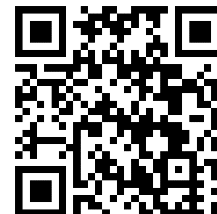


## Increasing Value Added Tax (VAT) Rates on Community Purchasing Power and Economic Stability



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**ABSTRACT:** Added Tax (VAT) already become *money maker* for the country. VAT rates experienced enhancement from 10% to 11% as of April 1, 2022. This naturally raises pros and cons from various society. Ascension tariff tax the in accordance with stated mandate in rule about Harmonization Regulation Taxation. However, for raise something tariff tax in the middle decline Indonesian economy as impact from This Covid-19 pandemic become question. Study this is very urgent Because can made evaluation for government specifically Directorate General of Taxes (DJP) for policy will made in the future, above evaluation the government can innovate for meet state revenue targets from sector taxation. Study this also contributes in educate must tax to get it follow future VAT policy, with hope state revenue will increase. Study this aim for analyze about influence enhancement VAT rate against Power buy society and stability country's economy. Analysis techniques used is an analysis technique quantitative with Analysis Simple Linear Regression. Research result mention that enhancement VAT rates matter positive and significant to Power buy society and stability economy.

**KEYWORDS:** VAT Rates, Public Purchasing Power and Stability Economy

### INTRODUCTION

Added Tax (VAT) is tax consumption domestically, where is the tax the addressed to consumers who use it goods and services that become object inside area customs. VAT becomes largest state revenue after Income Tax. Policy enhancement VAT rate from 10% to 15% official implemented in Indonesia on April 1 2022 based on Law No. 7 of 2021 concerning Harmonization Regulation Taxation. Based on Constitution the VAT rates will also be increase in a way gradually to 12% no later than January 1, 2025 which will come. One of underlying factors back he took it out policy This is Because Indonesia's budget deficit consequence most expenditure government For handling Covid-19 pandemic.

Policy enhancement this VAT rate bring up rejection from a number of public Because less time appropriate where is the country in recovery The economy of Central countries is also experiencing increase price to need principal. Determination 11% tariff by the Indonesian government incl Still low If assessed from the average global tariff used various countries in the world (Good and service tax) where compared to with 127 countries in the world having an average VAT rate of 15.4%. When compared with countries in ASIA having an average VAT of 12% and in ASEAN the average is 7 – 12%

Based on background behind so can formulated problem study like following: "is enhancement VAT rates matter to Power buy society and stability economy". The aim of this research is to analyze influence enhancement VAT rate against Power buy society and stability economy. Study this is very urgent Because can made evaluation for government specifically Directorate General of Taxes (DJP) for policy will made in the future, above evaluation the government can think about method for meet state revenue targets from sector taxation.

### LITERATURE REVIEW

#### Value Added Tax

Based on Law No. 42 of 2009 concerning change third on Law No. 8 of 1983 concerning Added Tax Value of Goods and Services and Sales Tax on Luxury Goods. VAT is tax on consumption goods and services in the region customs duties charged in a way tiered in each track production and distribution. VAT is including tax No direct Because the burden redirected to the other party viz buyer goods or service so that bearer the tax is consumer. Subject of VAT is Taxable Entrepreneurs (PKP), namely entrepreneurs who do

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submission goods hit taxes and services hit tax. Based on Minister of Finance Regulation Number 197/PMK.03/2013 concerning Limitations on Small Entrepreneurs who do not subject to VAT. Businessman must do reporting turnover his business for confirmed as Taxable Entrepreneur, if until with One year book circulation gross Already exceeds IDR 4,800,000,000 (four billion eight hundred million rupiah). However, for must personal tax or circulating business entities gross Not yet reached 4.8 billion allowed No own Number Confirmation Taxable Entrepreneurs (NPPKP) so classified as businessman small.

For entrepreneurs who have have NPPKP have obligation to withdraw, hand over and deliver reporting VAT payable every month to the country through Directorate Tax General through the Tax Service Office where must tax registered as Taxable employers. Procedure the only imposition of VAT will worn to increase mark goods or existing services in One track start from production until distribution (Papis-Almansa, 2019). VAT is charged caused by factors production like prepare, produce, distribute until promote goods and services the to consumer. All component cost in matter This capital interest, company profits, wages workers, land and rent for gain and maintain company profit is elements that become base imposition of land value material tax (Scarcella, 2020).

Invite Number 7 of 2021 concerning Harmonization Regulation Taxation as a form of tax reform which combines all over regulations in the sector purposeful taxation For expanding the Value Added Tax base by do subtraction exception object VAT tax and gifts facility For released from VAT. Necessary goods basic things that are really needed by the community, health services, education services, services social services and some type service other will given facility released from VAT. Enforcement increase VAT rate can be give rise to problematic (Androutsopoulou et al., 2019), because a dilemma occurs in society that principle tax increase mark Where taxes in general imposed a hamper on all over type must tax with No differentiate consumption goods and services from circles intermediate to on or intermediate to lower (Saleem & Alzoubi, 2017). On the side other, yes increase What is the Value Added Tax rate? will support climate positive economy so that impact its usefulness to welfare of society in recovery economy national. Because of its presence government as representation from a very influential country to sustainability life public.

### **Public Purchasing Power**

According to Paauthor (2016), purchasing power is a person's ability as a consumer to purchase the goods or services needed. Purchasing power is influenced by several factors, including income level, education level, level of needs, price of goods, inflation and so on. Purchasing power indicators according to Zafar et al. (2022) are:

1. Prices of other closely related goods
2. Patterns of community income distribution
3. The taste of society
4. Prediction of future conditions

### **Economic Stability**

In the framework of the national economic recovery program, starting in 2022, the Indonesian government will adjust two new tax rates, namely personal income tax and value added tax. This is regulated in the provisions of Law No. 7 of 2021 concerning Harmonization of Tax Regulations (UU HPP). In accordance with the implementation of the HPP Law, the VAT rate changed from 10% to 11% which came into effect on April 1 2022. With this increase in the VAT rate, Indonesia became the second country with the highest Value Added Tax in Southeast Asia. The implementation of this increase in the VAT rate will cause problems, because there is a dilemma in society that the VAT principle is generally imposed on almost all types of taxpayers, without distinguishing between the consumption of goods and services among the upper middle class or the lower middle class (Piliandani & Saputra, 2019). On the other hand, it is hoped that the increase in VAT rates will support a positive economic climate so that it will benefit people's welfare in national economic recovery. Because the presence of the government as a representative of the state greatly influences the survival of society (Darma & Saputra, 2021).

### **Hypothesis Study**

#### **Influence Increase in VAT Rates on People's Purchasing Power**

Purchasing power is influenced by several factors, including income level, education level, level of needs, price of goods, inflation and so on. According to Paauthor (2016), purchasing power is a person's ability as a consumer to purchase the goods or services needed. Desy Farina's research (2021) found that increasing the VAT rate had a negative effect on people's purchasing power regarding the consumption of electronic goods in the Batusangkar market. Based on description above, then can formulated hypothesis first that is :

H<sub>1</sub>: Improvement VAT rates matter negative to Power buy public

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### Influence Increase in VAT Rates against Stability National Economy

The implementation of this increase in the VAT rate will cause problems, because there is a dilemma in society that the VAT principle is generally imposed on almost all types of taxpayers, without distinguishing between the consumption of goods and services among the upper middle class or the lower middle class (Syamsuri et al., 2022). On the other hand, it is hoped that the increase in VAT rates will support a positive economic climate so that it will benefit people's welfare in national economic recovery. Because the presence of the government as a representative of the state greatly influences the survival of society. Dresdner and Fischer (2020) research found that enhancement tariff PPN increase stability economy, because VAT is an internal stimulus business government get fresh funds from public. Based on description above, then can formulated hypothesis second that is: H<sub>2</sub>: The increase in VAT rates has an effect positive to stability economy

### METHODS

Study This carried out in the region Regional Office of DJP Bali with object study Increase in VAT Rates in guard Stability Economy. Samples are part from the number and characteristics possessed by the population. Samples taken with method non probability sampling with method election sample used is accidental sampling, namely something method taking size sample in a way coincidentally, with share questionnaire to considered respondents in accordance for in research data. Amount sample calculated use formula slovin found sample as many as 100 respondents. According to Sugiyono (2017) variable research (object research) is something attribute or mark of people, objects or activities that have variation certain conditions determined by the researcher for studied and then withdrawn the conclusion. The variables used in study this that is: Variable Dependent (Y) or variable bound that is influenced variables or being consequence Because exists influenced variables or being consequence because exists variable free (Priliandani & Saputra, 2019). On research this is what happened variable independent in the form of two variables that is Power buy society and stability economy (Saputra & Kawisana, 2021). Variable Independent (X) or variable free that is influencing variables or being because the change or emergence variable dependent. In research this is what happened variable independent is Enhancement VAT rate.

Purchasing power is a person's ability as a consumer to purchase the goods or services needed. Purchasing power is influenced by several factors, including income level, education level, level of needs, price of goods, inflation and so on. Purchasing power indicators according to Ali et al. (2020) are: a) Prices of other closely related goods, b) Patterns of community income distribution, c) The taste of society, d) Prediction of future conditions.

Main target of financial strategy is achieved stability economy national in support development Solid and incoming financials common sense, so it 's very important for guard Power buy individual and distanced from inflation outside possible control endanger economy in a way general. Indicator from stability economy is (Carol, 2017): a) Low and stable expansion, b) Support development healthy and decent monetary, c) Cost controlled loans, d) Fluctuation controlled prices.

Enhancement VAT rate from 10% to 11% is is a government effort in get source state finances for speed up recovery economy national post covid -19 pandemic. As for indicators from enhancement VAT rates are (Papis-Almansa, 2019): a) Represents normal thing, b) Help government in overcome state finances, c) In accordance with condition public moment.

Type of data used in study this is quantitative data, because research data is in the form of number namely qualitative data that is summarized. In research this is quantitative data is score answer from statements questionnaire provided (Velte, 2019). Internal data sources study This is primary data. Primary data is direct data source provide data to data collector. Primary data in study This is answer respondents through spread questionnaire given.

Data collection methods used in study This is survey with use questionnaire. Questionnaire is a data collection technique used with method give set question or statement written to respondents for answered. For measure opinion respondents be measured with use scale likert. Questionnaire scores use scale likert with five points from score 1 to 5, namely very no agree to strongly agree.

Analysis techniques this used for know big influence from variable freely researched that is Enhancement VAT rate against variable bound that is Power buy society and stability economy. As for the equation simple linear regression formulated in a way mathematical as following:

$$Y_1 = \beta_1 X_1 + e$$

$$Y_2 = \beta_2 X_2 + e$$

Information:

Y<sub>1</sub> = People's Purchasing Power

Y<sub>2</sub> = Stability Economy

X<sub>1,2</sub> = Increase in VAT Rate

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$\beta$  = Coefficient regression

E = error term

### RESULT AND DISCUSSION

Variable enhancement VAT rate which is symbolized with  $X_1$  as well as be measured with using 5 statements that are responded to use 5 Likert scale points. Based on results tabulation of answer data from 100 respondents related variable enhancement VAT rates are presented in the attachment, then can made summary answer to all over respondents for each category as seen in the following table.

**Table 1. Description Answer Respondent To Increase in VAT Rates**

No	Statement	Proportion Answer Respondent (person)					Amount	Average	Criteria
		1	2	3	4	5			
1	X1.1	1	2	0	56	41	434	4, 34	Good
2	X1.2	0	3	2	59	36	428	4, 28	Good
3	X1.3	0	2	12	55	31	415	4, 15	Good
4	X1.4	0	28	26	34	12	330	3, 30	Good
5	X1.5	0	3	23	50	24	395	3.95	Good
Average								4,00	Good

Variable Power buy public which is symbolized with  $Y_1$  as well as be measured with using 5 statements that are responded to use 5 Likert scale points. Based on results tabulation of answer data from 100 respondents related variable understanding taxation presented in the attachment, then can made summary answer to all over respondents for each category as seen in the following table.

**Table 2. Description Answer Respondent Against People's Purchasing Power**

No	Statement	Proportion Answer Respondent (person)					Amount	Average	Criteria
		1	2	3	4	5			
1	Y1.1	0	0	2	47	51	449	4, 49	Good
2	Y1.2	0	0	8	62	30	422	4, 22	Good
3	Y1.3	0	4	16	68	12	388	3, 88	Good
4	Y1.4	0	2	11	57	30	415	4.15	Good
5	Y1.5	0	0	1	63	36	435	4.35	Good
Average								4.22	Good

Variable stability economy which is symbolized with  $Y_2$  as well as be measured with using 5 statements that are responded to use 5 Likert scale points. Based on results tabulation of answer data from 100 respondents related variable understanding taxation presented in the attachment, then can made summary answer to all over respondents for each category as seen in the following table.

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**Table 3. Description Answer Respondent Against People's Purchasing Power**

No	Statement	Proportion Answer Respondent (person)					Amount	Average	Criteria
		1	2	3	4	5			
1	Y2.1	1	9	31	51	8	354	3, 54	Good
2	Y2.2	0	1	18	64	17	397	3, 97	Good
3	Y2.3	0	2	24	61	13	385	3, 85	Good
4	Y2.4	0	1	15	69	15	398	3.98	Good
5	Y2.5	0	3	16	65	16	393	3.93	Good
Average								3.85	Good

### Test result Instrument Study

Testing validity to the instruments inside questionnaire very important done for obtain results Valid research. Based on table 4 explains that all question items of 3 (three) variables researched (improvement VAT rate, power buy society and stability economy) is valid (coefficient is above 0.30 ) so all item in instrument said to be valid.

**Table 4. Recapitulation of Validity Test Results**

No	Variable	Statement	Coefficient Correlation	Information
1	Increase in VAT Rates	X1.1	0.353	Valid
		X1.2	0.453	Valid
		X1.3	0.369	Valid
		X1.4	0.458	Valid
		X1.5	0.538	Valid
2	People's Purchasing Power	Y1.1	0.418	Valid
		Y1.2	0.518	Valid
		Y1.3	0.504	Valid
		Y1.4	0.516	Valid
		Y1.5	0.546	Valid
3	Stability Economy	Y2.1	0.551	Valid
		Y2.2	0.632	Valid
		Y2.3	0.669	Valid
		Y2.4	0.608	Valid
		Y2.5	0.672	Valid

Source: Processed Data (2024)

Reliability test to instrument study This use mark Cronbach's Alpha. Reliable can interpreted as how much big something measurement can trusted. Cronbach's Alpha value is stated reliable If value more big or the same with 0,60. Reliability test can seen in Table 5 below:

**Table 5. Recapitulation of Reliability Test Results**

No	Variable	Cronbach's Alpha	Information
1	Increased VAT Rate (X1)	0.714	Reliable
2	People's Purchasing Power (Y1)	0.779	Reliable
3	Stability Economy (Y2)	0.741	Reliable

Source: Processed Data , 2024

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Based on table 4 explains that results testing instrument study show all question items from 3 variables studied (Enhancement VAT rate , power buy society and stability economy) has show level good reliability (coefficient correlation Cronbach's alpha ( $\alpha$ ) is above 0.60). With Thus, instruments study questionnaire can used and distributed to all target samples have been determined in study.

### Normality test

On research This testing normality done use analysis statistics One-Sample Kolmogorov-Smirnov, ie with compare Kolmogorov-Smirnov count with Kolmogorov-Smirnov table. As for the results analysis shown in table 6 as following:

**Table 6. Normality test**

		Unstandardized Residual
N		100
Normal Parameters <sup>a,b</sup>	Mean	.0000000
	Std. Deviation	1.71008218
Most Extreme Differences	Absolute	.090
	Positive	.090
	Negative	-.068
Kolmogorov-Smirnov Z		.896
Asymp. Sig. (2-tailed)		.398

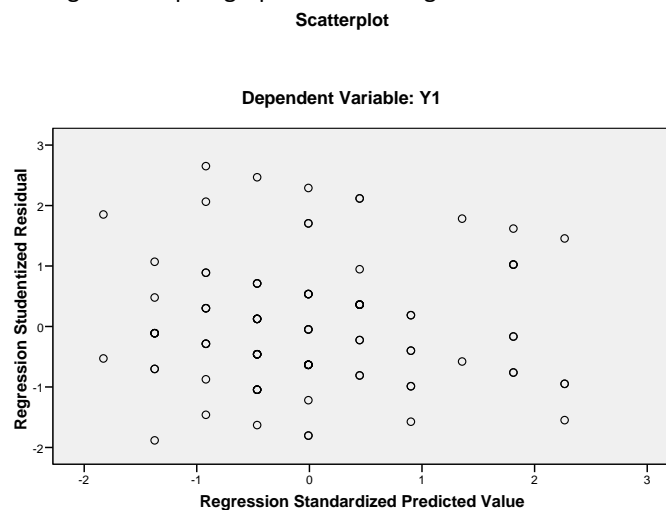
a. Test distribution is Normal.

b. Calculated from data.

Based on normality test with use The One-Sample Kolmogorov-Smirnov Test shown in table 4.6 shows that big mark Kolmogorov-Smirnov is as big as 0,398 which is more big from 0,05. This matter this means that the residual data is normally distributed.

### Heteroscedasticity Test

Testing heteroscedasticity done through scatterplot graph like following:



**Figure 1. Heteroscedasticity Test Results (Scatterplot Graph)**

According to the scatterplot Image above, the data shows the spread is not regular. So, from that's the heteroscedasticity test stated succeed.

### Analysis Simple Linear Regression

Analysis regression simple aim For know description about influence variable free to variable bound, with using SPSS (*Statistical Package for Social Science*). Analysis results simple linear regression can seen in table 7.

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**Table 7. Summary of Analysis Results Multiple Linear Regression**

Model	Unstandardize	Coefficient std error	Standardize coefficient Beta	t	sig
People's Purchasing Power	,299	,079	,358	3,801	,000
Stability Economy	,346	,103	,322	3,369	,001

In the existing problem, then used analysis multiple linear regression with equality:

$$Y = \alpha + \beta_1 X_1 + e$$

$$Y_1 = 0.358 X_1 + e$$

$$Y_2 = 0.322 X_2 + e$$

Based on the simple linear regression equation above, it is obtained the regression line equation that gives information that:  $b_1 = 0.358$ , value coefficient regression variable The increase in VAT rates on people's purchasing power ( $X_1$ ) is 0.358, which means if there is Increase in VAT Rates ( $X_1$ ) then Power buy society will too increases, with assumption other variables are valuable constant (Saputra & Kawisana, 2021).

$b_2 = 0.322$ , value coefficient regression variable The increase in VAT rates on economic stability ( $X_2$ ) is 0.322, which means if happen increase in VAT Rates ( $X_2$ ) then stability the economy will too increases, with assumption other variables are valuable constant.

### Hypothesis Testing

The test results show a positive regression coefficient of 0.358 with a significance value of  $0.000 < 0.05$ , this indicates that the increase in the VAT rate has a significant positive effect on people's purchasing power. Thus, the second hypothesis states that there is an increase VAT rates matter negative to Power buy public rejected.

The test results show that the regression coefficient has a positive value of 0.322 with a significance value of  $0.001 < 0.05$ , this indicates that there is a significant influence between increasing the VAT rate and economic stability. Thus, the second hypothesis which states that increasing the VAT rate has a positive and significant effect on economic stability is accepted.

### Analysis of the Determination Coefficient

The R Square value of 0.009 means that 0.9% of the effect of increasing the VAT rate on people's purchasing power and economic stability, while 99.1% of people's purchasing power and economic stability is caused by factors other than increasing the VAT rate, as can be seen in following table.

**Table 8. Analysis of the Determination Coefficient**

#### Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.094 <sup>a</sup>	.009	-.001	1.04958

a. Predictors: (Constant),  $X_1$

## DISCUSSION

### The effect of increasing VAT rates on people's purchasing power

The regression coefficient value shows a positive direction of 0.358 with a significance level of  $0.000 < 0.05$ , which means that the more the VAT rate is increased, the more people's purchasing power will increase because people will get an increase in income along with the multiplier effect of increasing the VAT rate, people will try to buy these goods. even though the price has increased because you can still afford it. People's purchasing power will increase as income increases, where the goods consumed will not be reduced because these goods are needed in life. This is in accordance with *behavioral theory* where people will try to get the goods they need (Scarcella, 2020).

This condition contradicts the results of research from Desy Farina (2021) which found that increasing the VAT rate had a negative effect on people's purchasing power regarding the consumption of electronic goods in the Batusangkar market. This is because Desy Farina emphasizes electronic goods which are not basic needs and there will be substitute goods that can replace them (Papis-Almansa, 2019).



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### The Effect of Increasing VAT Rates on Economic Stability

The regression coefficient value shows a positive direction of 0.322 with a significance level of  $0.001 < 0.05$ , meaning that the VAT rate has a positive effect on economic stability. An increase in the VAT rate shows that the price of certain goods tends to increase, but as state income increases, the multiplier effect that arises is an increase in income from various sectors which triggers increasing economic growth. The results of this research are in line with the results of Muhammad Mulya Tarmizi's (2023) research findings that enhancement tariff PPN increase stability economy, because VAT is an internal stimulus business government get fresh funds from the community.

### CONCLUSION

Based on results data analysis and discussion, then obtained conclusion results study is as following: Based on results study obtained mark coefficient regression from variable Power buy public positive 0.352, with level significance 0.000. This matter means that enhancement VAT rates matter positive to Power buy community in the Bali DJP Regional Office area. Based on results study obtained mark coefficient regression from variable stability economy is 0.322 which is valuable positive, with level significance 0.001. This matter means that increase VAT rates matter positive to stability Balinese economy. Between second the variables studied were found that increase VAT rate is more dominant its influence to Power buy Society compared to stability Balinese economy. Enhancement VAT rate still can tolerated and still is can guard stability Bali's economy, therefore to ahead for protection stability economy national, government Still possible do enhancement VAT rates for the sake of safeguarding fulfillment state finances.

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