



Analysis of the Impact of the Increase in Value Added Tax (VAT) Rates on the Indonesian People

¹Adinda Maretsyah Purba, ²Tasya Alifiya, ³Ikhwan Rinaldi Lubis, ⁴Rizky Ananda Pratama, ⁵Hisam Ahyani
^{1,2,3,4}Universitas Islam Negeri Sumatera Utara
⁵Institut Miftahul Huda Al Azhar Kota Banjar
E-mail: ¹adinda.purba8008@gmail.com, ²tasyaalifiya0@gmail.com, ³ikhwanikhwan723@gmail.com,
⁴nan080904@gmail.com, ⁵hisamahyani@gmail.com

Info Articles	Abstract
Article History Received: 2025-11-25 Revised: 2025-12-10 Published: 2025-12-30 Keywords: <i>Analysis; increase; tax rates; community</i>	The policy of increasing the Value Added Tax (VAT) rate from 10% to 11% as stipulated in the Law on Harmonization of Tax Regulations (HPP Law) has caused various responses among Indonesian people. This tariff change is seen as the government's effort to strengthen state revenues, but on the other hand raises concerns about increasing the economic burden on the community and the potential boost to the rate of inflation. This study aims to analyze the impact of the increase in VAT rates on people's economic conditions and inflation in Indonesia. The research method used is qualitative descriptive with a literature study approach, through the collection of secondary data sourced from books, scientific articles, laws and regulations, and relevant previous research results. The results of the study show that the increase in VAT rates raises pros and cons, especially among business actors and consumers, who consider this policy to have the potential to increase consumption spending. However, based on the provisions of the HPP Law, not all goods and services are subject to VAT, because there are certain criteria and exceptions to maintain people's purchasing power. In addition, the increase in VAT rates has been proven to have no significant influence on inflation in general, because inflation is more predominantly influenced by increases in the prices of strategic commodities such as fuel oil and cooking oil. Thus, the impact of VAT increases on inflation is relatively limited and contextual.

I. INTRODUCTION

Taxes are mandatory contributions paid by the people to the state and are regulated by law as one of the main sources of state revenue. Every tax payment made by the community will enter the state treasury and be recorded as state revenue in the tax sector (Fitriano & Ferina, 2021). Rochmat Soemitro defines taxes as people's contributions to the state treasury based on a law that is coercive, without any direct counterperformance, and is used to finance general state expenditure (Syarifudin, 2018). This definition emphasizes the character of taxation as a public obligation that has a strong legal basis and is oriented towards the collective interest.

Conceptually, taxes have several main characteristics, including being collected by the state, both central and regional governments, being coercive based on laws and regulations, not providing direct rewards to taxpayers, and being

used to finance routine government expenditures and public investment. In addition to functioning as a source of state revenue (budgetair), taxes also have a regulatory function (non-budgetair) in controlling the social and economic activities of the community.

In the context of the Indonesian economy, taxes play a very strategic role because they are the largest contributor to the State Revenue and Expenditure Budget (APBN). Based on data from the Ministry of Finance of the Republic of Indonesia, the 2023 State Budget is planned at IDR 2,463.0 trillion, with tax revenues as one of the main components of state revenue. The revenue target is set by taking into account the national economic capacity, investment climate, and business competitiveness in expanding the tax base (Puspasari, n.d.). To achieve this target, the government continues to strive to increase

taxpayer compliance and awareness as the foundation for the sustainability of state revenue.

Taxpayer compliance is a condition in which taxpayers voluntarily fulfill their obligations and exercise their tax rights in accordance with the provisions of applicable laws and regulations (Bahri, 2020). This compliance is influenced by various factors, such as tax knowledge, the effectiveness of tax sanctions, and government policies such as the tax amnesty program (Putra et al., 2019). Therefore, the development of an adaptive and fair tax system is an inseparable need from the dynamics of national development.

Along with the times and the increasing need for state financing, tax regulations in Indonesia continue to undergo adjustments. Taxes are an important instrument to encourage national cooperation in financing development and maintaining economic stability (Agasie & Zubaedah, 2022). Optimizing tax revenue is carried out through policy updates, laws and regulations, and adjustments to the basis for tax imposition to be in line with developing economic conditions (Rusli & Nainggolan, 2021).

One type of tax that has a large contribution to state revenue is Value Added Tax (VAT), which is a consumption tax on goods and services within the customs area. Although Income Tax (PPh) is still the largest source of revenue, VAT occupies the second position in the national tax revenue structure. In the mechanism, business actors play the role of the party that collects, deposits, and reports VAT, while the end consumer is the party who bears the burden of the tax (Amelia & Kunawangsih, 2023).

Previous studies have generally only highlighted the impact of rising VAT rates on society or on inflation separately. Studies that integrate these two aspects in one analytical framework are still relatively limited. Therefore, this study aims to analyze the impact of the increase in Value Added Tax (VAT) rates on the public and its implications on inflation in Indonesia, in order to provide a more comprehensive picture of the effectiveness and consequences of the tax policy.

II. RESEARCH METHODS

This study uses a quantitative-descriptive approach that aims to analyze the impact of the increase in Value Added Tax (VAT) rates on the socio-economic conditions of the Indonesian people. This research also incorporates a qualitative approach to gain an in-depth understanding of public perceptions related to the policy. The data used in this study comes from various relevant secondary sources, such as government reports, academic publications related to the impact of tax increases, as well as statistical data by the central statistics agency and those issued by official institutions as well as economic news from trusted media to understand the response of the public and business actors.

III. RESULTS AND DISCUSSION

A. Value Added Tax (VAT)

Value Added Tax (VAT) is a tax imposed on the consumption of goods and services within the Customs Area, which is the territory of the Republic of Indonesia which includes the land area, waters, and airspace above it, including certain places in the Exclusive Economic Zone and the Continental Shelf in which the Customs Law applies. VAT is imposed on the consumption of Taxable Goods (BKP) and/or Taxable Services (JKP) that occur in the region. Characteristically, VAT is classified as an indirect tax, because the tax burden is economically borne by the end consumer, while the obligation to collect, deposit, and report taxes is carried out by other parties, namely entrepreneurs or traders as Taxable Entrepreneurs (PKP) (Daud et al., 2018).

VAT adheres to the destination principle, which is a tax imposed in the country where the goods or services are consumed, not in the country of origin of production (Syarifudin, 2018). In addition, VAT is an objective tax whose imposition does not pay attention to the taxpayer's subjective condition, but is solely based on the tax object. VAT is also a multi-stage tax because it is imposed on every distribution chain, from producers to retail traders, by using the input tax crediting mechanism and output tax. This characteristic makes VAT neutral on business competition and does not give rise to double taxes, and emphasizes

that VAT is a tax on domestic consumption which ultimately becomes a burden on the final consumer.

The object of imposition of Value Added Tax includes several economic activities, including the delivery of Taxable Goods and Taxable Services within the Customs Territory by entrepreneurs, the import of Taxable Goods, the use of intangible Taxable Goods from outside the Customs Territory within the Customs Area, the use of Taxable Services from outside the Customs Territory within the Customs Area, as well as the export of Taxable Goods. both tangible and intangible, and the export of Taxable Services by Taxable Entrepreneurs (PKP).

In the state revenue structure, Value Added Tax occupies a strategic position as one of the main sources of tax revenue. VAT revenue is an integral part of the overall state revenue and serves as the backbone of financing the national development agenda, including the acceleration of infrastructure development in various regions of Indonesia, especially in the Eastern Indonesia region. The implementation of an adaptive VAT policy is considered to be able to have a positive and significant impact on state revenue and encourage national economic stability (Purwanto & Handoko, 2022).

Based on the provisions of Article 7 of Law Number 42 of 2009, the Value Added Tax rate is set at 10%. However, a tariff of 0% is applied to export activities, both the export of tangible Taxable Goods, Intangible Taxable Goods, and Taxable Services. This provision reflects the government's fiscal policy in encouraging the competitiveness of national products in the international market. Furthermore, the law provides room for flexibility by stipulating that the VAT rate can be changed to a minimum of 5% and a maximum of 15% through government regulations, in accordance with the needs and conditions of the national economy.

Changes in the Value Added Tax rate cannot be separated from global and national economic dynamics, especially after the Coronavirus Disease (COVID-19) pandemic. The COVID-19 pandemic has caused a significant economic slowdown in various sectors, as well as a direct

impact on the increasing burden of the State Revenue and Expenditure Budget (APBN), including the need to finance social assistance programs for affected communities. This condition encourages the government to make adjustments to fiscal policies, including the policy of increasing VAT rates, as an effort to maintain the country's fiscal sustainability (Rizkianti & Fatimah, 2023).

Comprehensive reform of the Value Added Tax policy is realized through Law Number 7 of 2021 concerning the Harmonization of Tax Regulations (HPP Law). This law aims to simplify and integrate tax regulations, while expanding the VAT base by reducing various tax object exemptions and rearranging VAT exemption facilities. As a result, the VAT rate was increased by 1%, from 10% to 11%, and came into effect on April 1, 2022. The government has also planned to increase the VAT rate to 12% which is scheduled to come into effect in 2025.

However, the policy of increasing VAT rates raises its own problems in the community. This is due to the character of VAT as a consumption tax that is imposed on almost all levels of society regardless of income level. As a result, the increase in VAT rates is often perceived to burden the lower middle class of society, because it has a direct impact on the prices of goods and services consumed daily. This condition poses a policy dilemma between the state's need to increase tax revenue and the state's obligation to protect people's purchasing power and social justice (Pradana, 2022).

B. The Impact of the Value Added Tax (VAT) Increase on the Indonesian People

The government basically has a constitutional obligation to maintain the stability of the national economy while realizing the welfare of the people. These efforts are carried out through various fiscal policy instruments, including tax rate adjustments, the provision of tax incentives, and tax exemptions for certain sectors or groups. Tax policy not only functions as a source of state revenue, but also as a regulatory function directed to encourage equitable economic growth. If tax policy is not accompanied by infrastructure improvements and

the fulfillment of basic needs of the community, both primary, secondary, and equitable national development, then this condition has the potential to reduce the level of public tax awareness and compliance. When the tax benefits are not felt in real terms, people can experience economic pressure that leads to weakening productivity and economic participation (Djufri, 2022).

The increase in the Value Added Tax rate of 1% from 10% to 11% effective since April 2022 has caused various responses in the community. This policy raises a dilemma because the character of VAT as a consumption tax is generally imposed on almost all levels of society, regardless of income levels, both the upper middle and lower middle economic groups (Pradana, 2022). This perception has triggered concerns about an increasing burden on household spending, especially for low-income people whose proportion of consumption is relatively larger than their income.

However, within the framework of tax law, not all goods and services are subject to Value Added Tax. There is an exemption from VAT objects that aim to protect the interests of the public and maintain purchasing power, especially for basic needs. Goods that are not subject to VAT include basic food needs such as rice, soybeans, corn, meat, eggs, fruits, vegetables, milk, sago, salt, and sugar consumption. In addition, food and beverages served in hotels, restaurants, restaurants, stalls, and catering services are also exempt from VAT because they have become the object of regional taxes and regional levies in accordance with the provisions of laws and regulations. Other exceptions include money, securities, and gold bars used for the benefit of the country's foreign exchange reserves.

In addition to goods, there are also various types of services that are not subject to Value Added Tax, such as religious services, arts and entertainment services that are the object of regional taxes and regional levies, hospitality services in the form of room or room rental, and services provided by the government in order to carry out general government functions that cannot be carried out by the private sector. In addition, services for providing parking spaces

and catering services for an event are also included in the category of services that are exempt from the imposition of VAT because they have been regulated as objects of regional taxes and regional levies.

The increase in the Value Added Tax rate has ambivalent implications, both from the negative and positive sides. The negative impact that is most often felt by the public is the increase in consumption expenditure, especially when the increase in VAT rates occurs at the same time as the increase in the price of basic necessities. This condition has the potential to suppress people's purchasing power in the short term. However, from a legal and fiscal policy perspective, the imposition of VAT has been selectively regulated through the exclusion of tax objects, so not all goods and services are subject to VAT. Therefore, as part of a law-abiding society, compliance with tax policies is a prerequisite in supporting national development.

The positive impact of the VAT rate increase policy is related to the government's efforts to strengthen the structure of the State Revenue and Expenditure Budget (APBN), especially after the COVID-19 pandemic which has caused fiscal pressure and increasing state financing needs. The increase in VAT is expected to be able to improve the fiscal balance and ensure the sustainability of development and social protection programs. The policy has in principle been formulated by considering risks and alternative solutions if it causes problems in the community. Thus, the optimization of state revenue through VAT is expected to remain in line with the main goal of taxation, which is to maintain economic stability and realize people's welfare in a sustainable manner (Majid et al., 2023).

IV. CONCLUSION AND SUGGESTIONS

A. Conclusion

Value Added Tax is a tax imposed on domestic consumption (customs area), while for exported goods are not subject to VAT or 0% rate because exports and imports have been regulated in separate laws and regulations. In addition, Value Added Tax is a type of indirect tax that is imposed on all its value added and is imposed several times

in various distribution processes in the customs area, to be collected and deposited by other parties (traders) who are not as tax bearers but are borne by the end consumer. The increase in Value Added Tax from 10% to 11% is based on the Law on the Harmonization of Tax Regulations (HPP Law). This certainly raises pros and cons in society, especially business actors. The public thinks that the increase in the Value Added Tax (VAT) rate will have an impact on the increase in the need for basic materials. The public is aware that when the VAT rate increases, it will affect their spending. It turns out that the Law on Harmonization of Tax Regulations has stated what goods and services are subject to the VAT increase rate, while basic necessities are not included in the types of goods or services that are not subject to Value Added Tax (VAT).

Some economic experts think that the increase in the Value Added Tax (VAT) rate will have an impact on the increase in inflation in Indonesia. Meanwhile, based on data from the Central Statistics Agency (BPS), it is revealed that the increase in Value Added Tax (VAT) has little effect on inflation or even has no effect. In fact, inflation increases when commodity prices increase, for example the increase in cooking oil and fuel oil (BBM). It should be noted that when the government issues a policy, of course, it has gone through various long consideration processes. The government, especially the Ministry of Finance, has certainly thought about the risks or impacts of the increase in the Value Added Tax (VAT) rate by 11%. Everything that is issued by the government is expected to support the welfare of the Indonesian people. This study has limitations because it uses secondary data where the sources used are still limited. The suggestion is to conduct more varied research and can use primary data or through the process of interviews, observations and questionnaire distribution so that the next research is more updated.

B. Suggestion

The government should conduct massive and transparent socialization about the long-term goals and benefits of the VAT rate increase, so that the public can understand the reasons for the

policy and not cause excessive social resistance. Protection is needed for low-income groups, through subsidy programs or direct cash assistance (BLT), to reduce the economic burden due to the increase in the price of goods and services after the VAT increase. MSMEs need to be given tax incentives or ease of administration, in order to remain competitive amid the increasing burden of production and distribution costs triggered by higher VAT rates. The government needs to strengthen the mechanism for monitoring and evaluating the implementation of VAT, so that tax evasion practices do not occur and ensure that the impact remains within reasonable limits on people's purchasing power. Further research is needed with a wider coverage of the region and population, as well as taking into account other variables such as inflation, minimum wage, and household consumption levels, to get a more comprehensive picture of the long-term effects of VAT increases.

REFERENCE LISTAN

- Adlini, M. N., Dinda, A. H., Yulinda, S., Chotimah, O., & Merliyana, S. J. (2022). Metode Penelitian Kualitatif Studi Pustaka. *Edumaspul: Jurnal Pendidikan*, 6(1), 974-980. <https://doi.org/10.33487/edumaspul.v6i1.3394>
- Agasie, D., & Zubaedah, R. (2022). *Urgensi Kenaikan Tarif Pajak Pertambahan Nilai Berdasarkan Asas Kepentingan Nasional*. *Perspektif Hukum*, 50-74. <https://doi.org/10.30649/ph.v22i2.131>
- Amelia, N., & Kunawangsih, T. (2023). *Pengaruh Inflasi, Nilai Tukar Rupiah, dan Produk Domestik Bruto Terhadap Penerimaan PPN di Indonesia Periode 2005-2020*. *Jurnal Ilmu Manajemen, Ekonomi Dan Kewirausahaan*, 1(2), 1-16.
- Bahri, S. (2020). *Analisi Faktor Yang Mempengaruhi Kepatuhan Wajib Pajak Dengan Kesadaran Wajib Pajak Sebagai Variabel Intervening*. *Jurnal Riset Akuntansi Dan Bisnis*, 20(1), 1-15. <https://doi.org/10.30596/jrab.v20i1.4754>
- Daud, A., Sabijono, H., & Pangerapan, S. (2018). *Analisis Penerapan Pajak Pertambahan Nilai Pada Pt. Nenggapratama Internusantara*. *Going Concern: Jurnal Riset Akuntansi*,

- 13(02), 78-87.
<https://doi.org/10.32400/gc.13.02.19087.2018>
- Djufri. (2022). Dampak Pengenaan PPN 11% Terhadap Pelaku Dunia Usaha Sesuai Uu No.7 Thn 2021 Tentang Harmonisasi Peraturan Perpajakan Di Indonesia. *Journal of Social Research*, 1(5), 391-404.<https://doi.org/10.55324/josr.v1i5.106>
- Fitriano, Y., & Ferina, Z. I. (2021). Analisis Efektifitas Dan Kontribusi Pajak Hotel Dan Pajak Restoran Terhadap Pendapatan Asli Daerah (Pad) Kota Bengkulu. *EKOMBIS REVIEW: Jurnal Ilmiah Ekonomi Dan Bisnis*, 9(1), 69-80.
<https://doi.org/10.37676/ekombis.v9i1.1212>
- Majid, F., Sholikhah, H. S., & Lintang, S. (2023). Dampak Kenaikan Tarif Pajak Pertambahan Nilai (Ppn) Pada Masyarakat Di Indonesia. *Jurnal Mahasiswa Akuntansi UNITA*, 2(2), 92-97.
- Pradana, R. Z. (2022). *Problematisasi Pemulihan Ekonomi Nasional Pasca Pandemi*. *Jurnal Sahmiyya* | P-ISSN : 2963-2986 E-ISSN : 2963-8100303 Volume 2 Nomor 2 Tahun 2023 Dengan Pemberlakuan Kenaikan Tarif Ppn. *Japhtn-Han*, 1(2).
<https://doi.org/10.55292/japhtnhan.v1i2.33>
- Puspasari, R. (n.d.). *Siaran Pers APBN 2023: Pemerintah Berkomitmen untuk Meningkatkan Produktivitas Dalam Rangka Transformasi Ekonomi yang Inklusif dan Berkelanjutan*. Kementerian Keuangan Republik Indonesia.
<https://www.kemenkeu.go.id/informasi-publik/publikasi/siaran-pers/Siaran-PersAPBN-2023>
- Putra, W. E., Kusuma, I. L., & Dewi, M. W. (2019). Analisis Faktor-Faktor yang Mempengaruhi Kepatuhan Wajib Pajak (Studi Kasus pada Wajib Pajak Orang Pribadi dan Badan di Wilayah Kota Jambi). *Jurnal Akuntansi Dan Pajak*, 20(1), 43.
<https://doi.org/10.29040/jap.v20i1.360>
- Rizkianti, R. R., & Fatimah, H. (2023). Analisis Dampak Kenaikan Tarif Pajak Pertambahan Nilai (PPN) terhadap Penjualan Pada PT. XYZ Cabang Tangerang. *Jurnal Ekonomi Akuntansi, Manajemen*, 2(2), 91-107.
- Rusli, Y. M., & Nainggolan, P. (2021). Pentingnya Pengetahuan Pajak Dan Sosialisasi Pajak Kepada Calon Wajib Pajak Masa Depan. *Jurnal Pengabdian Dan Kewirausahaan*, 5(2), 135-142.
<https://doi.org/10.30813/jpk.v5i2.2989>
- Syarifudin, A. (2018). *Buku Ajar Perpajakan*. STIE Putra Bangsa, 4(1).