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THE ROLE OF TAX EDUCATION AND SOCIALIZATION IN THE EVALUATION OF VALUE ADDED TAX (VAT) POLICY

Peran Pendidikan dan Sosialisasi Pajak dalam Evaluasi Kebijakan Pajak Pertambahan Nilai (PPN)

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ABSTRACT

Purpose: This study aims to evaluate the Value Added Tax (VAT) policy and its relevance to Indonesia's economic growth. The analysis focuses on policy changes and their impact on state revenues, household consumption, businesses, and macroeconomic indicators.
Methods: The method used is a literature review with a descriptive-analytical approach, drawing on scientific journals, official reports, and the latest tax regulations.
Results: The results indicate that VAT reform through tariff adjustments, tax base expansion, and administrative digitization has successfully increased fiscal revenues. However, this policy has also triggered price pressures, decreased purchasing power, and uneven impacts across income groups and business sectors, particularly MSMEs. The findings also indicate that the contribution of VAT to economic growth is not linear and is strongly influenced by policy design, macroeconomic conditions, and the effectiveness of its implementation.
Conclusion: The effectiveness of VAT policy requires a balance between fiscal objectives, price stability, and protection of vulnerable groups.

ABSTRAK

Tujuan: Penelitian ini bertujuan mengevaluasi kebijakan Pajak Pertambahan Nilai (PPN) dan relevansinya terhadap pertumbuhan ekonomi Indonesia. Fokus analisis diarahkan pada perubahan kebijakan, dampaknya terhadap penerimaan negara, konsumsi rumah tangga, pelaku usaha, dan indikator makroekonomi.
Metode: Metode yang digunakan adalah studi pustaka dengan pendekatan deskriptif-analitis yang bersumber dari jurnal ilmiah, laporan resmi, dan regulasi perpajakan terbaru.
Hasil: Hasil penelitian menunjukkan bahwa reformasi PPN melalui penyesuaian tarif, perluasan basis pajak, dan digitalisasi administrasi berhasil meningkatkan penerimaan fiskal. Namun, kebijakan tersebut juga memicu tekanan harga, penurunan daya beli, serta dampak yang tidak merata antar kelompok pendapatan dan sektor usaha, khususnya UMKM. Temuan juga menunjukkan bahwa kontribusi PPN terhadap pertumbuhan ekonomi tidak bersifat linear dan sangat dipengaruhi desain kebijakan, kondisi makroekonomi, serta efektivitas implementasinya.
Kesimpulan: Efektivitas kebijakan PPN memerlukan keseimbangan antara tujuan fiskal, stabilitas harga, dan perlindungan terhadap kelompok rentan.

INTRODUCTION

Value Added Tax (VAT) is one of the main fiscal instruments in the Indonesian tax system. As an indirect tax imposed on the consumption of goods and services, VAT is closely linked to domestic economic activity, the country's fiscal stability, and the government's ability to provide public services. Increasing the effectiveness of VAT collection is believed to increase state revenue, which is then used to support national economic development. However, efforts to enhance VAT effectiveness often intersect with the elasticity of domestic demand, particularly when household consumption patterns are shifting due to global economic pressures and rising living costs. Therefore, studying the relevance and impact of VAT policy is becoming increasingly important, particularly in the context of global economic dynamics and changes in the structure of community consumption (Asri & Suseno, 2023).

In recent years, the government has implemented a series of reforms to VAT policy through tariff adjustments, expansion of taxable objects, and improvements to the tax administration system. One significant change is the increase in the VAT rate from 10% to 11%, effective in 2022, and gradually increasing to 12% starting in 2025, particularly for certain groups of goods and services. This reform is intended to broaden the tax base and improve collection effectiveness to support the country's fiscal sustainability (Subur & Syata, 2025). However, these changes are not only related to the revenue structure but also raise issues in their implementation. Increased VAT rates can have a direct impact on the prices of goods and services, thus affecting consumer purchasing power, household consumption, and production costs in the business sector. This situation requires careful evaluation of the balance between fiscal revenue interests and protection of domestic economic activity (Fitriyani, 2025).

These conditions raise several critical questions regarding the effectiveness of VAT implementation on the economy. To what extent do changes in VAT policy truly have a positive impact on state revenue? Do rate increases or expansion of taxable objects contribute significantly, or do they actually suppress household consumption and public purchasing power? Other questions also arise regarding its impact on the business climate, private investment, and the distribution of prosperity. An objective evaluation is needed to answer whether VAT policy can achieve fiscal objectives without hindering economic growth.

The relationship between VAT and economic growth is dynamic. Increasing state revenue through VAT can expand fiscal space for development financing, but excessively high tax burdens can reduce aggregate demand and household consumption, which are the largest components of Gross Domestic Product (GDP). Furthermore, changes in VAT policy can affect price structures, inflation rates, and private investment decisions, which are closely related to production expansion and job creation. This suggests that VAT policy analysis must consider comprehensive economic variables to obtain a more accurate picture of its impact on national economic growth (Khamidah & Mulyono, 2025).

In addition to fiscal aspects, VAT policy evaluations must also consider the principles of fairness, effectiveness, and administrative efficiency. Disproportionate VAT policies can create an imbalance in the burden between large and small businesses. Meanwhile, administrative inefficiencies such as low compliance, regulatory gaps, and weak oversight have the potential to reduce potential state revenue. Therefore, a comprehensive VAT policy evaluation requires consideration of legal, economic, and institutional aspects (Roziqin et al., 2025).

In this regard, this study aims to evaluate the Value Added Tax (VAT) policy and its relevance to Indonesia's economic growth. Specifically, this study analyzes the impact of VAT policy on state revenue, public consumption, business activity, and economic growth indicators. This research is expected to provide academic contributions as a reference for the literature on fiscal policy evaluation, as well as practical contributions as considerations for policymakers in formulating more adaptive, inclusive, and balanced tax strategies to support Indonesia's economic growth.

THEORETICAL STUDY

Tax Policy

Taxes, as a fiscal instrument, function to regulate economic activity and serve as the primary source of public funding for infrastructure, education, and health, strengthening the state's fiscal capacity (Aqmarina & Furqon, 2020). In addition to funding, tax policy also serves as a tool for macroeconomic stability, encouraging income distribution, and improving economic structure through incentives or disincentives in specific sectors (Srimaryani, 2023). However, its effectiveness depends on policy design, transparency, and efficient administration to optimize state revenue without incurring public resistance (Halawa et al., 2025). In the Indonesian context, tax policy continues to be developed through digitalization of tax administration, expansion of the tax base, and tariff reform to align with development needs. Thus, tax policy can be said to be not merely an instrument for state revenue, but also a balancing mechanism for long-term economic stability.

Value Added Tax (VAT)

VAT is implemented as a tax on the consumption of goods and services and is one of the largest contributors to the state revenue structure due to its broad and relatively stable base (Mokalu et al., 2022). According to Judijanto (2024), the reform VAT through expanding tax objects, digitalizing payment systems, and strengthening supervision are important strategies that have been proven to increasetax ratio in various countries, including Indonesia. Meanwhile, Puteri et al., (2025) explained that although the reform had a positive impact on state revenue, risks such as decreased purchasing power and potential inflation still need to be considered in determining tariffs and implementation mechanisms. Hajatina & Hasanah, (2024) stated that the impact of VAT is not uniform across income groups. Low-income groups are considered more sensitive to price changes resulting from tax rate increases because their proportion of consumption is greater than that of middle- and high-income groups. Therefore, according to various studies, the success of VAT implementation is determined not only by the tariff rate, but also by the policy's ability to maintain a balance between fiscal function, social impact, and the effectiveness of tax administration. Thus, VAT can be a powerful instrument for fiscal stability as long as its implementation takes into account the structural conditions of the economy and people's purchasing power.

Consumption

Household consumption is a crucial component of the economy due to its significant contribution to Gross Domestic Product (GDP), and changes in VAT rates can impact these consumption patterns. According to Sarlini et al. (2025), increases in VAT rates tend to encourage consumers to reduce spending on non-essential goods while spending on basic necessities remains a priority, especially for low-income groups. Meanwhile, Burke & Ozdagli (2023) added that consumption responses are also influenced by psychological factors such as price perceptions, inflation expectations, and confidence in economic stability. While high-income consumers may be less sensitive to price changes, vulnerable groups may experience a short-term decline in welfare due to increases in VAT rates. Therefore, analyzing consumption behavior is important in evaluating the impact of VAT policies to understand market responses and potential policy adjustments. Ultimately, consumption is a direct reflection of how tax policies affect people's daily economic activities.

Economic Growth

Economic growth reflects a country's increased ability to produce goods and services, and this indicator is heavily influenced by consumption, investment, government spending, and fiscal conditions (Sardoni, 2024). In the context of VAT policy, increased tax revenue can strengthen the government's ability to finance infrastructure development and public services. public spending, and social programs that have a positive impact on national productivity (Viera et al., 2025). However, a short-term increase in VAT rates could trigger inflationary pressures and reduce consumption, thus having a dampening effect on certain economic sectors such as retail and manufacturing (Kharisma & Furqon, 2023). If tax revenues are used productively, VAT becomes a channel that strengthens the economy; however, if not, it has the potential to slow economic activity. Therefore, the relevance of VAT to economic growth is not automatically positive, but depends on fiscal design, the economic context, and its implementation.

METHODS

This research uses a qualitative approach with a literature study method (library research) descriptive-analytical. This approach was chosen because it is suitable for evaluating Value Added Tax (VAT) policy in Indonesia and assessing its relevance to national economic growth from a conceptual and empirical perspective. Literature review allows researchers to examine various credible sources such as the latest scientific journals, official government reports, laws and regulations, and publications from economic research institutions as the primary analytical material. Through this approach, the research focuses not on collecting field data but on developing an in-depth understanding based on existing theoretical findings. Thus, this method helps produce a more holistic picture of how VAT policy is formulated, implemented, and perceived within the Indonesian macroeconomic context.

The analysis process is carried out using techniquescontent analysis, namely by selecting, categorizing, and interpreting literature relevant to the research scope. This stage includes identifying issues, comparing findings between studies, and synthesizing academic arguments related to the influence of VAT policy on household consumption indicators and Indonesia's economic growth. The analysis focuses on the literature from the last five years to ensure relevance to current economic conditions and the context of fiscal policy. Through this approach, the research is expected to provide an objective evaluative picture of the relationship between VAT policy, public consumption behavior, and the dynamics of Indonesia's economic growth, so that the conclusions obtained have a strong theoretical and empirical basis.

RESULTS AND DISCUSSION

The results of the study show that the Value Added Tax (VAT) policy plays an important role in Indonesia's fiscal revenue structure because of its relatively large contribution and often provides additional revenue. Policy reforms through tariff changes, administrative digitization, and expanding taxable objects are the government's strategies to strengthen the country's fiscal capacity. As shown in the Directorate General of Taxes' Performance Report (2023), the tax revenue target exceeded the State Budget (APBN) estimate, reaching Rp1,867.87 trillion out of the Rp1,718 trillion target. This demonstrates the effectiveness of tax reform and increased taxpayer compliance through the implementation of a digital-based system.

From a macroeconomic perspective, increasing VAT rates has implications for price pressures and consumer behavior. According to Lamsah (2025), tax rate increases have the potential to increase price pressures and affect household consumption patterns, while consumption is a major component of Gross Domestic Product (GDP). Practically, rate increases also impact price adjustments for goods and services. A study by Kharisma & Furqon (2023) found that businesses tend to raise prices to offset the increased tax burden, for example, from IDR 100,000 to IDR 111,000 after rate adjustments. This condition makes low-income groups more sensitive to price changes, resulting in a more significant decline in their purchasing power compared to high-income groups. This phenomenon reflects the tax incidence mechanism, in which the burden of higher VAT rates is largely transferred downstream to final consumers and small-scale supply chains that generally have limited financial resilience.

The impact of VAT policy on the business sector also exhibits diverse dynamics. Tariff changes encourage businesses to adapt to digital-based reporting systems, which are considered to improve tax administration efficiency. However, the MSME sector tends to face greater challenges because price adjustments often clash with market competition and narrow profit margins. Findings by Grossman et al. (2024) confirm that tariff increases impact production cost structures, particularly in the manufacturing and distribution sectors, which rely on integrated supply chains. Furthermore, not all businesses are subject to VAT due to exemptions for certain goods and services, so the impact is not evenly distributed across all economic actors.

In the context of consumption behavior, public responses to VAT increases show variability based on income levels and types of goods. A study conducted by Renani et al. (2025) showed that a VAT increase to 12% was proven to have an impact on reducing people's purchasing power and potentially affecting household consumption patterns, especially in groups with higher price sensitivity. In line with the findings of Sarlini et al. (2025), it states that this impact is not evenly distributed, as low-income groups tend to reduce consumption of non-essential goods first, while high-income groups are relatively unaffected.

In addition to economic factors, Burke & Ozdagli (2023) explain that price perceptions and inflation expectations also influence consumption decisions, so that tax rate increases have not only financial but also psychological impacts on consumers.

Overall, the relationship between VAT and economic growth is not linear. On the one hand, increased state revenue through taxes can provide fiscal capital for long-term development projects such as infrastructure, education, and health, as explained by Viera et al. (2025). However, on the other hand, short-term rate increases have the potential to increase inflation and suppress public purchasing power, as stated by Kharisma & Furqon (2023). Furthermore, the 2022 VAT rate change coincides with other regulations, such as the addition of a progressive tax to income tax, so the economic impact is not solely due to VAT. The latest fiscal policy, which took effect in January 2025, namely the increase in the VAT rate from 11% to 12%, demonstrates the government's efforts to strengthen state revenue capacity amidst economic dynamics and national inflationary pressures.

Based on the overall analysis, VAT policy remains relevant as a fiscal instrument to support national economic growth. However, its success depends heavily on the balance between increasing state revenues and its impact on public consumption and the sustainability of businesses, particularly MSMEs. The principles of fairness, effectiveness, and efficiency of taxation must be consistently adhered to to prevent this policy from causing broader economic distortions. With the support of strong digital administration, adaptive transition policies, and protection for vulnerable groups, changes to VAT policy have the potential to provide long-term benefits for Indonesia's fiscal stability and economic growth.

CONCLUSION

The increase in Value Added Tax (VAT) does not demonstrate a linear relationship with Indonesia's economic growth. In the short term, this policy has the potential to increase price pressures and reduce purchasing power, particularly among low-income groups who are more sensitive to price changes. This impact is reflected in adjustments in household consumption patterns, particularly for non-essential goods, and is influenced by psychological factors such as price perceptions and inflation expectations, which shape irrational consumption responses.

In the long term, increasing the VAT rate has the potential to strengthen the country's fiscal capacity by increasing tax revenues that can be allocated to financing development, such as infrastructure, education, and other public services. Therefore, this policy evaluation cannot focus solely on the short-term implications for consumption but also needs to consider its role within long-term fiscal strategy. These findings confirm that the impact of tax rate changes is complex, influenced by the socioeconomic context, and requires an analytical approach that balances both micro and macro aspects.

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