macroeconomics variables. Second we will rebuild these five regression models including a dummy variable which indicates the change of dividend tax rate. Our analyses emphasized the fact that net income, liquidity index, BET return and total assets have a significant effect on dividend payment policy which keeps their significance also after introducing the dummy variable, except the BET rate which decreased its significance. Also only the change of dividend tax rate and net income have a positively significant impact over dividend payment policy of Romanian 'companies. The findings from this study are useful to be taken in account by the board of managers of companies when they decide the dividend policy for the company. In the same time our study extends the existing literature on this topic, by analyzing the impact of the most recent change in dividend tax rate from 2015, and also by extending the factors which affect the dividend policy of the companies listed on stock exchange.

Keywords: *dividend payout, dividend tax, stock market, stock exchange*
JEL Classification: *G34, G35, G38*

INTRODUCTION

Sometime is very difficult to consider the factors which indicate an increase of willingness to pay dividend by companies listed on Stock Exchange. In many researches is analyzed the influence of change in taxation as an important factor over the dividend payment of companies' behavior. In Romania, starting from last decade until now the Fiscal Code has been changed three times regarding the dividend tax rate. Until the end of the year 2005 according to Art. 67 lit. 1 of the Fiscal Code dividends were imposed with a share of 10% of their value and starting from 2006 the dividend tax rate has been modified to 16%. This means that the dividends from 2004 has been distributed in 2005, and companies has profited from this low taxation in order to pay their dividends until the end of 2005 because in 2006 was expected a rise due to some rumors regarding the market expectation (Dragotă et al., 2009).

Knowing that from 2015, according the new law number 227/2015 regarding the Fiscal Code, the dividend tax was also reduced to 5%, this paper wants to know if the companies' behavior to pay more dividends in 2016 has been modified or there are more other financial variables from the companies' balance sheet which indicate that there exist other influences determining the dividends payout.

The paper is organized as follows: section 2 reviews the literature regarding to the factors which impact the decisions of companies regarding to the dividend policy; in section 3 we present the methodology used; section 4 is reporting the main descriptive statistics and the correlation analyze of used data, while main results are presented in section 5. Finally, in the sixth section, we present the conclusions of our study.

LITERATURE REVIEW

A significant number of past studies have concentrated their attention to the tax changes with an impact over the companies' behavior. Due to different period of time of business cycle that a company is does not look to exist a strict reaction of companies when a decrease of dividend tax rate is occurred. Some ideas are saying that if companies record profit this does not mean that they are going to pay necessarily dividends. Some of them chose to allocate the profits for investments reasons, as Djankov et al., (2010) mention in their paper that a decrease of tax rates, in most cases, induces the companies to make higher investments. On the other hand, subsequently some of them, chose to pay dividends due to a decrease of tax rates and this according to objectives that each company has. That's why it can be said that the initiative to pay dividends depends not only by lower dividend tax rate expectations but also by the sustainability of profit recorded by companies, as Lintner, (1956) demonstrates in their model. This because reducing the income tax rates is one of the most important factor with a direct influence in encouraging the investments (Cojocaru and Cocoşilă, 2003).

Only few papers demonstrated the existence of an insignificance relationship between profit and changes of dividend policy (Jensen's, 1986; Gill et al., 2010; Utami and Inanga, 2011; Hellström and Inagambaev, 2012). A considerable number of studies such is: Fama and Babiak (1968), Kale and Noe, (1990), Charitou (2000), Al-Malkawi (2007), Kowalewski et al. (2007), Anil and Kapoor (2008), Ahmed and Javid (2009), Ramli (2010), Al-Shabibi and Ramesh (2011) and Hashemi and Zadeh (2012), have demonstrated that dividend policy is positively significant influenced by gross and net incomes.

Firstly, Lintner, (1956), is one of the past earliest study which concluded their findings to "Lintner model" as an important basic formula in analyzing the determinants of dividend policy. Then other studies such is Pruitt and Gitman (1991) and Fama and Babiak (1968), support Lintner (1956) conclusion demonstrating for that the dividend policy of USA companies is impacted to a change of current profit and previous dividends.

But knowing that sometimes companies do not allocate their earnings to pay dividends, even if they record profit this means that others factors have intervene, which are determinants in dividend policy decision for the companies. Al-Malkawi

(2007), Kowalewski et al. (2007), Ramli (2010) and Al-Shubiri (2011), showed that if the debts of the companies increase this means a lack of liquidity. Also it can be said that even if companies, with high total debts, have recorded profit they will allocate their profit to investment and financing actions of firms. So companies will not change their decision to pay dividends due to other objectives that they have. The board director of companies must also to consider the profit realized by them, total debts, necessary investments and the opportunity to make good investments and also the size of the shareholders before they decide to pay the dividends (Yusof and Ismail, 2016).

Moreover, analyzing the manner that dividend payment is impacted for 200 countries listed on the Malaysia stock market, Yusof and Ismail, (2016) considered the dividend policy as important and useful to be taken in account by the companies' director board and managers and also for the companies; shareholders in order to keep the existing investors and creating the new ones. Dragotă (2006) mention in his paper that 50% from companies' shareholders are minority shareholders. That's why is very important to extend logically this conclusion and to mention that if companies have larger shareholders and decide to pay them this is an opportunity for the companies to attract new investor and to keep the existing ones knowing that the dividend is a kind of return for the invest that a shareholder has made.

Regarding to market expectation in Romania case have been some rumors about the dividend tax rate which is going to increase next year in 2017 (Dan, 2016; AttoSoft site, 2016), which maybe have had an influence over the decision of dividend policy of companies. Excepting larger rates of dividend taxes in the future is normally to effect the companies' initiatives to pay the dividends to shareholders in order to maintain their existing investment and maybe to profit from this moment to attract new investors.

Dragotă et.al, (2009), have analyzed the Romanian case for 37- 41 companies listed at Bucharest Stock Exchange (BVB) demonstrating a negative impact of corporate tax burden, a positive significant impact of gross income, a negative influence of GDP, a negative impact of Romanian State shareholders, and a negative impact of tax changes on dividend payment which is not similar for all of companies.

Based on many studies which have included more variables in analyzing the manner that dividend policy is impacted or the determinants of the dividend payment, the present study try to extend the existing literature from the stock market of Romanian case using more recent data and extending the number of companies taken under analyze, including all the sectors. In this papers analyze model we have introduced one more variable which is the liquidity index of the firms in compare with the Dragotă et.al, (2009).

METHODOLOGY – THE DATA

Data and descriptive statistics

This paper research is devoted to analyze in two ways the manner that the dividend payment policy is influenced: first, by some financial and macroeconomic

indicators and other indicators which have a direct influence in stock market; second, by including in the same models also the impact of change in tax dividend from the year 2015. There is one study which treats this topic for Romanian companies, namely Dragota et al., (2009), which found no significant impact between change of cooperate tax and dividend payment but an influence over the dividend payment by companies in 2005, when is recorded a change of dividend tax.

Following Dragota et al., (2009) which taken under analyze 65 listed companies at Bucharest Stock Exchange for the period 1998-2005, we extend and updated the analysis with a database covering the period 2008-2015. The total number of companies listed on BVB for this period is 86 but taking in consideration the available dates which can be taken in analyze we have reduced the number of companies used in regression models to 59.

In table 1, are presented and also described all the variables and estimated variables taken under analyze. Respective some of these variables are downloaded from the links presented in the table 2.

Variables with impact over the dividend payment of companies' behavior

Table 1

Variables	Description
Dividend payment (DIV)	Dividends paid by companies only when it is recorded income, according to the Romanian law.
Gross income (GRE)	Recorded by listed companies
Net income (NEG)	Recorded by listed companies
Corporate tax burden (CTB)	Calculated as a difference between GRE and NEG
Market capitalization (MKCap)	Calculated by multiply the value of closing market price and number of shares
Market to book ratio (MBR)	Calculated as a ratio between market capitalization and total Shareholders' Equity
GDP growth rate (GDP)	Reported Gross Domestic Product growth rate
Total debts (DBT)	Recorded by listed companies
Total assets (AST)	Recorded by listed companies
Market return (BET)	The market index BET returns calculated yearly as a percentage between final price minus initial price reported to the initial price
Liquidity index (IL)	Estimated as a report between total receivables reported to turnover
Changes in dividend tax payment in the beginning of the 2015 (TAX)	Dummy variable is equal to 0 for the period 2008-2014 and equal to 1 for the year 2015.

Source: Authors calculation

Considering ca financial variables reported yearly by companies were not all available for all the period taken under analyze, we have downloaded them by more than two sites.

Data sources for used variables

Table 2

Variables	Link
DIV, GRE, NEG, AST, DBT, BET	http://www.bvb.ro/FinancialInstruments/Markets/Shares
DIV, GRE, NEG, AST, DBT	http://www.ktd.ro/ro/bursa/bvb_rezfin.php?id=9
Number of Shares/Company	www.depozitarulcentral.ro
Final Price/Company	http://www.tranzactiibursiere.ro/detalii/istoric?symbol=bcc&market=REGS&sdate=2007-01-13&edate=2017-01-13&type=origina

Source: Authors calculation

Descriptive statistics for selected variables

Table 3

Variables	Mean	Median	Maximum	Minimum	Std. Dev.
Ln(DIV)	7.8155	0.0000	21.2863	0.0000	8.3594
ΔLn(GRE)	0.3508	0.2049	9.5325	-4.5849	1.5227
ΔLn(NEG)	0.3577	0.1628	17.8506	-10.8969	2.1274
ΔLn(MKCAP)	0.0931	0.0509	6.9538	-2.6306	0.5870
ΔLn(CTB)	0.4148	0.2344	18.1328	-18.0742	3.3080
ΔLn(AST)	0.3864	0.0607	22.9316	-4.5136	1.6648
ΔLn(DBT)	0.4843	0.0589	7.2185	-5.2316	1.7294
MBR	0.7274	0.5154	11.3089	-0.1700	0.9338
IL	0.5084	0.2020	49.6890	0.0000	2.4801
BET	0.0445	0.0907	0.6168	-0.7047	0.3596
TAX	0.1228	0.0000	1.0000	0.0000	0.3285

Source: Authors calculation

Going on, in Table 3 we present the main descriptive statistics for the analyzed indicators. Based on this information, we are able to see that the mean for market return is 4.4%, while the liquidity index record an average of 50%.

Model

Following Dragotă et al., (2009) methodology which has as fundamental the Lintner model (1956), we will estimate 2 types of equations: first type in which we include only financial variables as main factors in dividend payments, and second type of regression models in which we will include the variable dummy which highlights the change in dividend tax rate from 2016, which was applied for paid dividends for 2015.

In order to normalize the series and to be stationary data, we used the logarithm series for: total assets, total debts, corporate tax burden, gross income, net income and market capitalization.

Five regression models which shows how the dividend payment by the listed companies is influenced by other macroeconomics and financial variables, are given by equations (1.1)-(1.5):

(1.1) $$Ln(DIV_{it}) = \alpha_i + \beta_1 \cdot \Delta Ln(AST_{it}) + \beta_2 \cdot \Delta Ln(CTB_{it}) + \beta_3 \cdot \Delta Ln(MKCap_{it}) + \beta_4 \cdot \Delta Ln(NEG_{it}) + \beta_5 \cdot MBR_{it} + \beta_6 \cdot IL_{it} + \beta_7 \cdot BET_{it} + \varepsilon_{it}$$

(1.2) $$Ln(DIV_{it}) = \alpha_i + \beta_1 \cdot \Delta Ln(DBT_{it}) + \beta_2 \cdot \Delta Ln(CTB_{it}) + \beta_3 \cdot \Delta Ln(MKCap_{it}) + \beta_4 \cdot MBR_{it} + \beta_5 \cdot IL_{it} + \beta_6 \cdot BET_{it} + \varepsilon_{it}$$

(1.3) $$Ln(DIV_{it}) = \alpha_i + \beta_1 \cdot \Delta Ln(GRE_{it}) + \beta_2 \cdot \Delta Ln(MKCap_{it}) + \beta_3 \cdot MBR_{it} + \beta_4 \cdot IL_{it} + \beta_5 \cdot BET_{it} + \varepsilon_{it}$$

(1.4) $$Ln(DIV_{it}) = \alpha_i + \beta_1 \cdot \Delta Ln(AST_{it}) + \beta_2 \cdot \Delta Ln(CTB_{it}) + \beta_3 \cdot \Delta Ln(NEG_{it}) + \beta_4 \cdot IL_{it} + \varepsilon_{it}$$

(1.5) $$Ln(DIV_{it}) = \alpha_i + \beta_1 \cdot \Delta Ln(AST_{it}) + \beta_2 \cdot \Delta Ln(CTB_{it}) + \beta_3 \cdot \Delta Ln(NEG_{it}) + \beta_4 \cdot IL_{it} + \beta_5 \cdot BET_{it} + \varepsilon_{it}$$

Other five regression models which include also a change in dividend tax (dummy variable) besides the macroeconomics and financial variables, are given by equations (2.1)-(2.5):

(2.1) $$Ln(DIV_{it}) = \alpha_i + \beta_1 \cdot \Delta Ln(AST_{it}) + \beta_2 \cdot \Delta Ln(CTB_{it}) + \beta_3 \cdot \Delta Ln(MKCap_{it}) + \beta_4 \cdot \Delta Ln(NEG_{it}) + \beta_5 \cdot MBR_{it} + \beta_6 \cdot IL_{it} + \beta_7 \cdot BET_{it} + \beta_8 TAX_{it} + \varepsilon_{it}$$

(2.2) $$Ln(DIV_{it}) = \alpha_i + \beta_1 \cdot \Delta Ln(DBT_{it}) + \beta_2 \cdot \Delta Ln(CTB_{it}) + \beta_3 \cdot \Delta Ln(MKCap_{it}) + \beta_4 \cdot MBR_{it} + \beta_5 \cdot IL_{it} + \beta_6 \cdot BET_{it} + \beta_7 TAX_{it} + \varepsilon_{it}$$

(2.3) $$Ln(DIV_{it}) = \alpha_i + \beta_1 \cdot \Delta Ln(GRE_{it}) + \beta_2 \cdot \Delta Ln(MKCap_{it}) + \beta_3 \cdot MBR_{it} + \beta_4 \cdot IL_{it} + \beta_5 \cdot BET_{it} + \beta_6 TAX_{it} + \varepsilon_{it}$$

(2.4) $$Ln(DIV_{it}) = \alpha_i + \beta_1 \cdot \Delta Ln(AST_{it}) + \beta_2 \cdot \Delta Ln(CTB_{it}) + \beta_3 \cdot \Delta Ln(NEG_{it}) + \beta_4 \cdot IL_{it} + \beta_5 TAX_{it} + \varepsilon_{it}$$

(2.5) $$Ln(DIV_{it}) = \alpha_i + \beta_1 \cdot \Delta Ln(AST_{it}) + \beta_2 \cdot \Delta Ln(CTB_{it}) + \beta_3 \cdot \Delta Ln(NEG_{it}) + \beta_4 \cdot IL_{it} + \beta_5 \cdot BET_{it} + \beta_6 TAX_{it} + \varepsilon_{it}$$

Where i - cross-section observation unit in the sample, stands for company, t – time period, takes value between 2008 – 2015, β_1 to β_8 - are the parameters of the models that will be estimated, α_i - is the individual effect, ε_{it} - is error term of above regression models.

Based on the stationarity test Levin, Lin and Chu (2002) presented in the Table 4 it can be seen that all variables being stationary.

Unit root test for panel data – Levin, Lin & Chu (2002)

Table 4

Variables	t-test	p-value
Ln(DIV)	-68.6701***	0.0000
ΔLn(GRE)	-9.1673***	0.0000
ΔLn(NEG)	-5.5315***	0.0000
ΔLn(MKCAP)	-30.6789***	0.0000
ΔLn(CTB)	-6.8987***	0.0000
ΔLn(AST)	-8.6914***	0.0000
ΔLn(DBT)	-8.4579***	0.0000
MBR	-15.5378***	0.0000
IL	-6.5362***	0.0000
BET	-38.0537***	0.0000

*, **, *** - Indicates significant at the 0.1 level, 0.05 level and 0.01 level

Before regression estimation based on panel data, we calculated the correlation coefficient between independent variable in order to avoid multicollinearity, the results are presented in Table 5. Based on these the high positive correlation between: the total assets (AST) and total debts (DBT) and gross income (GRE); corporate tax

burden (CTB) and gross and net income (GRE), (NEG) and also between gross income (GRE) and net income (NEG), are taken into consideration when the regressions are built.

The correlation coefficient analysis between the variables

Table 5

Variables	*ΔLn (AST)*	*ΔLn (CTB)*	*ΔLn (DBT)*	*ΔLn (GRE)*	*MBR*	*ΔLn (MKCAP)*	*ΔLn (NEG)*	*IL*	*BET*
ΔLn(CTB)	0.1683	1.0000							
ΔLn(DBT)	0.5472	0.1843	1.0000						
ΔLn(GRE)	0.3940	0.3806	0.4713	1.0000					
MBR	-0.0283	-0.0494	-0.0645	-0.0689	1.0000				
ΔLn(MKCAP)	-0.0204	0.0762	-0.0294	-0.0337	0.0878	1.0000			
ΔLn(NEG)	0.2499	0.1248	0.3787	0.6903	-0.0543	-0.0328	1.0000		
IL	0.0031	0.0419	-0.0191	-0.0023	0.0405	-0.0185	-0.0018	1.0000	
BET	0.1043	0.0548	0.0905	0.0127	-0.0297	0.1545	-0.0080	-0.0349	1.0000
TAX	-0.0519	-0.0581	-0.0588	-0.0255	0.0081	-0.0301	-0.0256	0.1347	-0.2648

Source: Authors calculation

RESULTS

The estimation results of regression models based on yearly panel data are presented in Table 6 and Table 7. In these models we have considered as a dependent variable the dividend paid by companies – Ln(DIV). Through these estimated regression models we want to highlight the manner in which financial factors and changing of the legislation regarding the decrease in tax rate for dividends affects the dividend payment policy of analyzed companies.

The results for the first type of estimated regression are presented in Table 6, where are included only the financial variables which indicate the companies' stance with an impact over the dividend payment.

Model estimation for the determinants of dividend policy for the Romanian listed companies over the period 2008–2015 (excluding tax change dummy)

Table 6

Dependent Variable: Ln(DIV)					
	Model 1.1	Model 1.2	Model 1.3	Model 1.4	Model 1.5
constant	8.1401*** (0.4770)[a]	8.2575*** (0.4834)	8.0288*** (0.4860)	8.1838*** (0.3095)	-9.4555*** (2.3490)
ΔLn(NEG)	0.3893*** (0.1427)			0.3809*** (0.1427)	0.3677*** (0.1422)
ΔLn(GRE)			0.3044 (0.2015)		
ΔLn(DBT)		-0.1572 (0.1775)			
ΔLn(AST)	-0.5824*** (0.1701)			-0.6728*** (0.2153)	-0.6120*** (0.2167)
ΔLn(CTB)	0.1056** (0.0978)	0.1094 (0.0994)		0.1077 (0.0978)	0.1139 (0.0974)
ΔLn(MKCAP)	0.6569** (0.5378)	0.6550 (0.5473)	0.7306 (0.5425)		
MBR	0.5100** (0.4289)	0.4393 (0.4345)	0.5664 (0.4365)		
IL	-0.2678** (0.1189)	-0.2750** (0.1210)	-0.2670** (0.1205)	-0.2667** (0.1196)	-0.2715** (0.1191)
BET	-2.7186** (1.3174)	-3.1703*** (1.3306)	-3.2644*** (1.3207)		-2.4700** (1.3011)
R-squared	*0.6559*	*0.6427*	*0.6415*	*0.6476*	*0.6520*
R-squared (adjusted)	*0.5669*	*0.5518*	*0.6434*	*0.5610*	*0.5650*
Alkaike criterion	*6.4216*	*6.4537*	6.4462	*6.4288*	*6.4219*
F-statistic	*7.3679****	*7.0728****	7.2181***	*7.4818****	*7.4944****

[a] – (standard errors in parentheses)

*, **, *** - Indicates significant at the 0.1 level, 0.05 level and 0.01 level

We can observe for the first Model 1.1 that variables have all a significant effect over the dividend payment policy. The difference appears regarding the sign of influence. So we are able to see that net income, corporate tax burden, market capitalization and market to book effect positively the dividend payment policy of companies, while total assets, liquidity index and BET effects negatively the companies policy to pay dividends.

In the Model 1.2 has been included another financial variable, total debts which revealed a negative influence over the dividend payment but this is not significant. The result is in accordance with the conclusions of Al-Malkawi (2007), Kowalewski et al. (2007), Ramli (2010) and Al-Shubiri (2011).

Model 1.3 shows the gross income effects positively the dividend payment, but this is not significant. From the other hand the Model 1.4 shows that the net income of companies has a positive significant effect over the changes of dividend payment policy. This is logically explicable by the business cycle point of view because the earning remaining after the discounted taxes (net income) is a direct financial information through which companies can take decision regarding to the dividend payment policy. In this case we can raise two causes: this happen because of a lower demand of these companies listed on BVB as Dragotă et al., (2009) mention in their study, makes companies to pay more dividends; or maybe there is another factor which has a direct influence over the

positive changes of dividend payment policy.

In the Model 1.5, likewise, is observed a strongly negatively significant effect of total assets of companies such as liquidity index and BET have in dividend payment.

On overall we are able to see that there are net income has a positive and significant effect on dividend payments of companies, at also it is states by the Leitner (1956), because the dividend payment policy decision can be explained by the sustainability of earnings. In the same time, the liquidity, total assets and BET return have all a negative impact on the dividend payment.

For the second type of regression models which calculate the same models but including the variable dummy which signify the change in dividend tax rate from 2016, applied for paid dividends for 2015, the results are presented in the Table 7.

Model estimation for the determinants of dividend policy for the Romanian listed companies over the period 2008–2015 (including tax change dummy)

Table 7

Depended Variable: Ln(DIV)					
	Model 1.1	Model 1.2	Model 1.3	Model 1.4	Model 1.5
constant	7.7487*** (0.5050) [a]	7.8633*** (0.5107)	7.6277*** (0.5124)	7.8643*** (0.3297)	8.1573*** (0.3954)
ΔLn(NEG)	0.3957*** (0.1417)			0.3836*** (0.1413)	0.3737*** (0.1413)
ΔLn(GRE)			0.3274* (0.2002)		
ΔLn(DBT)		-0.1406 (0.1764)			
ΔLn(AST)	-0.5478*** (0.2160)			-0.6141*** (0.2143)	-0.5775*** (0.2157)
ΔLn(CTB)	0.1152 (0.0972)	0.1209 (0.0989)		0.1198 (0.0969)	0.1228 (0.0968)
ΔLn(MKCAP)	0.6201 (0.5344)	0.6159 (0.5437)	0.6957 (0.5387)		
MBR	0.5305 (0.4261)	0.4551 (0.4315)	0.5828 (0.4332)		
IL	-0.3069*** (0.1194)	-0.3148*** (0.1214)	-0.3074*** (0.1209)	-0.3129*** (0.1197)	-0.3107*** (0.1196)
BET	-2.0142* (1.3457)	-2.4272* (1.3613)	-2.4899* (1.3526)		-1.7784 (1.3284)
TAX	2.0338** (0.9103)	2.0894** (0.9235)	2.1337** (0.9193)	2.3268*** (0.8880)	2.0433** (0.9117)
R-squared	*0.6618*	*0.6490*	*0.6500*	*0.6558*	*0.6579*
R-squared (adjusted)	*0.5728*	*0.5581*	*0.5609*	*0.5698*	*0.5710*
Alkaike criterion	*6.4098*	*6.4415*	6.4332	*6.4108*	*6.4101*
F-statistic	*7.4376***	*7.1465***	7.3014***	*7.6230***	*7.5638***

[a] – (standard errors in parentheses)

*, **, *** - Indicates significant at the 0.1 level, 0.05 level and 0.01 level

Based in the results of the second type of regression models, we try to analyze if the change of tax rate for dividends (dummy variable) have an impact or not in the moment in which they have been applied. As it is observed no matter of which financial

variables are taken into account in these regression models the dividend tax policy is positively significant effected due to a modification in tax rate. Different from Dragotă et al., (2009) which have concluded that this impact might be different from one to other company our results says that Romanian companies listed on BVB have prefered to profit by this moment of tax change. This difference of our paper result can be explained due to a descrease of the tax rate to 5% in cooperation with the period taken under analyze by Dragotă et al., (2009) where the tax has been reduced to only 10%.

As a result, can be said that the companies' earnings have influenced positively the dividend tax policy by paying the shareholders. The change in income tax to smaller rate has an impact over the companies' initiatives to pay the shareholders.

Once again, we are able to see that the same variables which have a significant impact in models estimated in table 6, keeps their significance after introducing the dummy variable (only in BET rate case the significance decreased a little bit).

On the other hand, can be said that gross income influence has become significant positive in the moment that we have introduce the variable dummy which is logically and similar with previous conclusions such is Lintner, (1956), Fama and Babiak, (1968), etc.

CONCLUSIONS

The main purpose of this paper was to analyze the manner that the dividend payment policy undertaken by companies listed on Bucharest Stock Exchange is influenced due to a change of income tax rate, taking into account the period 2008-2015 for a number of 59 of companies. The paper has included in analyze also other financial variables which might be main factors to the change of this policy by Romanian companies.

Our analyses emphasized that a considerable decrease of dividend tax rate is able to strongly statistically influence the decisions of Romanian companies regarding to dividend payment policy, but the opposite relation is valid, where an increase of net income have a strongly influence over the dividend payment.

Romanian companies listed on stock market when registered a sustainable profit they will used to allocate this profit for investment to their market and also to pay dividends. On the other hand, in the moment when a lower dividend tax rate is introduced in 2015 to 5 %, according to the law number 227/2015 of the Fiscal Code, seems that Romanian companies have profited by this new rate to pay more dividends. While our conclusions are appropriate with Dragotă et al., (2009), which taken under analyze the period 1998-2005. We can conclude that when this change of income tax rate is given by very lower rates the initiatives of companies to pay dividends is higher.

Also a negative relation is observed in case of financial variables estimated in regression models such are: total assets, liquidity index and BET return which have a significant negative influence over the dividend payment policy. This can be explained starting from the stances of stock market performances. When a market becomes more performant in this phase the companies will choose to concentrate their incomes to increase the investment, to profit from their higher demand in market and maximizing their profits. Otherwise they will choose to allocate their profits paying the shareholders in the periods of time when the market is slowing down and their activity market performance decrees. This will increase the shareholders return and stimulate their

opportunity to reinvest in large companies and lower debts (Yusof and Ismail, 2016). So companies must to control their profits, debts and the lucidity in order to profit by these shareholders, to attract investors and to maintain the existent ones.

Another thing which is very important to mention is that all the variables which indicate a significant impact in dividend payment policy have preserved persistent their influence in all regression models estimated, even we introduced the dummy variable, except of BET return case which significance decreased a little bit. This means that net income, total assets, liquidity index and BET index are stable variables with a big influence over the change of dividend payment policy.

As a conclusion might be said that even if dividend payment policy of Romanian 'companies is sensitive to a lower dividends tax rates and also to higher net incomes recorded by them, it seems that other factors, such are liquidity index, BET return and total assets, prevent this sensitive reaction because other important objectives which intervene in lodges. Dragotă et al., (2006), Yusof and Ismail, (2016) mention in their studies that some factors may be the size of smaller and larger shareholder that a company has to pay dividends.

It seems that everything keeps their equilibrium in everything, but this depends too much by companies' policies and is not a strict one. These results add evidence to Dragotă et al., (2009) and Yusof and Ismail, (2016), which are useful to be taken in consideration for the board directors of the companies when they want make decision in dividend policy. Before making the decisions they must take in consideration the principal factors with a significant impact over the dividend payment such is: net income, BET return, liquidity index, change of dividend tax. These conclusions are logic, because in periods of time when the market is growing, the company reinvest its profit to increase the available resources in order to maximize its return from the main activity such that the dividend payment policy is negatively impacted by this decision. Another logically approach to explain this is that dividend payment is considered as a return to shareholders which invest only in large companies with low debts in order to maximize their return. But in the moment that the stock market performance decrease this will disadvantage the investment decision of shareholders. But from the other side when a change of the dividend tax rate is introduced the board of directors must to reconsider all the factors together in order to profit from lower tax rate to pay dividends and also to maintain in control the other variables.

Further studies, can take in consideration other financial variables or extending the period of time and the number of companies taken under analyze to see how dividend tax influence the dividend policy.

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