

Tax Justice: A Study of Value Added Tax (VAT) Policy in Indonesia

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Abstract. *Taxes are a vital instrument in supporting national development, with Value Added Tax (VAT) becoming a primary source of state revenue since its enactment through Law No. 8 of 1983. The most recent reform, Law No. 7 of 2021 concerning the Harmonization of Tax Regulations (UU HPP), raised the VAT rate from 10% to 11% as of April 2022, with a planned 12% increase by 2025. This research uses a qualitative, descriptive approach by analyzing laws and regulations, secondary data from the Ministry of Finance and Statistics Indonesia (BPS), and academic studies, complemented by normative and empirical analyses. The results show that the VAT rate increase contributed significantly to increased state revenue, strengthened the post-pandemic fiscal situation, and maintained stable economic growth of around 5%. However, this policy impacted public purchasing power, particularly among the lower-middle class, who are sensitive to price increases, resulting in decreased consumption of non-essential goods. MSMEs were also impacted through decreased demand and increased production costs. Although the government provides VAT exemptions for basic necessities such as staple foods, education, and health care, as well as incentives for MSMEs, the regressive nature of VAT still creates the potential for injustice. Legally, this policy is valid under Article 23A of the 1945 Constitution, but public legitimacy is largely determined by perceptions of fairness. Therefore, while successful in increasing state revenue, the VAT policy must be balanced with social protection, subsidies, and strengthening the principle of tax fairness so that its benefits are felt equally by all levels of society.*

Keywords: *Value Added Tax, Harmonization of Tax Regulations, Public Purchasing Power, Tax Fairness, Economic Growth*

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INTRODUCTION

Taxes play a crucial role in many aspects of life, including economics, politics, and socio-culture (Syamsurrijal et al., 2023; Sundawa et al., 2021; Jehan et al., 2023). Tax revenue significantly assists the government in providing public goods and services to maintain the economic system and stimulate economic activity. Therefore, tax revenue plays a crucial role in sustainable economic development and in financing social programs and infrastructure investment. Abd et al. (2022) and Manse (2022) said that, Taxes are a crucial part of any nation, including Indonesia. Nearly all countries implement regulations regarding tax collection, whether direct or indirect.

According to the Great Dictionary of the Indonesian Language, a tax is a compulsory levy, usually levied in the form of money. This money is paid by citizens as a mandatory contribution to the state or government. Taxes have been imposed in Indonesia throughout history, from the era of kingdoms and the colonial era to the present (Sutedi, A. 2019; Lenggü & Kristanto, 2022; Boolaky et al., 2018).

Initially, taxes were known as a form of tribute, a voluntary donation. However, over time, taxes evolved into an enforceable obligation that citizens had to fulfill to their king or ruler. These gifts were used for the needs of the king or local ruler without any benefit to the community, suggesting psychological pressure due to the king's high social status. Over time, the tribute paid by the people was no longer solely used for the benefit of the king, but was directed towards the interests of the community, such as security, infrastructure, and other social facilities.

This social change transformed the tax system, which was previously voluntary and compulsory, into a more orderly and equitable system, involving the community in formulating tax collection regulations and channeling the proceeds back to the community for their benefit. This led to slight changes in the tax system at that time (Garnier et al., 2014). During the colonial period, taxation served only the interests of the colonial government, with all tax revenues being used to support the interests of the colonial government (Cogneau et al., 2021; Ogle, 2020).

However, during independence, taxation was based on Pancasila and the 1945 Constitution, which reflected the state's obligation and community participation in supporting national finances for governance and national development. The goal was to achieve social justice and comprehensive welfare, as well as Indonesia's economic development (McCarthy & Robinson, 2020; Fitria, 2025; Sayem et al., 2023; Habib & Gilalo, 2025).

During the reform era, tax revenue had a significant impact on Indonesia's economic development. The government increased tax revenue as a potential source of revenue for the state (Maweje & Sebudde, 2019). Tax revenues are distributed to cover the costs of running the state, improve public services, and achieve shared prosperity (Kochanova et al., 2020; Ajeigbe et al., 2024). To achieve the goals of the nation and state, discussion of the functions and objectives of taxes must not be ignored. This is because the functions and objectives of taxes are closely related to the goals of the state.

Therefore, the objectives of taxes must align with the goals of the state, which serve as the basis for the objectives of government. Both taxes and government objectives are based on the goals of society. These goals constitute the philosophy of the state and nation. Therefore, the goals and functions of taxes cannot be separated from their primary goals and functions. Therefore, taxes collected from the public should not only be used for the process of running the government but also for development and the needs and welfare of the community itself (Hanna & Olken, 2018).

In line with the aforementioned tax objectives, Escribà-Folch et al. (2015) argues that the purpose of imposing taxes is to achieve a state of economic growth, namely: (1) Limiting consumption, thereby diverting resources from consumption; (2) Encouraging savings and investment; (3) Diverting resources from the hands of the people to the hands of the government to enable national investment; (4) Changing and regulating investment patterns; (5) reducing economic disparities; (6) mobilizing economic surpluses. State revenues derived from taxes consist of several types of tax sources: Value Added Tax (VAT), Income Tax (PPH), Land and Building Tax (PBB), Luxury Goods Sales Tax (PPnBM), state revenues from the tax sector also come from stamp duty, customs, export duties, and import duties.

In helping finance state expenditures, income tax is the largest contributor to government spending (Hajdúchová et al., 2015; Chan et al., 2017; Sidek, 2021; Gemmell et al., 2016). However, income tax is only levied on certain taxpayers, namely those who already have income and whose income exceeds the tax-exempt income. This can be achieved by paying income tax. Unlike VAT, this tax is paid by transferring or collecting it to others (tax amnesty) (Agasie & Zubaedah, 2022). One important type of instrument in tax policy is Value Added Tax, which is a crucial tax tool for regulating a country's economy.

Raising the VAT rate is a strategic decision that can impact various economic aspects, including demand prices, market conditions, and overall socioeconomic conditions. In Indonesia, VAT policy has a significant impact on economic stability and public welfare (Rabani et al., 2024;

Fathoni, 2025; Caesaria et al., 2024). Value Added Tax (VAT) is imposed on the delivery of taxable goods/services by manufacturers, main distributors or main agents, importers, patent/trademark holders of the taxable goods/services. For every purchase of goods directly related to the goods produced/sold, the tax imposed on those goods by Taxable Entrepreneurs (PKP) is an input tax of 11% of the purchase price.

If the goods are owned by an entity, an additional 11% of the pre-tax selling price is applied as VAT, which is an expenditure tax for the relevant tax period, or for immovable and intangible goods. Value Added Tax (VAT) is a tax that adds value to the final commodity. This VAT value-added is final at 11%. This means that VAT can increase the price of an item. However, this price increase should not hinder people from consuming their daily necessities. "Economically, the imposition of tax should not lead to reduced welfare (poverty) in society, hinder efforts to improve welfare, or hinder the production and distribution of goods/services that meet people's basic needs." However, the objective nature of VAT means it does not discriminate against the taxable person.

In other words, the principle of fairness in this tax is not sufficiently considered, resulting in its imposition also being imposed on low-income individuals. The conclusion is that the VAT variable has a significant positive effect on consumer purchasing power, and that VAT influences consumer purchasing power (Ahmed et al., 2015; Izang, 2025). Tax policy has also undergone changes. The government enacted Law Number 7 of 2021 concerning the Harmonization of Tax Regulations (HPP). This law regulates two main aspects: principles and objectives. According to Article 1 paragraph (1), the HPP Law is implemented based on "the principles of justice, simplicity, efficiency, legal certainty, benefit, and national interest." Furthermore, Article 1 paragraph (2) states that the purpose of this law is "to increase sustainable economic growth and support accelerated economic recovery; optimize state revenues to independently finance national development towards a just, prosperous, and prosperous Indonesian society; realize a more equitable and legally certain tax system; implement administrative reform, consolidate tax policies, and expand the tax base; and increase voluntary taxpayer compliance."

The impact of Value Added Tax (VAT) in the Indonesian economic context has become a major focus following the issuance of Minister of Finance Regulation (PMK) Number 131 of 2024. This regulation regulates the VAT treatment of imports of Taxable Goods (BKP), the delivery of BKP, the delivery of Taxable Services (JKP), and the utilization of intangible BKP and JKP from outside the Customs Area into the Customs Area. PMK 131/2024 was issued in response to the mandate of the 2021 Law on Harmonization of Tax Regulations (UU HPP), which instructs the adjustment of VAT rates.

METHODS

Nature and Type of Research

This study employs a normative juridical (doctrinal) research method, which is the primary approach used in legal scholarship to examine law as a system of norms. The normative juridical method focuses on the analysis of legal rules, doctrines, and principles contained within statutory provisions, jurisprudence, and legal theories. It aims to find solutions to normative problems such as legal vacuums (*rechtsvacuum*), conflicting norms, and ambiguities in legal provisions, thereby ensuring coherence and consistency within the legal system. Unlike empirical (non-doctrinal) research, which studies law as a social phenomenon through field data collection, normative juridical research relies predominantly on library or literature-based analysis. According to Bineth (2023) and Kaya et al. (2025), research represents a systematic expression of human curiosity that seeks to explain causal relationships through analytical reasoning. Similarly, Logarusic (2021) and MD (2019) defines research as a scientific activity conducted systematically, methodologically, and consistently to reveal the truth as a manifestation of human efforts to understand social and legal realities.

Research Approach

The approach used in this study is a case study approach within the framework of normative juridical research. This approach allows for an in-depth legal analysis of specific legislative instruments, focusing on their structure, content, and practical implications. In this research, the case study is centered on the latest Value Added Tax (VAT) policy reforms in Indonesia, particularly those stipulated under Law No. 7 of 2021 on the Harmonization of Tax Regulations (HPP Law) and its derivative regulation, Minister of Finance Regulation (PMK) No. 131 of 2024. This approach facilitates a comprehensive examination of the implementation, interpretation, and legal consequences of the new VAT provisions, including their alignment with fundamental legal principles such as justice, legal certainty, and equality before the law. The method also allows the researcher to explore how these normative frameworks influence the realization of tax fairness and administrative efficiency within Indonesia's tax system.

Types and Sources of Legal Materials

In normative juridical research, data are derived from legal materials rather than empirical observation. The materials used in this study consist of:

Primary Legal Materials

Including (1) Law No. 7 of 2021 on the Harmonization of Tax Regulations (UU HPP); (2) Minister of Finance Regulation (PMK) No. 131 of 2024, which implements the VAT provisions under the HPP Law; (3) The 1945 Constitution of the Republic of Indonesia, particularly Articles 23A and 27, which embody principles of tax justice and equality before the law; and Other relevant statutory instruments regulating Indonesia's tax system.

Secondary Legal Materials

which include legal commentaries, textbooks, academic journals, expert analyses, and government reports that provide interpretations and scholarly discussions on tax law and fiscal policy.

Tertiary Legal Materials

such as legal dictionaries, encyclopedias, and indexes, which assist in clarifying concepts and terminologies used throughout the research.

Data Collection Techniques

The data collection process in normative legal research involves document and literature review. Legal materials are gathered systematically from both printed and electronic sources, including official government websites, academic databases, and legal information portals. The materials are selected based on their relevance, validity, and recency to ensure that the legal analysis reflects the current state of the law and scholarly discourse.

Data Analysis Technique

The analysis of legal materials in this study is conducted through qualitative normative analysis, applying methods of legal interpretation (hermeneutics) and systematic construction of norms. These techniques are used to interpret statutory texts, evaluate their coherence within the legal system, and determine their conformity with the overarching principles of tax justice and legal certainty. The analysis also involves comparative evaluation with previous tax laws to assess improvements or inconsistencies introduced by the HPP Law and PMK No. 131 of 2024.

Analytical Focus

This research specifically focuses on examining the impact and legal implications of the VAT reform policy under the HPP Law and its derivative regulation. It evaluates how these legislative measures align with Indonesia's broader fiscal objectives, such as enhancing revenue mobilization, broadening the tax base, and promoting equitable tax distribution. Additionally, the

study assesses whether the policy framework effectively supports legal predictability, fairness, and efficiency in tax administration.

Research Objective and Expected Contribution

Through the application of the normative juridical method, this research aims to provide a comprehensive legal analysis of Indonesia's latest VAT policy reforms. It seeks to determine whether the regulatory design and implementation mechanisms under the HPP Law and PMK No. 131 of 2024 are consistent with constitutional principles and the philosophy of tax justice. The expected contribution of this study is to enhance understanding of how legal frameworks shape fiscal policies and to provide policy recommendations that can strengthen both the substantive and procedural fairness of Indonesia's tax system.

Data Analysis Techniques

This research uses normative juridical data analysis. In this case, it addresses a specific problem and then relates it to the literature, expert opinions, and applicable regulations. Data processing is essentially considered by normative legal research as a process of systematizing written legal materials. In the process of conducting this research, these written legal materials are categorized according to specific patterns to achieve the research objectives, thus facilitating the analysis and construction process desired by the author. The data obtained from this analysis creates primary, secondary, and tertiary legal materials. One of the tasks undertaken in the primary legal field is writing articles and journals on various laws and regulations related to this legal research. Furthermore, the material used for secondary legal materials comes from books, journals, electronic legal documents, and relevant regulations. Conversely, the legal framework provides several standards for explaining several theoretical concepts that must be presented.

RESULTS AND DISCUSSION

Implementation of the 2021 HPP Law Policy on Public Purchasing Power and the National Economy

Since the enactment of Value Added Tax (VAT) in Indonesia through Law No. 8 of 1983 concerning Value Added Tax on Goods and Services and Sales Tax on Luxury Goods (State Gazette (LN) 1983/ Number. 51, TLN. No. 3264, LL SETNEG: 12 PAGES). the Indonesian tax system has continued to evolve to adapt to the dynamics of the national and global economy. This law has undergone several significant changes, both in terms of rates, tax imposition mechanisms, and the scope of tax objects and subjects. The most recent change was made through Law No. 7 of 2021 concerning Harmonization of Tax Regulations (HPP) (State Gazette (LN) 1983/ No. 246, TLN. No. 6736, jdih. Setneg. go. id: 104 PAGES). which aims to simplify, harmonize, and strengthen the national tax system as part of the country's fiscal structural reform. The HPP Law has had a significant impact on the VAT collection scheme, including a rate adjustment from 10% to 11%, with a planned increase to 12% in 2025. However, this was further simplified through Minister of Finance Regulation (PMK) No. 131 of 2024 concerning Value Added Tax Treatment for Imports of Taxable Goods, the Delivery of Taxable Services, the Utilization of Intangible Taxable Goods from Outside the Customs Area within the Customs Area, and the Utilization of Taxable Services from Outside the Area (BN. 2024 (1065)/6 pages).

Minister of Finance Regulation (PMK) No. 131 of 2024 regulates in detail the mechanism for applying the 12% VAT rate, as mandated by Law No. 7 of 2021 on the Harmonization of Tax Regulations (HPP Law). These provisions include rate adjustments for taxable goods and services, exemptions for certain basic necessities, and tax reporting procedures that are more integrated with the Directorate General of Taxes' digital system. The primary objective of this tariff increase is to strengthen the country's fiscal capacity to finance infrastructure development, social protection, and other national priority programs (Ortiz et al., 2015; Desai & Rudra, 2019; Arimoro & Musa, 2025). This Minister of Finance Regulation (PMK) not only confirms the new 12% tariff but also regulates the mechanism for adjusting the Tax Base (DPP). For non-luxury goods and services, the DPP is set at 1.5-12 of the selling price or import value. This means that even though

the tariff increases to 12%, the VAT paid by consumers remains nearly equivalent to the previous 11% rate, as the calculation formula is $12\% \times 1.5-12$ of the transaction value. Meanwhile, for luxury goods, the calculation remains based on the full selling price or import value, following the previous provisions (Tuncel, 2022; Marks, 2017).

Impact of VAT Increase on Public Purchasing Power

The VAT rate increase from 10% to 11% in April 2022, and the planned further increase to 12% in 2025, has had a substantial effect on people's purchasing power. Based on research by Attaei et al. (2017), a notable decline in consumer purchasing power has been observed, particularly among lower-middle-income groups. This is in line with global findings that VAT increases often disproportionately affect low-income households. In Indonesia, the increase in VAT has led to inflationary pressures, which are reflected in the higher prices of consumer goods and services. The most significant impact has been on the consumption of secondary and non-essential goods, with lower-income households reducing their expenditure on these items as a response to higher prices. Maheshkar & Soni (2021) confirms that businesses, especially Micro, Small, and Medium Enterprises (MSMEs), have faced increased production costs, and their ability to absorb these costs has been tested under growing market competition. Data from Sarlini et al. (2025): The VAT rate increase from 10% to 11% resulted in an average price increase of 5% in staple goods such as food and transportation, which disproportionately burdened the lower-middle-income population. Furthermore, a significant portion of household income is now directed toward basic consumption, leaving little for discretionary spending.

The Effect of VAT on Inflation and Consumption

As observed by Buettner & Madzharova (2021), VAT increases in other countries, such as in the European Union, led to a one percentage point decline in aggregate consumption by about 1% in the short term. In Indonesia, a similar trend is evident. According to research by Fadhilah et al. (2025), inflationary pressures from the VAT increase have led to a 0.5% increase in consumer price index (CPI), particularly in non-luxury goods, exacerbating the burden on the most vulnerable sectors.

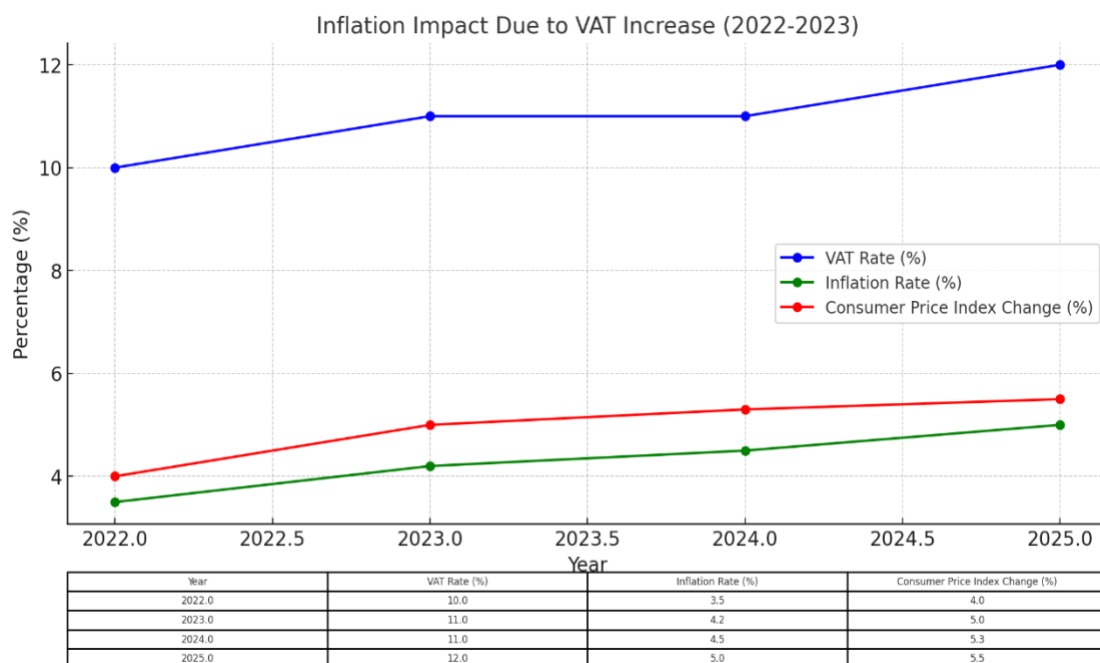


Figure 1. Inflation Impact Due to VAT Increase (2022-2023)

This table shows the correlation between the VAT rate and inflationary pressures, which directly affect household consumption. The planned increase to 12% in 2025 is expected to

further exacerbate these challenges, potentially reducing disposable income and consumption in the lower-middle-class population.

Impact on Business and MSMEs

The VAT rate increase and its corresponding effects on the national economy have also placed significant pressure on businesses, particularly MSMEs. Fathoni (2025) have documented that businesses in Indonesia face difficulties adjusting to increased operational costs due to the VAT increase, which could stifle economic recovery in the short term. MSMEs, in particular, often operate on thin profit margins and are less able to absorb the VAT-induced cost hikes.

Table 1. Impact of VAT Increase on MSMEs' Costs and Profitability

Business Type	Pre-VAT Increase Profit Margin (%)	Post-VAT Increase Profit Margin (%)	Impact on Pricing Strategy
Small Retailer	5%	3%	Increased Prices
Food Processing	7%	4.5%	Reduced Profit
Service Providers	8%	5%	Price Adjustments

As the table shows, MSMEs in various sectors experienced a direct reduction in profitability due to the VAT increase. Small retailers and food processors were particularly impacted, with their profit margins decreasing as a result of higher input costs, which they were unable to fully transfer to consumers due to price sensitivity in their markets.

Tax Equity and the VAT Burden

The regressive nature of VAT, where lower-income groups bear a higher percentage of the tax burden, is a central issue in evaluating the fairness of the HPP Law's implementation. Putri et al. (2025) emphasizes that the lower-middle class faces a heavier VAT burden due to their consumption patterns, which are more sensitive to price changes.

Table 2. Impact of VAT on Household Expenditures by Income Group

Income Group	Pre-VAT Consumption (%)	Post-VAT Consumption (%)	Change in Expenditure (%)
Low-Income Group	60%	58%	-3.33%
Lower-Middle-Income Group	25%	20%	-20%
Upper-Middle-Income Group	10%	12%	+20%

This table highlights the varying impacts of the VAT increase across different income groups. The lower-middle-income group saw a substantial reduction in consumption, whereas the upper-middle-income group exhibited a slight increase in consumption, which indicates that higher-income groups are less affected by VAT increases.

Mitigation Mechanisms and Future Considerations

To mitigate the negative effects on low-income households, the government has introduced exemptions for basic necessities, healthcare, and education under PMK No. 131 of 2024. However, as demonstrated by the empirical studies and data presented, these exemptions may not fully offset the negative effects of VAT on vulnerable groups. The government also needs to consider improving the progressivity of the tax system to ensure that the tax burden is distributed more equitably. Policy solutions such as targeted cash transfers, social assistance programs, and VAT rebates for low-income households may be necessary to balance the fiscal objectives of the VAT increase with the goal of protecting public welfare. The increase in Value Added Tax (VAT) rates also has an uneven impact on people's purchasing power. The upper-middle class tends to be less directly affected because their consumption is more diverse and largely consists of non-

substantial goods and services that are not always subject to full VAT. Conversely, the lower-middle class faces a heavier burden, resulting in a significant decline in consumption and purchasing power that is more prevalent in this group. This implies the need for special attention in tax policy to achieve the principles of horizontal and vertical equity, namely equal treatment for taxpayers with similar socioeconomic conditions and the imposition of a tax burden proportional to the ability to pay of each individual or group.

Tax equity has emerged as a central aspect in evaluating the implementation of the Law on Harmonization of Tax Regulations (UU HPP). VAT tends to be regressive, with lower-income groups experiencing a greater percentage of the tax burden on income than higher-income groups. This raises questions about the fairness and equity of the tax burden in the Indonesian tax system. The HPP Law does uphold the principles of fairness, efficiency, and utility. However, implementing an objective VAT increase without considering ability to pay risks widening economic inequality and suppressing the purchasing power of socio-economically vulnerable groups. Therefore, the government is using several mitigation mechanisms, such as VAT exemptions for basic necessities, the education sector, and healthcare, as well as social assistance programs aimed at maintaining a balance between fiscal objectives and social justice.

Purchasing Power of Indonesian People Since the Implementation of the Tax Regulation Harmonization Law

Following the enactment of Law Number 7 of 2021 concerning the Harmonization of Tax Regulations (UU HPP), the Indonesian government officially increased the Value Added Tax (VAT) rate from 10% to 11% effective April 1, 2022. This increase is part of a series of tax reforms to increase state revenue, strengthen fiscal capacity, and balance the state budget following the COVID-19 pandemic. However, this fiscal policy has sparked heated debate, particularly due to its impact on public purchasing power, particularly among lower-middle-income groups, who are vulnerable to price increases for basic necessities and essential services. One of the theories used in Value Added Tax (VAT) collection is the Purchasing Power Principle. Understanding the Purchasing Power Principle provides an important foundation for analyzing the impact of VAT on society. While the increase in the VAT rate does increase state revenue, it has socioeconomic impacts, reducing purchasing power, particularly for lower-middle-income groups. Therefore, a balance between fiscal objectives and social protection is necessary for inclusive and sustainable national development.

The purchasing power theory is a modern theory of tax collection that argues that taxes are not only a public contribution to the state but also have a direct impact on people's purchasing power. Simply put, this theory explains that taxes collected by the state directly reduce the income that people will use for consumption. Thus, individual taxes reduce consumption and purchasing power, but the state uses the proceeds to improve public welfare in general. In other words, there is a redistribution of purchasing power; purchasing power is withdrawn directly from the public, but some is returned in the form of development, subsidies, and public services to improve broader welfare. The Indonesian government increased the VAT rate from 10% to 11%, as stipulated in the HPP Law, considering that additional state revenue from this tax is needed to strengthen state finances, which had weakened due to the impact of the Covid-19 pandemic and a number of global economic challenges, and to support sustainable national economic recovery. The government aims to increase the VAT rate by providing a source of state budget financing, particularly for financing development programs and social protection for the public, through the distribution of subsidies, public services, and social programs, which ultimately strengthen public purchasing power.

However, the increase in VAT rates also has a direct impact on the prices of goods and services, which tend to increase, thus affecting people's purchasing power. This affects public spending, especially among the lower middle class, who are highly sensitive to changes in the prices of basic necessities and daily consumer goods. Several empirical studies in Indonesia show that although the VAT rate increase raises concerns about a decline in consumer purchasing

power, the government has made efforts to balance the increase in VAT rates by providing VAT exemptions for basic necessities, education, health, and social services. This is consistent with the purchasing power theory, which states that taxes do reduce individual purchasing power, but the return of tax benefits in the form of services and subsidies can offset this effect in the long run. Once the VAT rate was increased to 11%, significant price adjustments occurred across various economic sectors, from food and clothing to basic services and non-essential products.

Empirical research conducted by Ahmad Wahyudi Zein et al. in several major Indonesian cities, namely Jakarta, Surabaya, Bandung, Medan, and Makassar, reported that the VAT increase resulted in a decrease in the consumption of secondary goods among the middle class. Non-essential electronics, fashion, and entertainment items have seen a fairly consistent decline in demand. Consumers are tending to reduce their consumption of non-essential goods and services, shifting spending to essential needs, and opting for cheaper or even VAT-free alternatives. This reflects the public's response to restraining spending on non-essential sectors as a means of adapting to the VAT rate increase. Furthermore, the purchasing power of the middle class can be measured through several indicators, including the Consumer Confidence Index (CCI). The Consumer Confidence Index (CCI) shows a decline in the Consumer Confidence Index (CCI) ratio compared to the previous two years, namely 2023, reflecting public pessimism about the future economic situation. A decline in the CCI, particularly among the middle class, could indicate greater social inequality, with the lower class struggling to survive and the upper class better able to cope with economic uncertainty. It also reflects consumer doubt or distrust in economic policies or the government's ability to manage the economy.

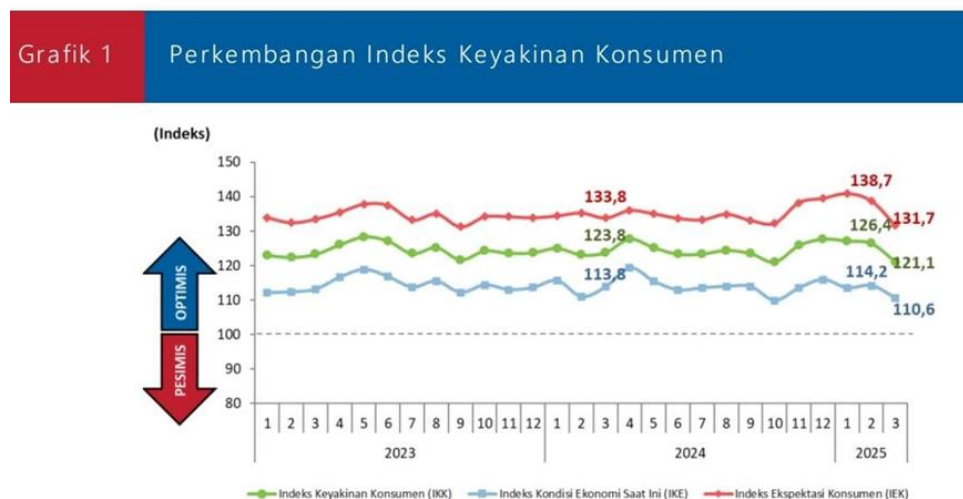


Figure 2. Consumer Confidence Index (CCI) Development Chart. Source: Bank Indonesia (BI)

The graph above shows that the Consumer Confidence Index (CCI) of 121.1 is 5.3 points lower than the 126.4 recorded on March 5, 2025. The decline in the Consumer Confidence Index (CCI) indicates a decline in consumer confidence in the economy. The increase in VAT rates in April 2022 was one factor contributing to the decline in consumer confidence, as it increased the prices of goods and services. Consequently, people prefer to control spending that does not significantly benefit them. The increase in VAT is related to social justice and legal legitimacy. If this policy is perceived as burdensome and detrimental to society, especially the middle class, it can erode trust in government policies. The government plays a crucial role in creating socially acceptable and equitable policies to avoid disrupting social and economic stability.

Condition of the Indonesian Economy

Since the implementation of the 11% Value Added Tax (VAT) rate in Indonesia on April 1, 2022, this policy has become quite a controversial topic and has had a broad impact on the country's economic conditions from a legal and economic perspective. Legally, this VAT rate

increase is based on Law Number 7 of 2021 concerning the Harmonization of Tax Regulations (HPP Law), specifically Article 7 paragraph (1) which sets the basic VAT rate at 11%, replacing the previous rate of 10%. The same provision also stipulates that the VAT rate can be adjusted between 5% and 15% through Government Regulation. This increase policy is in line with the mandate to increase state revenue from the tax sector as an effort to strengthen the country's fiscal foundation, especially in the context of economic recovery after the Covid-19 pandemic. VAT is one of the most broad-based indirect taxes, burdening almost all transactions of goods and services with a few exceptions such as basic necessities, education services, health, financial services, and social services.



Figure 3. Indonesia's GDP Growth Chart Q1 2022-Q2 2025. Source: Central Statistics Agency (BPS)

The data above demonstrates Indonesia's Gross Domestic Product (GDP) growth from early 2022 to mid-2025, reflecting the dynamic trajectory of the national economy. In the first quarter of 2022, growth was recorded at 5.01%*, marking the initial phase of economic recovery following the impact of the Covid-19 pandemic. Economic activity has begun to revive, although the pace of recovery during this period remains relatively limited. Entering the second quarter of 2022, economic growth surged to 5.44%, driven by recovering household consumption and a growing tourism sector. The easing of mobility restrictions was a key factor enabling people to increase consumption and travel activities, thus positively impacting economic growth. This positive trend continued into the third quarter of 2022, where growth reached its highest point during this period, at 5.72%. This surge was supported by high prices for export commodities such as coal, Crude Palm Oil (CPO), and nickel, as well as increasing domestic consumption. This situation places Indonesia in a relatively strong position amidst global turmoil. However, in the fourth quarter of 2022, growth experienced a sharp correction to 5.02%. Weakening global demand and the easing of the "boom" in export commodity prices led to a decline in foreign trade performance. This situation illustrates how the Indonesian economy remains heavily influenced by global economic fluctuations, particularly in the commodity-based export sector.

The data above shows that after the 11% VAT came into effect in April 2022 (Q2 2022), Indonesia's economic growth remained stable at around 5% year-on-year, although it slowed slightly in several quarters, for example, to 4.94% in Q3 2023 and 4.87% in Q1 2025. However, there was a strong rebound trend in Q2 2025, reaching 5.12%. Overall, this data indicates that the strengthening of state revenue through the VAT increase did not cause a drastic economic slowdown, although there were some adjustment impacts on household consumption and the business sector. This VAT increase is actually a strategic step by the government to increase state revenue to support the financing of government programs and sustainable infrastructure

development. This policy does have a direct impact on household consumption and the business sector, given that VAT is applied to almost all goods and services circulating in the domestic market. However, despite concerns about a decline in public purchasing power due to the rate increase, the reality does not indicate a sharp contraction in consumption.

While the Value Added Tax (VAT) rate increase policy is able to maintain the country's economic stability, it also has micro- and macroeconomic impacts that require attention. On the micro level, businesses, particularly Micro, Small, and Medium Enterprises (MSMEs), experience increased production costs due to the higher VAT rate, putting pressure on their profit margins and business continuity. Furthermore, this rate increase also impacts public purchasing power, particularly among low- and lower-middle-income groups. The impact is increased prices of goods and services, which can trigger inflation and reduce consumption, which in turn can slow economic growth if not managed properly. On the macro level, although increasing tax revenues and the VAT increase have the potential to improve the government's fiscal position, they also risk generating inflationary pressures due to rising market prices. High inflation can reduce overall public purchasing power and impact broader economic stability.

Government Policy on Taxes

Government tax policy in Indonesia is the result of a long-standing dialectic between the state's fiscal needs and the principles of justice and legal certainty, the primary foundations of public law. Taxes in Indonesia are not merely a fiscal tool to strengthen the state budget, but also a socio-economic instrument, a regulator of behavior, and a driver of equitable development across regions and communities. For example, through Law Number 7 of 2021 concerning the Harmonization of Tax Regulations (UU HPP), the government established a policy of increasing the VAT rate from 10% to 11%. This policy aims to strengthen state revenues post-pandemic and maintain fiscal sustainability. Furthermore, the government implemented a 0.5% final income tax for MSMEs based on Government Regulation No. 23 of 2018, which was later extended by Government Regulation No. 55 of 2022, as a form of support for small businesses so they can survive and support employment. These policies demonstrate how taxation in Indonesia plays a strategic role not only in fundraising but also in supporting social justice, equitable development, and long-term economic stability.

Philosophically, the basis for tax collection is affirmed in Article 23A of the 1945 Constitution, which states that taxes and other compulsory levies for state purposes are regulated by law (Sugiharti et al., 2025). This distinguishes taxes from voluntary contributions or levies, as tax collection is an expression of state sovereignty and a form of social contract between the government and its people. The history of Indonesian taxation has always been closely linked to changes in political and economic dynamics, as well as the needs of national development. In the Indonesian legal system, tax law occupies a *lex specialis* position within public law, so that specific provisions in tax law take precedence over general principles of other public laws. One of the main references in the structure of Indonesian tax law is the presence of the General Provisions and Tax Procedures Law (UU KUP), the Income Tax Law (PPh), the Value Added Tax Law (VAT), plus laws on customs and excise, regional taxes, and tax courts. These layers of regulation are arranged hierarchically and complement each other. According to international doctrine and practice, the validity of tax collection must comply with the principle of legality, namely, there is no tax without law.

In the Indonesian tax system, the government has also implemented a digitally integrated tax administration system known as the Core Tax Administration System (CTAS) or Core Tax. This system replaces the old system to improve services, oversight, and tax data processing with greater accuracy and transparency, in an effort to strengthen and modernize the tax administration system in Indonesia. Core Tax enables more precise risk analysis and makes it easier for taxpayers to fulfill their tax obligations. Thus, it is expected to increase the tax-to-Gross Domestic Product (GDP) ratio while enhancing Indonesia's fiscal independence. In addition to the VAT rate increase, there is also an adjustment to the Income Tax (PPh) rate, which will take effect

in July 2025 in accordance with the Law on Harmonization of Tax Regulations (UU HPP). The individual income tax rate has increased to 35% for the highest income group, while the general corporate income tax rate remains at 22%. MSME taxes also have a final rate that is regulated differently according to regulations. This adjustment is part of an effort to improve the fairness and efficiency of the Indonesian tax system, which has begun to recover after the pandemic.

Background to the Formation of the 2021 Tax Regulation Harmonization Law (UU HPP)

The primary rationale for the 2021 Harmonization of Tax Regulations (HPP Law) is to address the negative impact of the Covid-19 pandemic on the national economy while comprehensively reforming Indonesia's tax system. The HPP Law was enacted as a concrete policy to support the acceleration of the recovery of the national economy, which was impacted by the pandemic, while simultaneously promoting sustainable economic growth and strengthening the national tax base through a fairer, simpler, more efficient, and legally certain tax system. The 2021 Harmonization of Tax Regulations (HPP Law) was enacted primarily to encourage national economic recovery from the impact of the Covid-19 pandemic and to reform Indonesia's tax system. The HPP Law is expected to boost sustainable economic growth, accelerate economic recovery, and create optimal fiscal conditions by improving the budget deficit and increasing the tax ratio. The HPP Law is designed to strengthen tax administration, improve taxpayer compliance, expand the tax base, and optimize tax revenues to support independent national development financing. The enactment of this law also serves as a response to changing business patterns and the dynamics of globalization, which require adjustments to tax regulations.

The Harmonization of Tax Regulations Law (UU HPP) Number 7 of 2021 was enacted as part of the Indonesian tax system reforms aimed at strengthening the tax base, expanding state revenues, and realizing a more equitable and legally certain tax system. The primary rationale for the HPP Law was the government's efforts to respond to increasingly complex economic challenges, particularly the impact of the COVID-19 pandemic on the national economy, which demanded accelerated recovery and sustainable economic growth. The COVID-19 pandemic placed significant pressure on Indonesia's fiscal and economic conditions, necessitating adaptive tax policies capable of supporting economic recovery. The HPP Law was designed as a comprehensive legal instrument that updates and harmonizes previously scattered and partially outdated tax regulations, enabling the implementation of more effective and responsive tax policies to global and domestic dynamics. The law also reflects the need to improve the tax administration system to increase taxpayer compliance through simplified administration and more modern oversight.

The Harmonization of Tax Regulations Law (UU HPP) is an omnibus law combining various tax matters, including amendments to the General Provisions and Tax Procedures (KUP), Income Tax (PPH), Value Added Tax (PPN), and other taxes, as well as new provisions that address gaps in previous regulations. This is intended to ensure a consolidated and effective tax policy, providing a high level of legal certainty for taxpayers and tax authorities. This law also aims to broaden the tax base by integrating population data and a more connected tax administration system, thus facilitating identification and oversight. Based on these considerations, the Law on Harmonization of Tax Regulations (UU HPP) prioritizes the principles of fiscal justice and administrative effectiveness, ensuring that the tax burden does not disproportionately burden certain groups while still achieving state revenue targets that support national development. This aligns with the government's goal of independently financing development towards a just, prosperous, and prosperous society, as mandated by the constitution.

The Harmonization of Tax Regulations Law (HPP Law) also aims to support economic transformation and increase competitiveness through adjustments to tax rates and policies that are adaptive to business and technological developments. In its implementation, the HPP Law is supported by a number of implementing regulations and technical policies from the Ministry of Finance and the Directorate General of Taxes, which provide technical details regarding the new

tax provisions. These regulations regulate tax rates, reporting requirements, and new tax mechanisms, such as a modern, data-based, connected administration system called the Core Tax Administration System (Core Tax). All of these tools play a crucial role in realizing the objectives of the HPP Law and supporting the effectiveness of national tax management. The Harmonization of Tax Regulations (HPP Law) was designed to address various shortcomings in the previous tax system, including legal loopholes and inequities that could arise from a tax structure that was less responsive to business and technological developments.

This amendment also aims to broaden the tax base by including economic sectors that have previously been underserved, particularly in the increasingly dominant digital economy. This approach is expected to maintain stable state revenues and support the sustainability of inclusive and sustainable national development. One of the most important discussions in the Harmonization of Tax Regulations (HPP Law) concerns Value Added Tax (VAT), a significant change that took effect on April 1, 2022. One of the key changes is the adjustment of VAT rates and the expansion of taxable objects and subjects, including regulations on digital transactions that were previously not comprehensively regulated. This law also clarifies the VAT collection and reporting mechanisms, which are expected to increase tax revenue more optimally and simultaneously reduce tax avoidance practices. With these changes, VAT has become a crucial tax instrument in helping the government manage fiscal revenues more efficiently and modernly. The government's stated goal of the Tax Regulation Harmonization Law (UU HPP) is to address the urgent need to modernize Indonesia's tax system to make it more adaptive to current economic challenges, particularly in the wake of the COVID-19 pandemic.

The Law on Tax Regulation Harmonization (UU HPP) affirms the government's commitment to creating a more equitable, effective, and transparent tax system, while simultaneously strengthening the state revenue base to support sustainable national development. By harmonizing and unifying various tax regulations into a single law, the Law on Tax Regulation Harmonization (UU HPP) is expected to provide a solid foundation for tax reform in Indonesia that remains responsive to developments in the digital and global economy. Changes and adjustments to the Value Added Tax (VAT) as the final component of this reform demonstrate the government's focus on optimizing key fiscal instruments that support long-term economic stability and growth. Therefore, the Law on Tax Regulation Harmonization (UU HPP) is not merely a tax regulation but also a strategic political, legal, and economic instrument for building a more advanced and equitable future for Indonesia.

The impact of the Tax Regulation Harmonization Law (HPP Law) on state revenue

The reform of the Tax Regulation Harmonization Law (UU HPP), passed on October 29, 2021, brought significant changes to Indonesia's tax system and had a broad impact on state revenue from the tax sector. The HPP Law was designed with the primary objective of promoting sustainable economic growth, supporting accelerated economic recovery, and particularly optimizing state revenues to independently finance national development (Dhestiani Amara Putri, 2021). This law is based on the principles of fairness, simplicity, efficiency, legal certainty, benefit, and national interest. In other words, the HPP Law is not simply a tax rate adjustment, but rather a structural reform that harmonizes tax regulations across various key aspects, such as general provisions and tax procedures, income tax, value-added tax, and aspects of tax administration and oversight. One of the most significant impacts of the HPP Law on state revenue is the increase in the Value Added Tax (VAT) rate from 10% to 11% since April 2022.

While this rate increase may seem modest, it has had a significant impact in driving increased tax revenue and the country's tax ratio to Gross Domestic Product (GDP). An increased tax ratio indicates a stronger source of state funding to finance infrastructure development and other long-term development programs. This, in turn, can create jobs and improve public welfare. The adjustment of the VAT rate in the HPP Law has an impact not only on increasing state revenue but also on economic stability due to the establishment of a solid and equitable tax foundation. The government implemented tax reform through the Law on Harmonization of Tax Regulations

(UU HPP) to increase state revenue from the tax sector. This step was taken to support various government programs and to restore the country's fiscal condition after the COVID-19 pandemic. The following data shows state revenue from the tax sector in Indonesia over the past five years.

Table 3. Data and Assumptions for Indonesia's Economic Growth in 2020-2025

Years	Tax Revenue (trillions of rupiah)
2020	1.072,1
2021	1.278,6
2022	1.716,8
2023	1.869,2
2024	1.932,4
2025*	2.189,3 (State budget targets)

The table above shows tax revenues for the 2020-2025 period. Data from the Ministry of Finance generally indicates positive recovery and growth, particularly following the sharp contraction in 2020 due to the Covid-19 pandemic. In 2020, tax revenues declined drastically to IDR 1,072.1 trillion, down nearly 19.6% from 2019. The pandemic caused a slowdown in economic activity, impacting many sectors, and sharply reducing public purchasing power. However, the government's expansionary fiscal policy, along with various stimulus measures and tax breaks, were crucial in maintaining purchasing power and consumption fundamentals, alleviating economic pressures, and preventing a further economic downturn. Entering 2021, the momentum of national economic recovery began to be felt. Tax revenues grew again, rising to IDR 1,278.6 trillion, driven by the recovery of key sectors such as manufacturing, trade, and non-oil and gas exports. Various national economic recovery programs and government stimulus measures significantly contributed to improvements in domestic consumption and investment, with a ripple effect on the country's fiscal performance.

In 2022, there was a significant surge, with tax revenues recorded at IDR 1,716.8 trillion, a 34.3% increase from the previous year. This surge was driven not only by the reopening of various economic activities after restrictions, but also by the implementation of tax reform policies, such as adjusting the VAT rate to 11% and optimizing oversight and digitizing the tax system. In 2023, tax revenues continued to increase, albeit with more moderate growth, reaching IDR 1,869.2 trillion. This data demonstrates the government's success in maintaining a positive fiscal trend, in line with consistent policies to strengthen tax compliance, digitize services, and strengthen inter-agency coordination. In 2024, tax revenues increased slightly to IDR 1,932.4 trillion, but the growth rate slowed compared to previous years, at only 3.5%. The global economic slowdown, commodity price pressures, and changes in consumer behavior were all contributing external factors. Likewise, the lingering impacts of the post-pandemic pandemic are still being felt in several sectors although tax revenue remains the mainstay of the Indonesian state budget, accounting for over 80% of total state revenue.

The government is targeting tax revenue of IDR 2,189.3 trillion in the 2025 State Budget. This high target is based on optimism for economic growth, new job creation, and the success of tax system reform efforts including through digitalization of administration and strengthening compliance oversight. Another important aspect regulated in the HPP Law is Income Tax (PPh) reform. The HPP Law adjusts the Personal Income Tax (PPh) tariff layers from four to five, adding a top rate of 35% for taxable income above IDR 5 billion per year. This bias is also evident in the regulation of non-taxable income for taxpayers with a certain gross turnover of up to IDR 500 million per year, thus providing leeway for micro and small businesses to avoid excessive tax burdens. Furthermore, adjustments are made to the appropriate imposition of taxes on in-kind and fringe benefits, as well as final taxes for small and medium enterprises (MSMEs) in accordance with government regulations (Tri Ega Nurillah & Isnani Yuli Andini, 2022). This is expected to encourage tax compliance while maintaining the sustainability of small businesses.

The Law on Harmonization of Tax Regulations (UU HPP) not only addresses adjustments to Value Added Tax (VAT) rates; it also broadens the tax base by imposing taxes on several new digital and financial transactions, such as fintech and crypto assets. This step is part of the government's efforts to modernize the tax system and capture the revenue potential of the growing digital economy. For example, Value Added Tax collected through Electronic Trading (PMSE) has shown a significant increase in tax revenue. Scientific research (Hendra Andriyana & Heru Tjaraka) supports the view that the HPP Law has positively contributed to tax revenue and the national investment climate. For example, normative studies discussing income tax on dividends show that the HPP Law reduces double taxation previously applied at both the corporate and shareholder levels, thereby providing a stronger incentive for both local and foreign investors to continue investing in Indonesia. With the simplification of the tax system and new incentives, the HPP Law strengthens Indonesia's position as an attractive investment destination. The increase in national investment realization in 2023 provides empirical evidence that the HPP Law contributes to economic growth by creating jobs and reducing dependence on foreign investment.

Tax Justice is Reviewed Based on the 2021 HPP Law

Fairness in the tax system is the primary foundation for building a just, inclusive, and sustainable fiscal order. The principle of tax equity affirms that every citizen, as a taxpayer, has an obligation to contribute to state funding in proportion to their economic condition. In this regard, tax equity concerns not only the amount paid but also reflects how the tax burden is distributed equitably and fairly. Conceptually, tax equity is divided into two main dimensions: vertical equity and horizontal equity. Vertical equity requires that individuals with higher incomes pay a greater amount of tax, in accordance with the principle of progressivity. Meanwhile, horizontal equity ensures that taxpayers with the same income level are taxed equally, without discrimination or preferential treatment. Fairness is a crucial aspect in the implementation and formulation of a country's tax policy. Fairness in the tax system is the primary foundation for building a just, inclusive, and sustainable fiscal order.

The principle of tax equity affirms that every citizen, as a taxpayer, has an obligation to contribute to state funding in proportion to their economic condition. In this regard, tax equity concerns not only the amount paid but also reflects how the tax burden is distributed equitably and fairly. Conceptually, tax fairness is divided into two main dimensions: vertical fairness and horizontal fairness. Vertical fairness means that people with different incomes, consumption, and wealth should be treated differently. Vertical fairness requires that individuals with higher incomes pay a higher amount of tax, in accordance with the principle of progressivity. Meanwhile, horizontal fairness ensures that taxpayers with the same income level are taxed the same amount, without discrimination or preferential treatment. To assess the extent to which a tax system reflects fairness, two main approaches are recognized: the benefit principle and the ability-to-pay principle. The benefit principle is the basis of fairness, where a tax system is considered fair if taxpayer contributions are in line with the benefits received from government services.

The benefit principle holds that taxes should be levied based on the specific benefits received by individuals from public services. Examples of its application can be found in entertainment taxes, advertising taxes, or levies on the use of toll road facilities. The logic used is that those who enjoy more public facilities should pay more. However, this benefit-based approach is not without criticism. In practice, it has the potential to create inequality in the tax burden, especially for groups with limited economic capacity. When the tax burden is directly linked to the intensity of public service use without considering individual purchasing power, substantive justice can be neglected. Conversely, the ability-to-pay principle is considered fairer because it bases tax obligations on an individual's economic capacity, not on the benefits received. This then becomes the basis for the progressive tax system adopted in many countries, including Indonesia, as a concrete effort to realize social justice in fiscal policy. Tax justice is not simply about how much tax each citizen must pay, but also concerns the role of the state in redressing economic inequality through fair and proportional mechanisms.

In the context of a developing country like Indonesia, taxes are not only a source of state revenue but also a tool for realizing social justice, as mandated by the constitution. The principle of fairness in taxation should place those with higher incomes paying more, not only because they can afford it, but also because the social structure places them in a more advantaged position. Conversely, those with lower incomes should receive fiscal protection, not be burdened by regressive consumption taxes. Taxes play a strategic role in creating social justice and improving public welfare. Their primary function is not merely as a source of state revenue, but also as a tool for wealth redistribution, reducing social inequality, and financing public programs that improve the quality of life for all, ensuring that the lower-middle class is not burdened by high taxes. Taxes also serve as an instrument for income redistribution by implementing a progressive tax system, where higher-income groups pay higher tax rates. This aligns with the ability-to-pay principle stipulated in the Indonesian Income Tax Law.

Through this mechanism, taxes can help transfer some wealth from the wealthy to the less fortunate through various programs such as social assistance, education subsidies, and healthcare facilities. Thus, taxes contribute significantly to reducing social and economic disparities and can create prosperity for society at large. Funds raised from taxes should also be used to finance the development of essential infrastructure and public services, such as education, healthcare, and social protection for vulnerable groups like the poor, the elderly, and people with disabilities. This ensures that the impact of taxes paid by individuals is felt by the wider community, and the provision of these services can improve the quality of life and open economic opportunities for previously disadvantaged groups. The tax system must also incorporate principles of fairness and transparency. This is crucial for maintaining public trust in the government and increasing tax compliance. The justice referred to here is moral justice, which relates to ethical values such as honesty, integrity, and social responsibility on the part of both taxpayers and tax authorities. When moral justice is truly established, the public feels that the taxes they pay are being used effectively and fairly, increasing their participation in tax obligations, which in turn strengthens state revenues and allows for the implementation of more welfare programs.

To date, tax institutions have not fully established moral justice. One example is the former Director of Audit and Collection at the Directorate General of Taxes, Ministry of Finance, Angin Prayitno Aji, who was sentenced to seven years in prison for committing gratification and money laundering. The laundered tax money was actually earned by taxpayers and the tax funds should have been used for public welfare, such as infrastructure development (schools, hospitals, etc.) and education subsidies. However, it is important to understand that tax justice is not a latent concept, but has been part of the nation's fundamental thinking since the formulation of the 1945 Constitution. In the context of the original intent of the nation's founders, taxation was not merely an instrument to fill the state treasury, but a form of mutual cooperation among the people in financing the administration of a just and civilized state. This is reflected in Article 23A of the 1945 Constitution, which states that "taxes and other compulsory levies for state needs shall be regulated by law." The word "compulsory" here does not mean arbitrary, but rather indicates a constitutional necessity accompanied by the principles of justice and accountability. Historically, the idea of tax justice was already present in the speeches of Bung Hatta and Bung Karno, who emphasized the importance of a fair distribution of national wealth. They rejected the unequal colonial economic system and sought an economic structure that favored the common people. Taxes, within this framework, were seen as a tool to correct social inequality and strengthen national independence.

CONCLUSION

The policy of increasing the Value Added Tax (VAT) rate through the 2021 Law on Harmonization of Tax Regulations (UU HPP) has proven to significantly contribute to increasing state revenues following the Covid-19 pandemic. Increased tax revenues strengthen fiscal capacity to finance national development, infrastructure, and social protection, while maintaining stable economic growth at around 5%. However, VAT is regressive and tends to burden low-

income groups, thus this rate increase has implications for reduced purchasing power, particularly for non-essential consumer goods. This impact is also felt by MSMEs, which face declining demand and rising production costs, despite the government's VAT exemptions for basic necessities and tax incentive policies for MSMEs. Legally, this policy is constitutionally valid under Article 23A of the 1945 Constitution and reflects efforts to harmonize the tax system. However, from a social perspective, the policy's legitimacy is largely determined by public perceptions of fairness. Public acceptance of this policy could weaken if the VAT rate increase is perceived as oppressing vulnerable groups without adequate compensation. Therefore, although the VAT policy has been successful in strengthening state revenues, the main challenge going forward is how to ensure its fairer implementation by expanding social protection, subsidies, and strengthening the principles of tax justice so that its benefits are felt equally across all levels of society. Therefore, the success of the tax system in realizing justice and public welfare requires a tax policy design that takes into account taxpayers' economic capabilities, transparent and accountable fiscal management, and special attention to social impacts so that economic growth can be felt equitably by all levels of society. Sustainable and inclusive tax reform is key to achieving national development goals that are equitable and oriented towards social welfare.

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