



Impact Analysis of Value Added Tax Rate Increase Policy on Society

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ABSTRACT

The research entitled "Analysis of the Impact of the Value Added Tax Rate Increase Policy on Society" aims to answer two main questions. First, how does the Value Added Tax (VAT) rate increase policy contribute to state revenue sources? Second, what is the impact of the policy on society? The research methods used include collecting data from various sources, such as books, journals, official documents, publications, and other research results. Furthermore, the analysis is carried out using a descriptive method to evaluate the facts regarding the impact of the VAT rate increase policy on society, so that conclusions and decisions can be drawn based on the data that has been analyzed. The results of the study indicate that this policy aims to increase state revenue and support economic development programs. However, its implementation needs to be evaluated carefully, especially in the context of the ongoing economic recovery after the COVID-19 pandemic. From a macroeconomic perspective, the impact of the VAT rate increase will be seen from the aspects of consumption, economic growth, and inflation. Many theories state that in the short term, the increase in VAT can increase public consumption. However, there is also research that shows that VAT does not have a significant effect on inflation.

INTRODUCTION

The increase in the Value Added Tax (VAT) rate from 10% to 11% in Indonesia is one of the government's strategic steps in an effort to recover the economy after the COVID-19 pandemic. In this context, the government is trying to increase public compliance with taxes through changes to regulations stipulated in Law Number 7 of 2021 concerning Harmonization of Tax Regulations. The increase in the VAT rate is being implemented in stages, starting on April 1, 2022, and is planned to increase to 12% on January 1, 2025. Although this decision was taken considering the conditions of society and the business world that have not fully recovered, the impact of this policy needs to be analyzed more deeply, especially for the lower middle economic group who may feel a heavier burden due to this rate increase.

One important aspect of this policy is the VAT exemption regulation which now only applies to goods outside the VAT category. VAT facilities that are not collected or exempted are regulated in Article 16B, while strategic goods or services that were previously exempted from VAT are now moved to Article 16B. This shows that the government is trying to expand the tax base and increase state revenue. However, although there is convenience for taxable entrepreneurs (PKP) to collect and deposit VAT payable at the final rate, this policy does not fully create justice for the community. The increase in VAT rates can have a cumulative impact on the costs of energy, transportation, and raw materials that depend on imports, which in turn can trigger inflation and increase the burden on people's lives.

In the context of housing development, the increase in VAT rates for building one's own home from 2.2% to 2.4% also reflects the general trend of increasing VAT rates. This increase is in line with the government's plan to increase the VAT rate to 12% by 2025. Although the government argues that the VAT increase is necessary to improve the state's financial condition, the author suggests that the government consider not raising taxes further, given the still-vulnerable conditions of the community. Wage adjustments for the entire community are also proposed as a step to offset the impact of the VAT rate increase. Thus, it is important for the government to conduct a comprehensive evaluation of this tax policy in order to create inclusive and sustainable economic growth.

In the applicable regulations, construction activities include not only the construction of new buildings, but also the expansion of existing buildings. However, not all construction projects will be subject to Value Added Tax (VAT); only projects that meet certain criteria will be subject to this tax. These criteria include that the main construction of the building must be made of materials such as wood, concrete, brickwork, or steel. In addition, the building must be designated as a residence or place of business activities.

For people who plan to build their own homes, it is important to understand that if the building area is less than 200 square meters, they do not need to worry about being charged VAT. This makes it easier for individuals or families who want to build a smaller house, so they are not burdened by additional taxes. Thus, this regulation is expected to encourage people to build without feeling

pressured by tax obligations that they may not be able to fulfill. The increase in the Value Added Tax (VAT) rate to 11% in Indonesia has caused significant complaints among the public, especially for groups with low expenditure. The main source of VAT comes from domestic consumption, which includes public spending, as well as import VAT related to capital goods and industrial raw materials. With this increase in rates, people's purchasing power is expected to be further depressed, considering that many of them have already experienced a decrease in their ability to shop. This raises concerns about further impacts if the VAT rate is increased again, which will certainly be even more detrimental to the public.

Consumer survey data conducted by Bank Indonesia shows that the group of people with expenditures below IDR 5 million experienced a significant decline in the consumption ratio. This decline was most pronounced in the group spending IDR 2.1 million to IDR 3 million, reflecting the direct impact of the VAT rate increase policy on their daily lives. This decline in purchasing power not only impacts individual consumption, but can also slow down overall economic growth, as household consumption is one of the main pillars of the Indonesian economy.

In this context, entrepreneurs also voiced their concerns and asked the government to conduct a more in-depth study regarding the VAT rate increase policy. They suggested that the government postpone the VAT rate increase until the economic conditions are more stable and conducive. This shows that there is an urgent need to consider the balance between increasing state revenues and the socio-economic impacts that arise. By considering input from various parties, it is hoped that the tax policies taken can be more inclusive and not burden the community, especially the most vulnerable groups.

LITERATURE REVIEW

Tax Policy

According to Law No. 16 of 2009 concerning the Fourth Amendment to Law No. 6 of 1983 concerning General Provisions and Tax Procedures, tax is defined as a mandatory contribution paid to the state by individuals or legal entities, which is mandatory based on the provisions of the law. This tax is not given direct compensation and is used for the benefit of the state in order to achieve the greatest possible prosperity of the people. Tax policy is a decision taken by the government to increase state revenues and create conducive economic conditions. This policy is an integral part of a country's tax system and has an important role in fiscal policy to encourage economic growth. Although tax policies can vary between countries, there are certain patterns that can be identified among countries with similar characteristics. Tax policy covers the entire tax administration system, which includes tax subjects, tax objects, tax rates, and tax procedures. In formulating tax policy, there are two important aspects that need to be considered, namely tax regulations and issues related to tax administration.

METHODOLOGY

In this study, the researcher applies two approaches, namely the statute approach and the conceptual approach. The statute approach focuses on a comprehensive analysis of various applicable rules and regulations, thus becoming the core of the normative research conducted. Through this approach, researchers can understand the legal framework that governs the policies being analyzed. On the other hand, the conceptual approach is based on doctrines and views that are developing in society, and utilizes current literature to explore phenomena related to the Value Added Tax (VAT) rate increase policy. This approach aims to examine the concepts and ideas underlying the policy, as well as its impact on society as one of the sources of state revenue. To obtain comprehensive and complex data, and ensure accurate correlation according to the title of the study, the researcher divides data sources into two main categories: primary data sources and secondary data sources. Primary data sources include information collected directly by researchers, which is relevant to the research objectives to be achieved. Meanwhile, secondary data sources consist of references and literature that are related to the topic of this study. By utilizing both types of data sources, researchers hope to produce an in-depth and informative analysis of the VAT rate increase policy and its impact on society and the country's economy.

RESULTS AND DISCUSSION

Case Study of Company Calculation of the Impact of an 11 Percent Increase in Value Added Tax Rates

Profitability ratio is an indicator that shows the company's ability to generate profits in relation to sales, total assets, and equity. In this study, the profitability ratio is measured only through Gross Profit Margin (GPM) and Net Profit Margin (NPM), because the main focus of the study is to analyze the performance of the income statement before and after changes in the Value Added Tax (VAT) rate.

NO	PAJAK	%	KET	CATATAN
1	PPN	11%	Barang dan Jasa	Kecuali beban BKP, PPN dibebaskan, Jasa angkutan udara, dst
2	PPh 21	0%-15%	Gaji	Disetor menggunakan NPWP
3	PPh 22	1,50%	Barang	Kecuali dibawah 2jt, beras, bbm, air, listrik, dst
4	PPh 23	2%	Pengeluaran Jasa	Tanpa nilai minimal, termasuk penyediaan makan-minum/jasa katering

Nama	Definisi	Parameter	Skala
Gross Profit Margin (GPM)	Rasio ini menggambarkan persentase laba kotor yang dicapai dibandingkan dengan total penjualan	$GPM = \frac{\text{Laba Kotor Penjualan}}{\text{Total Penjualan}} \times 100\%$	Rasio
Net Profit Margin (NPM)	Rasio ini mengukur laba bersih setelah pajak dibandingkan dengan total penjualan.	$NPM = \frac{\text{Laba Bersih Setelah Pajak Penjualan}}{\text{Total Penjualan}} \times 100$	Rasio

No	Perusahaan	Laba Bersih Setelah Pajak		Perubahan Naik (Turun) (%)
		Triwulan I	Triwulan II	
1	PT Akasha Wira International Tbk	75.595.000.000	156.937.000.000	108%
	PT Martina Berto Tbk	-4.053.400.592	-18.203.501.430	-349%
3	PT Kino Indonesia Tbk	45.372.098.149	45.899.361.388	1%
4	PT Mustika Ratu Tbk	310.676.857	-9.908.672.766	-3289%
5	PT Unilever Indonesia Tbk	2.021.207.000.000	3.429.935.000.000	70%
	PT Victoria Care Indonesia Tbk	9.419.673.951	27.371.692.134	191%

The increase in the Value Added Tax (VAT) rate from 10% to 11% in Indonesia has had a significant impact on the financial performance of companies, especially in the cosmetics sector. Of the six companies analyzed, two companies, namely PT Mustika Ratu Tbk and PT Martina Berto Tbk, experienced a decrease in net profit after tax. This decrease indicates that despite the increase in sales, other factors such as increased selling expenses and operating costs can reduce the company's profitability.

PT Mustika Ratu Tbk recorded a significant loss, with selling expenses soaring drastically from IDR26.69 billion in the first quarter to IDR67.30 billion in the second quarter. This spike indicates that the company had to spend higher costs to maintain its sales, which may have been due to the need to increase marketing efforts or provide discounts to attract consumers. This reflects the challenges faced by the company in managing costs amid the increase in VAT rates that have an impact on product prices. Meanwhile, PT Martina Berto Tbk also experienced a significant increase in selling expenses, from IDR16.49 billion to IDR38.46 billion. Advertising and promotion expenses were one of the main factors causing this increase. With the increase in marketing costs, the company must adapt to changing market conditions due to the increase in VAT rates, which in turn affects net profit after tax. This shows that the company must not only focus on increasing sales, but also on efficient cost management.

On the other hand, although PT Mustika Ratu Tbk and PT Martina Berto Tbk experienced a decrease in net profit, all cosmetic companies studied showed

an increase in sales after the change in VAT rates. Three of the six companies even recorded an increase in sales of more than 100%. This shows that despite challenges in terms of costs, demand for cosmetic products remains high, which may be due to consumer loyalty and effective marketing strategies.

Gross profit increases were also seen in all companies studied, with three companies recording increases of more than 100%. However, it is important to note that high gross profit does not always equate to net profit. In the case of PT Mustika Ratu Tbk and PT Martina Berto Tbk, although they experienced an increase in gross profit, the significantly increased selling expenses resulted in a decrease in net profit after tax. This shows that companies need to balance between increasing sales and managing costs.

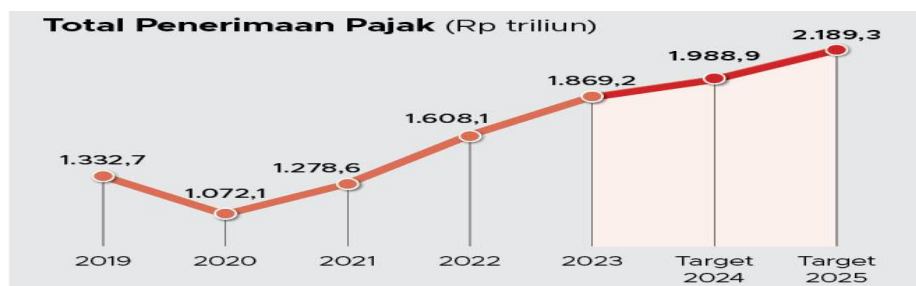
In terms of profitability, the Gross Profit Margin (GPM) ratio shows good results for all companies, with a ratio above 40%. However, there are two companies that experienced a decline in GPM, which may be due to the inability to manage the cost of goods sold. This decline in GPM is an indicator that companies need to evaluate their cost strategies in order to remain competitive in the market.

In terms of Net Profit Margin (NPM), four out of six companies recorded negative values, indicating that the costs incurred, including taxes and interest, were greater than the revenues earned. This indicates that these companies face challenges in maintaining profitability amidst the increase in VAT rates. Thus, it is important for companies to conduct an in-depth analysis of their cost structure and marketing strategies in order to adapt to changes in tax policies and maintain healthy financial performance. Overall, this analysis shows that the increase in VAT rates has a complex impact on the financial performance of cosmetic companies. Despite the increase in sales and gross profit, companies have to face challenges in managing costs that can affect net profit. Therefore, companies need to develop more effective strategies to manage costs and improve operational efficiency in order to survive and thrive in a competitive market.

Impact and Causal Factors of Value Added Tax Tariff Increase Policy for State Revenue Sources in the Community

The Indonesian economy is currently facing complex challenges, where public welfare is a top priority. One way to achieve this goal is by lowering tax rates, providing exemptions to the people, and providing tax incentives. Economic theory shows that tax reductions can increase people's purchasing power, which in turn can encourage consumption and investment. When people feel more prosperous, they tend to be more compliant with tax obligations, because they feel the direct benefits of their contributions to infrastructure development and public services. However, if the government does not prioritize the interests of the people in improving infrastructure and equitable national development, this can result in low tax awareness among the people. The theory of tax behavior states that tax compliance is influenced by people's perceptions of the fairness and benefits of the taxes they pay. If people feel that the taxes they pay do not provide comparable benefits, they may feel burdened and less motivated to fulfill their tax obligations. This can lead to a decrease in state

revenue and worsen economic conditions. Furthermore, if the tax benefits felt by the community are not appropriate or even disappear, then people may choose to stop working or avoid tax obligations. This is in line with the theory of tax avoidance, where individuals or companies seek ways to reduce their tax burden when they feel they are not getting a fair return from the government. Therefore, it is important for the government to ensure that tax policies do not only focus on increasing state revenues, but also on creating conditions that are conducive to the welfare of society as a whole.



The increase in Value Added Tax (VAT) from 10% to 11% which came into effect in April 2022 has caused various reactions in society, creating a dilemma between the need to increase state revenue and the negative impact felt by consumers, especially from the lower middle class. The principle of VAT being imposed evenly on all types of taxpayers without distinguishing between economic groups has caused dissatisfaction, especially when basic necessities experience price increases. Although there are certain provisions regarding goods and services that are not subject to VAT, the impact of this rate increase is still felt by the public who must adjust their spending. On the other hand, the government argues that this VAT increase is needed to improve the State Budget (APBN) which has been disrupted by the COVID-19 pandemic, indicating an urgent need to improve the state's financial condition.

From a macroeconomic perspective, the impact of the VAT increase can be seen from the consumption, economic growth, and inflation aspects. Economic theory shows that in the short term, the VAT increase can increase public consumption, but this is not always directly proportional to sustainable economic growth. Research shows that although there is an effect of the VAT increase on inflation, the impact is relatively small, around 0.95%. This is because many goods and services, especially basic necessities, are not subject to VAT. However, inflation remains a major concern, because if uncontrolled, it can have a wider negative impact on the economy, including the potential for hyperinflation that can harm society as a whole.

This increase in VAT rates, although it has negative impacts such as increasing the cost of living, is expected to contribute positively to long-term economic stability. This policy reflects the government's efforts to address the economic challenges faced, including high inflation and slowing economic growth. The public is expected to respect the steps taken by the government to improve the post-pandemic economy, despite the complaints that have emerged.

It is important for the government to continue to monitor and evaluate the impact of this policy, and ensure that the steps taken are not only focused on increasing state revenues, but also on the welfare of society as a whole.

The increase in VAT rates has resulted in higher prices for goods and services. Many people feel the direct impact through the increase in the prices of the goods they buy, which shows that this policy affects the cost of daily living. This forces consumers to spend more money to meet their needs. Thus, this policy not only has an impact at the macroeconomic level, but also at the individual level, affecting purchasing power and family finances as a whole. After the increase in VAT rates, the price of goods increased significantly, so people had to be more careful in managing family finances, prioritizing the purchase of goods that were really needed. The 11% increase in VAT caused the cost of living to increase, while income remained unchanged. In response, people reduced spending on less important goods and looked for more affordable alternatives.



The policy of increasing the Value Added Tax (VAT) rate has a significant impact on people's finances and consumption strategies. People are now more careful in managing their budgets, especially to meet basic needs such as daily food. Many have started using emergency funds to deal with urgent financial situations. In addition, they are actively looking for promos and discounts to get quality goods at more affordable prices in response to price spikes.

Although the public is aware that the 11% VAT rate increase can help increase state revenue, they feel that the timing of its implementation is inappropriate, given the sluggish economic conditions following the COVID-19 pandemic. They emphasize the importance of clear regulations and strict supervision of price increases for goods and services to prevent unfair practices. The public is also aware that not all goods will be subject to the VAT rate increase, so it is important not to assume that all prices will increase across the board. This view points to the need for more prudent and transparent economic policies post-pandemic to protect consumers and support sustainable economic recovery.

From the business perspective, the impact of the VAT rate increase varies. Although some manufacturers immediately increased the prices of their products, not all price adjustments had a direct impact on end consumers. Most price adjustments were more focused on the VAT component, while the prices of basic goods remained stable. However, increases in raw material and

transportation costs can lead to gradual price increases. Business actors responded by absorbing some of the additional costs to avoid significant price increases for consumers, and adjusting prices gradually in line with changes in costs. They also sought to increase efficiency in production and distribution to reduce the impact of the VAT rate increase and other factors on the final selling price. However, there was an imbalance between reported and actual sales, as some consumers refused to pay VAT. This caused a discrepancy between the financial statements submitted in the 2019 Annual Tax Return and the actual financial records by the company. To overcome this problem, one recommended strategy is to set a selling price that already includes VAT, so that consumers do not have to pay additional VAT outside the selling price. In this way, companies can avoid an imbalance in recording transactions and financial reports.

Companies can also take steps to bear the risk of VAT payments for consumers who refuse to pay. This step aims to strengthen the company's compliance with tax regulations, while maintaining good relations with price-sensitive consumers. By implementing this strategy, it is hoped that companies can better fulfill their tax obligations and maintain the integrity of financial reports, while maintaining consumer trust and loyalty. Tax policies, including increasing Value Added Tax (VAT) rates, must indeed consider various risks that may arise in the future. In this context, the government needs to conduct an in-depth analysis of the impact of these policies on society and the economy as a whole. This is important so that the policies taken do not only focus on increasing state revenues, but also on the welfare of society, especially for the lower middle class who are most vulnerable to price changes due to VAT increases.

The principle of taxation that emphasizes the public interest and the stability of the country's economy shows that tax policies must be designed to create conditions that are conducive to economic growth. If the policy is not balanced with measures to protect people's purchasing power, it can potentially hinder economic growth. For example, an increase in VAT rates can lead to an increase in the price of goods and services, which in turn can reduce people's purchasing power and hinder consumption, which is one of the main pillars of economic growth. In addition, it is important for the government to continue to monitor and evaluate the impact of this policy. If negative impacts on society begin to appear, the government must be ready to take corrective steps, such as postponing or reviewing the policy. This is in line with the principle that tax policies must be adaptive and responsive to changing economic conditions. Thus, a balance between increasing state revenues and public welfare can be achieved, which ultimately supports the goal of inclusive and sustainable economic development.

The government's decision-making process regarding the increase in Value Added Tax (VAT) rates involves several systematic stages. With a comprehensive approach, the government can formulate policies that not only aim to increase state revenues, but also consider the potential impacts, especially on the most vulnerable communities. The stages of decision-making are as follows:

1. Intelligence Stage

The intelligence stage in government decision-making regarding the Value Added Tax (VAT) rate increase policy is a very important initial step. In this phase, the government identifies various factors that influence the decision. This process involves in-depth data collection and analysis to understand the existing economic, social, and political conditions. By understanding the broader context, the government can formulate policies that are not only effective in increasing state revenues, but also consider their impact on society, especially the most vulnerable groups.

Several factors influencing the decision to increase VAT rates include health, economic, and environmental aspects. In the context of health, the impact of the COVID-19 pandemic has had a significant impact on state finances, with state spending increasing to support the health sector and economic recovery. In addition, economic factors, such as the need to improve the health of the disrupted State Budget (APBN), are also major considerations. Therefore, the government needs to ensure that the policies taken can support long-term economic growth and not only focus on increasing tax revenues.

Environmental aspects, including global developments and international standards, also play an important role in this intelligence stage. For example, the VAT rate in Indonesia, which is still below the average VAT rate of member countries of the Organisation for Economic Co-operation and Development (OECD), shows that there is room for adjustment. By considering these factors, the government can formulate policies that are more comprehensive and responsive to the needs of the community. Overall, the intelligence stage in decision-making regarding the increase in VAT rates must be carried out carefully and comprehensively. The resulting policy must be able to balance the need to increase state revenue and maintain public welfare. With an inclusive and sustainable approach, the government can ensure that the policies taken not only provide benefits to state finances, but also support broader economic development goals.

2. Design Phase

The design phase in government decision-making regarding the Value Added Tax (VAT) rate increase policy is a crucial phase where various alternative solutions are identified and analyzed. At this stage, the government needs to consider various available options, including the possibility of not increasing the VAT rate. For example, tax revenue data showing good target achievement in recent years can be a consideration for maintaining the VAT rate at the existing level. However, if the government decides to maintain the VAT rate, they must be prepared to face the challenge of closing the State Budget (APBN) deficit which is getting bigger due to increased spending during the COVID-19 pandemic.

Factors that influence this design stage include economic, health, and environmental conditions. In the economic context, the government needs

to analyze the impact of the proposed policy on long-term economic growth. The increase in VAT rates can contribute to increasing state revenues, but also has the potential to reduce people's purchasing power, especially among low-income groups. Therefore, it is important for the government to formulate a balanced policy, which not only focuses on increasing tax revenues, but also considers the welfare of society as a whole.

Thus, decision-making regarding the increase in VAT rates must be done carefully and consider various aspects that can affect society. Effective policies must be able to balance the need to increase state revenue and maintain people's purchasing power. In the context of post-pandemic economic recovery, the government needs to formulate inclusive and sustainable policies, so that they can provide benefits to all levels of society without sacrificing their welfare.

3. *Selection Stage*

The selection stage in government decision-making regarding the Value Added Tax (VAT) rate increase policy is a phase in which the government has identified and analyzed various available alternatives. At this stage, the government is required to choose the best alternative that can be implemented to optimize the national taxation system. In this context, the alternative chosen is to increase the VAT rate from 10 percent to 11 percent, with a plan to increase it to 12 percent in 2025. This decision was taken after considering various influencing factors, including the need to cover the State Budget (APBN) deficit which is getting bigger due to increased spending during the COVID-19 pandemic.

Factors that influence this selection stage include economic, health, and environmental conditions. In the economic aspect, the government must consider the impact of the increase in VAT rates on people's purchasing power and overall economic growth. Although the increase in VAT rates can contribute to increasing state revenues, it also has the potential to reduce public consumption, especially among low-income groups. Therefore, it is important for the government to ensure that the policies taken do not only focus on increasing tax revenues, but also consider the welfare of society at large.

Thus, decision-making regarding the increase in VAT rates must be done carefully and consider various aspects that can affect society. An effective tax policy must be able to balance the need to increase state revenue and maintain people's purchasing power. In the context of post-pandemic economic recovery, the government needs to formulate inclusive and sustainable policies, so that they can provide benefits to all levels of society without sacrificing their welfare.

Implications of the Impact of the Value Added Tax Rate Increase Policy for State Revenue Sources in the Community

The policy of increasing the Value Added Tax (VAT) rate from 10% to 11% planned by the Indonesian government has various implications that have

significant impacts on society. One of the main impacts of this policy is the increase in the burden of living costs for the community, especially for low-income groups. The increase in VAT rates has the potential to cause a spike in the price of goods and services, which in turn can reduce people's purchasing power. This is a major concern, considering the economic conditions that are still in the recovery stage after the COVID-19 pandemic.

From an economic perspective, the increase in VAT rates is expected to increase state revenues needed to cover the deficit in the State Budget (APBN). However, the short-term impact of this policy may be contrary to this objective. People may reduce their consumption in response to rising prices, which may result in a decline in economic growth. This decline in consumption may create a negative cycle that affects other economic sectors, such as trade and industry. The social implications of this policy are also worth noting. The increase in VAT rates may worsen social inequality, with more vulnerable groups of people feeling a greater impact than more affluent groups. Low-income people may have to allocate more of their budget for basic needs, reducing their ability to meet other needs, such as education and health. This may worsen the overall welfare of society.

From a psychological perspective, this policy can cause public dissatisfaction and distrust of the government. If the public feels that this policy is unfair or does not consider their conditions, then resistance will arise to the policy. This dissatisfaction can lead to protests or rejection of government policies, which can ultimately disrupt social stability. In a business context, an increase in VAT rates can also affect the pricing strategies implemented by producers and service providers. Many business actors may increase the prices of their products and services to offset the increase in VAT costs. This can create greater inflationary pressure, which in turn can affect the purchasing power of the community as a whole. It is important to note that the implementation of this policy must be accompanied by strict supervision to prevent unfair practices, such as hoarding of goods or setting inappropriate prices. The government needs to ensure that the increase in the price of goods and services does not exceed a reasonable limit and remains under control. The government also needs to carry out effective socialization regarding this policy to the public. Education about the objectives and benefits of the increase in VAT rates can help reduce dissatisfaction and increase public understanding of the policy. Thus, the public can better accept this policy as part of the government's efforts to improve economic conditions.

In conclusion, the policy of increasing VAT rates has complex and diverse implications for society. Although there is potential for increasing state revenues, the negative impact on people's purchasing power and social inequality must be a major concern. Therefore, it is important for the government to formulate policies that are balanced and responsive to the needs of the community, and to ensure that policy implementation is carried out with transparency and accountability. With a careful and planned approach, it is hoped that this policy can provide greater benefits to the community and support sustainable economic recovery in Indonesia.

CONCLUSION AND RECOMMENDATION

Based on the results of the study entitled "Analysis of Value Added Tax Rate Increase Policy for State Revenue Sources Impacting the Community", the following conclusions can be drawn:

- a) The impact of the increase in Value Added Tax (VAT) rates can be analyzed macroeconomically through three main aspects, namely consumption, economic growth, and inflation. Many theories state that in the short term, an increase in VAT can increase public consumption. However, there is also research that shows that Value Added Tax does not have a significant effect on inflation. The increase in VAT rates implemented in 2022 also coincides with changes and additions to progressive taxes on income tax.
- b) The increase in the Value Added Tax (VAT) rate from 10% to 11% and the plan to increase it to 12% in 2025 has occurred. Based on data from the Central Statistics Agency (BPS), in April 2022, this VAT increase was recorded as having a significant impact, although on a small scale, of 0.95% on inflation. This is regulated in Articles 4A and 16B contained in the Law on Harmonization of Tax Regulations, where many goods and services are not subject to 11% VAT, including basic necessities such as food and beverages served in hotels, restaurants, eateries, and stalls, as well as money, securities, and gold bars for the country's foreign exchange reserves. In addition, the increase in commodity prices, such as cooking oil and Fuel Oil (BBM), is one of the main factors triggering inflation in Indonesia.

ADVANCED RESEARCH

The author makes recommendations for further researchers to continue the research by involving more related parties, such as local government institutions, community organizations, and academics. In addition, it is recommended to conduct regular monitoring of the implementation of the VAT increase policy and the community's response to it. Thus, we can continue to update our understanding of the changes that occur over time and find better solutions to overcome emerging problems.

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