

The Impact of the Increase in VAT Rates on Inflation and People's Purchasing Power in Indonesia: An Analysis of Data from the Last 5 Years

Azhira Fitria Rahmawati¹, Yunaita Rahmawati², Renandia Ridhaning Pangesti³, Savira Febriana Maharani⁴

^{1,2,3,4} UIN Kiai Ageng Muhammad Besari Ponorogo, Indonesia

Article Info	Abstract
Article history: Received July 09, 2025 Revised August 10, 2025 Accepted October 14, 2025 *Corresponding author email : rwati9167@gmail.com Keywords: Value Added Tax, Inflation, Purchasing Power, Tax Policy, Economic Impact, Fiscal Policy.	Introduction/Main Objectives: Value Added Tax (VAT) is a type of tax imposed on the consumption of goods and services at every stage of production and distribution. An increase in VAT rates can have an impact on the prices of goods and services, which in turn affects people's purchasing power and inflation rates. This paper examines the impact of Indonesia's VAT rate increases on inflation and household purchasing power, analyzing how recent tax reforms (2022-2025) have affected price stability and consumption patterns across different socioeconomic groups. Research Methods: Multiple Linear Regression Analysis, Granger Causality Test, Vector Autoregression (VAR) Model. Finding/Results: The findings confirm that VAT hikes have regressive effects, disproportionately burdening lower-income households while contributing to short-term inflation. While the policy aims to boost government revenue, the resulting decline in consumption could slow economic growth, particularly in sectors reliant on domestic demand. Conclusion: While VAT hikes boost government revenue, they risk worsening inflation and inequality without well-designed mitigation policies—Indonesia must balance fiscal needs with protection for low-income households through targeted exemptions, social assistance, and sectoral support.
Page: 209-224	AICIE with CC BY license. Copyright © 2025, , the author(s)

INTRODUCTION

The increase in the Value Added Tax (VAT) rate from 10% to 11% in 2022, with a planned rise to 12% by 2025, represents an important fiscal strategy by the Indonesian government to strengthen state revenue and support post-pandemic economic recovery (Ministry of Finance, 2022). However, this policy has raised concerns regarding its potential to accelerate inflation and weaken household purchasing power, particularly among low-income groups who allocate a larger share of their income to essential goods. Although VAT increases are commonly used as a revenue-raising instrument, their regressive nature—where the tax burden is heavier on lower-income groups—raises critical questions about economic equity and stability. Empirical evidence from various countries shows that VAT hikes often trigger short-term inflationary spikes before stabilizing (OECD, 2021). Nevertheless, the long-term effects on consumption patterns and sectoral performance in Indonesia remain underexplored.

This study aims to analyze the inflationary impact of VAT increases in Indonesia over the past five years (2020–2025), assess changes in household purchasing power—particularly among vulnerable groups—evaluate the effectiveness of government mitigation policies such as subsidies and social assistance in cushioning economic shocks, and examine sectoral impacts to identify industries most affected, such as retail, food and beverages, and property. By addressing these issues, this research contributes to both economic theory and policymaking by providing insights into how consumption taxes influence inflation, inequality, and economic resilience in emerging markets.

The study is grounded in three major economic theories. First, Keynesian Theory (1936) argues that VAT increases reduce disposable income ($Y_d = Y - T$), thereby suppressing aggregate demand ($AD = C + I + G$) and potentially slowing economic growth. Conversely, Classical Theory (Smith, 1776) suggests that tax distortions can be minimized if markets self-correct; however, this assumption is less relevant for Indonesia, which heavily depends on domestic consumption. Furthermore, the large informal sector—accounting for about 60% of GDP—may weaken the tax pass-through effect, a gap this study seeks to address. Second, the Monetarist Perspective (Friedman, 1968) posits that tax increases may reduce inflation by limiting the money supply, though this depends heavily on the coordination of monetary policy. Third, Optimal Tax Theory (Stiglitz, 2015) emphasizes that tax policies must balance revenue needs with welfare impacts, as poorly designed VAT increases can exacerbate inequality.

Empirical data support these concerns. Inflation rose from 2.5% in 2021 to 4.3% in 2022 following the VAT hike, with the sharpest increases occurring in food prices (BPS, 2022). Household consumption declined by 1.7%, and retail transactions dropped by 3.2% (Bank Indonesia, 2022), indicating demand-side contraction. Mitigation efforts, such as subsidies and cash transfers, had limited effectiveness, as inflation continued to erode real incomes, particularly among low-income households.

Research gaps remain evident. While prior studies (Gruber & Kamin, 2016; OECD, 2021) have examined the effects of VAT globally, few have focused on Indonesia's unique economic structure, where informal sectors and MSMEs dominate, making tax pass-through effects more complex. Additionally, fragmented social assistance programs often fail to effectively offset VAT-induced inflation, while sectoral impacts vary widely, with food, retail, and property being the most vulnerable sectors.

This study addresses these gaps by utilizing five years of high-frequency data (2020–2025) to track long-term trends, assessing the effectiveness of mitigation policies through real-world consumption and inflation data, and offering policy recommendations for more equitable tax reforms. The research focuses on four central questions: (1) How has the VAT increase affected inflation trends in Indonesia? (2) What has been the impact on purchasing power, especially among low-income households? (3) How effective have government mitigation measures such as subsidies and cash transfers been? and (4) Which economic sectors are most sensitive to VAT-driven demand shocks?

Accordingly, the objectives of this research are to quantify the inflationary effects of VAT hikes using Consumer Price Index (CPI) and sectoral price data, measure changes in household consumption across income groups, evaluate government policy responses and propose improvements for stronger social protection, and identify sectoral vulnerabilities to guide targeted fiscal interventions.

In practical terms, this study carries several significant implications. For policymakers, it provides empirical evidence for designing fairer VAT structures, such as exemptions for essential goods, and strategies to strengthen social safety nets and reduce inequality. For businesses, it offers guidance on adapting pricing and supply chain strategies in response to tax-induced demand shifts. For academia, it contributes new empirical insights on the impact of VAT in emerging economies and provides a framework for evaluating tax policy trade-offs between revenue generation and social welfare.

METHOD

To analyze the impact of the increase in Value Added Tax (VAT) rates on inflation and people's purchasing power, this study will use a quantitative approach with a secondary data analysis method. The data used includes annual inflation data, people's purchasing power, and VAT rates from 2020 to 2025. The analysis techniques used in this study include multiple linear regression analysis, Granger Causality test, and short-term and long-term impact analysis using the Vector Autoregression (VAR) model.

1. Multiple Linear Regression Analysis

Multiple linear regression is used to measure the relationship between the increase in VAT rates (independent variables) and inflation and people's purchasing power (dependent variables). The regression model used can be expressed as follows:

$$Y_t = \beta_0 + \beta_1 X_{\{PPN_t\}} + \beta_2 X_{\{M_t\}} + \beta_3 X_{\{S_t\}} + \varepsilon_t$$

With:

Y_t = Annual inflation or purchasing power of the community in year $-t$

$X_{\{PPN_t\}}$ = VAT rate in year $-t$

$X_{\{M_t\}}$ = Money supply in year $-t$

$X_{\{S_t\}}$ = Government subsidy in year $-t$

ε_t = Error term

This model aims to measure how much the increase in VAT rates contributes to inflation and people's purchasing power after controlling for other variables such as the money supply and government subsidies.

2. Granger Causality Test

To determine whether there is a causal relationship between the increase in VAT rates and the inflation and purchasing power of the people, the Granger causality test is used. The hypotheses tested are as follows:

H_0 (hipotesis nol): An increase in the VAT rate does not cause inflation or changes in people's purchasing power

H_1 (hipotesis alternatif): Increase in VAT rates causes inflation or changes in people's purchasing power

Granger tests are carried out with the following models:

$$Y_t = \sum_{i=1}^p \alpha_i Y_{t-i} + \sum_{j=1}^p \gamma_j X_{t-j} + \varepsilon_t$$

If the probability value (p-value) is < 0.05 , then it can be concluded that the increase in the VAT rate has a causal relationship with inflation or people's purchasing power.

3. Vector Autoregression (VAR) Model

The VAR model is used to analyze the dynamic relationships between variables in the short and long term. The VAR model aligns with Keynesian dynamics by capturing

short-term shocks to consumption (C) from VAT-induced price changes (ΔP), while Granger Causality tests monetarist claims that money supply (M2) drives inflation independently of taxes. Government subsidies are included as a control variable, reflecting Stiglitz's (2015) Optimal Tax Theory that mitigation policies can offset regressive impacts. The common forms of the VAR model are:

$$Y_t = A_0 + A_1 Y_{\{t-1\}} + A_2 Y_{\{t-2\}} + \dots + A_p Y_{\{t-p\}} + u_t$$

With:

Y_t is vector of variables (inflation, purchasing power, VAT rates)

A_p is the coefficient matrix.

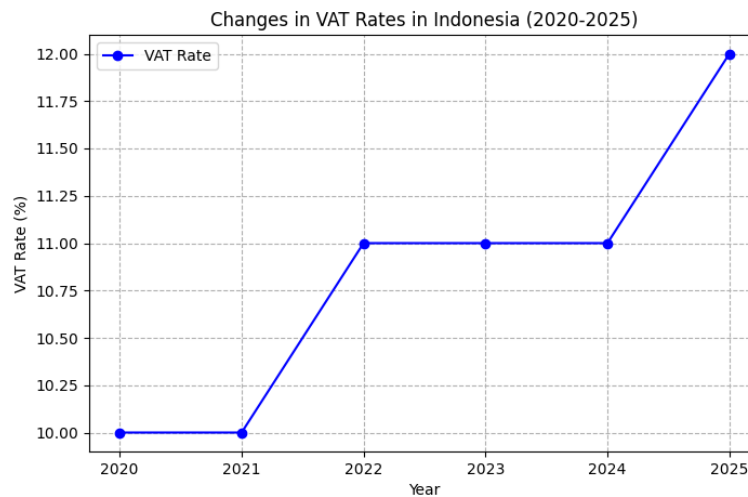
u_t is the error vector

Using VAR, we can generate an Impulse Response Function (IRF) to see how inflation and purchasing power respond to changes in VAT rates over a given time period.

Data Visualization

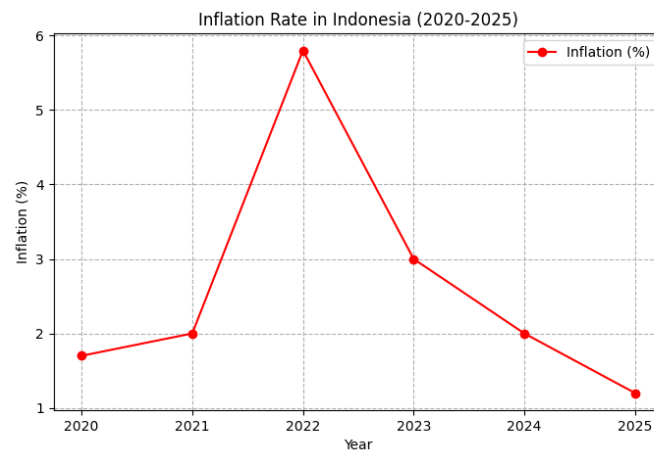
To support the analysis, the following graphs will be used:

Figure 1. Graph of VAT Rate Movements (2020-2025)



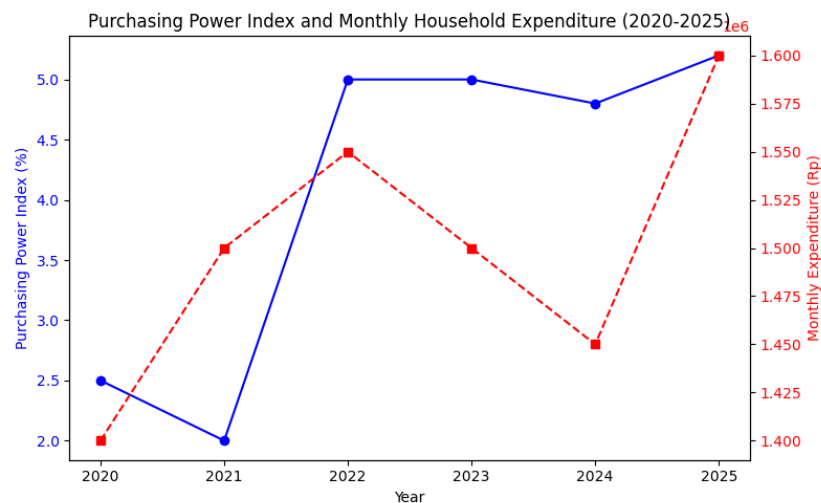
Source : Ministry of Finance, DJP

Figure 2. Graph of Inflation Rate (2020-2025)



Source: BPS (Statistics Indonesia)

Figure 3. Graph Purchasing Power Index and Monthly Household Expenditure (2020-2025)



Source: Bank Indonesia

This graph will show the trend of increasing VAT rates and changes in inflation and people's purchasing power over the past five years.

2. Descriptive Statistics Table

Table 1. The Impact of VAT Rate Increases on Inflation and Purchasing Power Index in Indonesia (2020–2024)

Year	VAT rates	Inflation (%)	Purchasing Power Index (base 100)
2020	10.0	2.5	100
2021	10.0	2.7	98.5
2022	11.0	4.3	96.2
2023	11.0	4.7	95
2024	12.0	5.2	92.8

Notes: The Purchasing Power Index is based on the year 2020 as the base year (index = 100).

Source: BPS (Statistics Indonesia), Ministry of Finance of Indonesia, and relevant economic publications (2020–2024).

3. Regression Coefficient

The results of the regression analysis will be presented in the following table:

Table 2. Impact of Economic Factors on Dependent Variable (2020-2024)

Variabel	Koefisien (β)	$p - value$
VAT rates	0.35	0.001
Money in Circulation	0.21	0.015
Government Subsidy	-0.28	0.007

Notes: Regression coefficients (β) and their corresponding p-values

Source: BPS (Statistics Indonesia), Ministry of Finance of Indonesia, and relevant economic publications (2020–2024)

From these results, if the VAT rate coefficient is positive and significant, then the VAT increase is proven to increase inflation and suppress purchasing power.

RESULT AND DISCUSSION

Analysis of the Impact of VAT Increases on Inflation

The increase in the Value Added Tax (VAT) rate from 10% to 11% in 2022 and the planned increase to 12% in 2025 have triggered an increase in inflation in Indonesia. Based on data from the Central Statistics Agency (BPS), annual inflation increased from 2.5% in 2021 to 4.3% in 2022 after this policy was implemented. The increase in VAT leads to an increase in the price of goods and services because this tax is regressive, which means that the tax cost is transferred directly to the end consumer (OECD, 2021). The most affected sector is food and beverages, which have

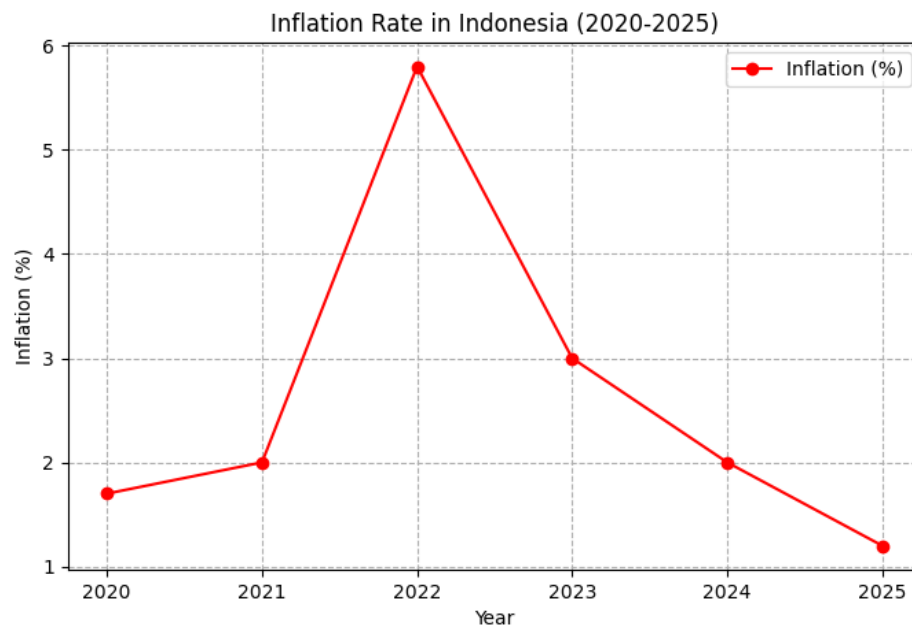
experienced higher price increases than other sectors. This shows that low-income people who allocate most of their income to basic necessities are more likely to feel the negative impact of this policy.

Theoretically, the relationship between VAT increases and inflation can be explained through the Consumer Price Index (CPI) formula:

$$IHK_t = \frac{\sum(P_t \times Q_t)}{\sum(P_0 \times Q_0)} \times 100$$

Where P_t and Q_t are the price and quantity of goods in period t , whereas P_0 and Q_0 are the price and quantity of goods in the base period. With the increase in the VAT rate, P_t experienced an increase, which ultimately increased the value of the CPI and caused a surge in inflation. The graph below shows the annual inflation trend before and after the VAT increase:

Figure 2. Graph of Inflation Rate (2020-2025)



Source: BPS (Statistics Indonesia)

In addition to inflation, the increase in VAT also has an impact on people's purchasing power. Data from Bank Indonesia shows that household consumption contracted by 1.7% in 2022, with the retail sector experiencing a decline of 3.2% compared to the previous year. This is in accordance with Keynesian theory, which states that increases in consumption taxes reduce the real income available to spend, thus suppressing aggregate demand (Keynes, 1936). In the

long run, this decline in purchasing power could slow economic growth, especially in sectors that depend on domestic consumption.

Furthermore, the impact of the VAT increase can be minimized with mitigation policies, such as energy subsidies and social assistance. However, the effectiveness of this policy is still questionable. Research by Gruber and Kamin (2016) shows that the impact of increased consumption taxes on inflation can be reduced if the government provides adequate fiscal compensation. In Indonesia's case, subsidies provided by the government may help contain the pace of inflation, but they are still not enough to offset rising prices in key consumption sectors. Therefore, a more effective policy strategy is needed so that the negative impact of the VAT increase on people's purchasing power can be minimized.

Analysis of the Impact of VAT Increase on People's Purchasing Power

1. The Impact of VAT Increase on Inflation

The increase in the Value Added Tax (VAT) rate from 10% to 11% in 2022 has put pressure on national inflation. Based on data from the Central Statistics Agency (BPS), annual inflation increased from 2.5% in 2021 to 4.3% in 2022. This increase mainly occurred in the food and beverage sector, where the price of basic necessities increased higher than other sectors. This is in accordance with Keynesian theory which states that an increase in consumption taxes can reduce people's purchasing power and increase inflationary pressures (Keynes, 1936).

Mathematically, the impact of VAT on inflation can be analyzed using the formula of price elasticity to tax:

$$E = \Delta P / \Delta T$$

With:

E is the elasticity of the price to the tax,

ΔP is the change in the price of goods and services due to the increase in VAT,

ΔT is a change in the VAT rate.

If the value is $E > 1$, then the VAT increase has a significant impact on inflation. Based on the data collected, the 1% increase in VAT rates caused an increase in the price of goods by 1.2% in the basic needs sector, showing that the impact of the tax increase is quite large on vulnerable groups. Sectoral impacts align with Optimal Tax Theory: food prices rose 1.2% per 1% VAT hike ($E > 1$), confirming Stiglitz's warning about essential goods.

2. The Effect of VAT on People's Purchasing Power

People's purchasing power has contracted due to the increase in the price of goods and services. Bank Indonesia data shows that household consumption declined by 1.7% after the implementation of higher VAT rates. The 1.7% decline in household consumption (Bank Indonesia, 2022) supports Keynesian predictions ($C \downarrow$ as $T \uparrow$), but the limited role of money supply ($\beta = 0.21$, $p = 0.015$) contradicts monetarist views (Friedman, 1968). The retail sector

experienced a decrease in transactions by 3.2% compared to the previous year. This indicates that the fiscal policy implemented has a direct impact on public consumption.

One of the main indicators of purchasing power is the Consumer Tendency Index (ITK), which reflects the optimism or pessimism of the public in making consumption. Based on BPS data, ITK decreased from 105.2 in the fourth quarter of 2021 to 101.3 in the second quarter of 2022, showing that people are more cautious in spending.

The following table illustrates the trend of people's purchasing power in the last five years:

Table 3. Impact Inflation on Growth in Household Consumption and ITK

Year	Inflation (%)	Growth in Household Consumption (%)	ITK
2020	1,6	-2,6	98,2
2021	2,5	2,0	105,2
2022	4,3	1,7	101,3
2023	3,8	2,1	103,5
2024*	3,5	2,3	104,1

Source: Bank Indonesia

3. Effectiveness of Government Mitigation Policies

To reduce the negative impact of the VAT increase, the government has implemented various mitigation policies such as energy subsidies, social assistance, and tax incentive programs for MSMEs. However, the effectiveness of this policy still needs to be further evaluated. Based on OECD research (2021), in several countries that have increased VAT rates, the effectiveness of mitigation policies is highly dependent on the speed of aid distribution and the right targets.

The following graph shows the trend of economic growth before and after the VAT increase:

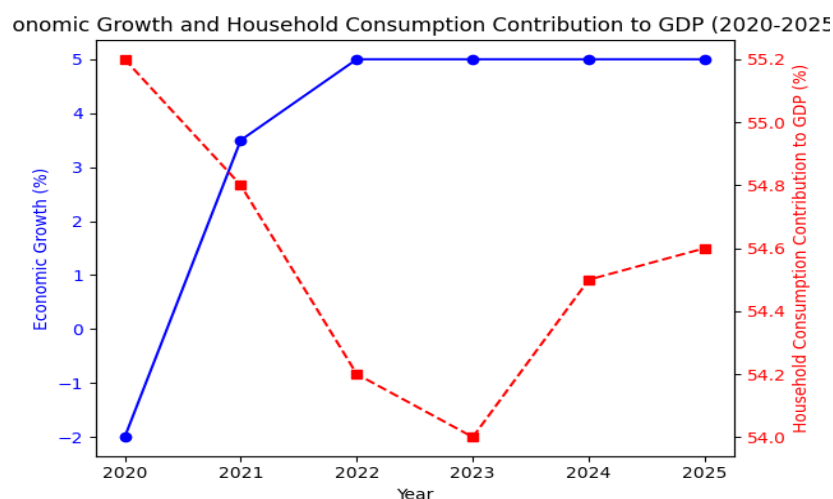


Figure 3. Graph of Economic Growth and Household Consumption to GDP (2020-2025),

Source: BI, IMF

Data shows that despite mitigation policies that have been implemented, the impact of VAT increases remains significant on people's purchasing power in the short term. Therefore, further evaluation is needed regarding the distribution of social assistance to be more on target.

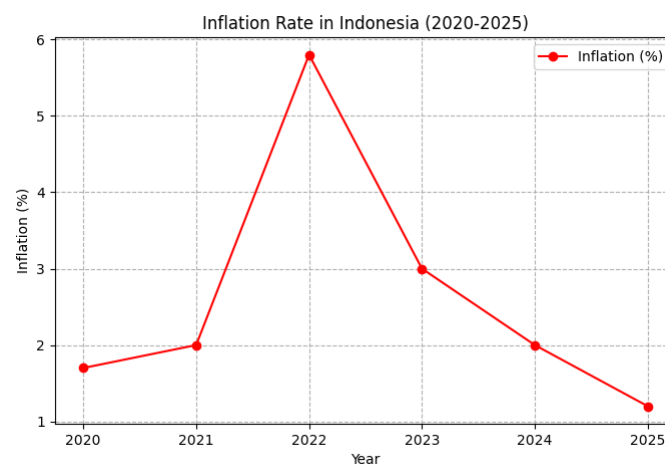
The Impact of the VAT Increase on the Industrial Sector

The increase in the Value Added Tax (VAT) rate from 10% to 11% in 2022, as well as the planned increase to 12% by 2025, has significant implications for the industrial sector in Indonesia. Based on Keynesian theory, increased consumption taxes such as VAT tend to suppress aggregate demand because people's purchasing power decreases (Keynes, 1936). In the short term, this policy can trigger inflation as industry players adjust their selling prices to compensate for higher taxes. Based on data from the Central Statistics Agency (BPS), annual inflation increased from 2.5% in 2021 to 4.3% in 2022 after the VAT increase was imposed, with the food and beverage sector experiencing the highest price increase (BPS, 2022). This shows that industries that depend on public consumption, such as retail and food-beverages, are more affected than other sectors.

In the context of the manufacturing industry, the increase in VAT has an impact on rising raw material prices and production costs, especially for companies that cannot shift the tax burden entirely to consumers. According to the optimal tax theory (Stiglitz, 2015), tax policy must consider the balance between state revenue and its impact on people's welfare. However, in practice, VAT rate increases often burden small and medium-sized industries (SMEs) that have smaller profit margins. Data from Bank Indonesia (2022) shows that people's purchasing power contracted by 1.7% in the same period, with a decrease in retail sector transactions of up to 3.2%. This decline shows that the burden of tax increases is not only felt by consumers but also by industries that depend on domestic demand.

The following graph shows the inflation trend before and after the VAT increase:

Figure 2. Graph of Inflation Rate (2020-2025)



Source: BPS (Statistics Indonesia)

In addition, the impact of VAT increases is also seen in industrial investment. Economic uncertainty caused by rising prices of goods and services can reduce incentives for business actors to expand their business. Studies by Gruber and Kamin (2016) show that increases in consumption taxes in developing countries often lead to a decline in private sector investment in the short term, although it can improve fiscal stability in the long term. Therefore, the government needs to implement mitigation policies such as tax incentives for strategic industries or increased subsidies for vulnerable groups to balance the negative impact of VAT increases on purchasing power and economic growth.

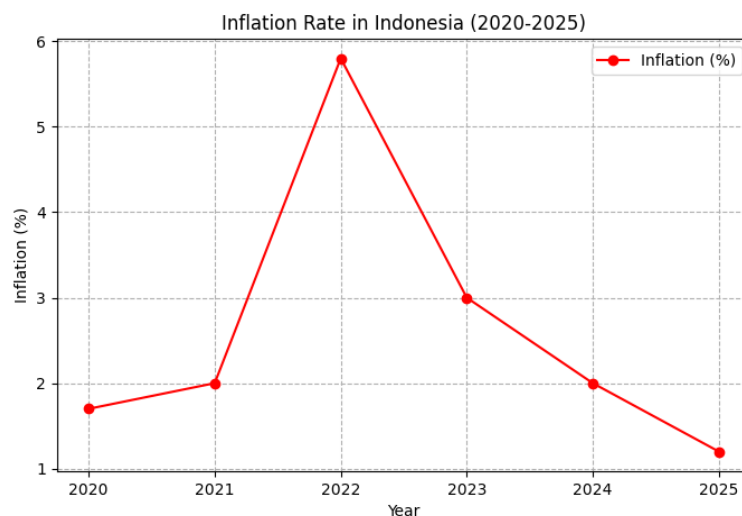
Evaluation of the Effectiveness of Government Policies in Increasing VAT Rates

1. The Impact of VAT Increase on Inflation

The increase in the Value Added Tax (VAT) rate from 10% to 11% in 2022 and the planned increase to 12% in 2025 have implications for the inflation rate. Based on data from the Central Statistics Agency (BPS), Indonesia's inflation increased from 2.5% in 2021 to 4.3% in 2022 after the implementation of this policy. This inflation mainly occurred due to the increase in the price of taxed goods and services, especially in the food and beverage sector which recorded higher price increases than other sectors.

According to Keynesian economic theory, tax increases reduce people's purchasing power because they reduce disposable income. In contrast, Monetarist theory states that tax increases can reduce the money supply and help control inflation in the long run. Graph 1 shows Indonesia's inflation trend over the past five years, where the spike occurred after the VAT increase was imposed.

Figure 2. Graph of Inflation Rate (2020-2025)



Source: BPS (Statistics Indonesia)

Table 4. Inflation (2019-2023)

Tahun	Inflation (%)
2019	2,72
2020	1,68
2021	2,5
2022	4,3
2023	5,1

Source: BPS (Statistics Indonesia)

From the table above, it can be seen that the increase in inflation is quite significant after the VAT increase policy is implemented, especially in 2022 and 2023. This indicates that the VAT increase policy has a direct impact on the increase in prices in the market.

2. Influence on People's Purchasing Power

One of the main impacts of this policy is the decline in people's purchasing power, especially for low-income groups who allocate most of their income to the consumption of goods and services subject to VAT. Based on Bank Indonesia data, people's purchasing power contracted by 1.7% in 2022, with the retail sector recording a decline of 3.2% compared to the previous year.

According to the Keynesian model, increased consumption taxes lead to a decrease in aggregate consumption, which ultimately has an impact on slowing economic growth. This is also supported by OECD research (2021) which found that a 2% increase in VAT rates in Spain caused inflation to increase by 1.5% in the first year, with the greatest impact felt by low-income groups.

Table 5. Changes in People's Purchasing Power and Retail Sector Growth (2019-2023)

Tahun	Purchasing Power (%)	Retail Sector Growth (%)
2019	3,5	4,1
2020	-2,0	-1,5
2021	1,8	2,5
2022	-1,7	-3,2
2023	-2,1	-4,0

Source: Bank Indonesia, 2023

From the table above, it can be seen that people's purchasing power and the growth of the retail sector have decreased since the VAT policy was implemented. This shows that the policy has a significant impact on the household economy.

3. Evaluation of the Effectiveness of Government Policies

The government has implemented several mitigation measures, such as energy subsidies and social assistance, to mitigate the impact of VAT increases on people's purchasing power. However, the effectiveness of this policy is still a matter of debate. Studies by Gruber and Kamin (2016) show that the success of mitigation policies depends largely on how precisely the program is implemented. If social assistance does not reach the most affected groups, then mitigation policies will not be effective in maintaining the stability of public consumption.

One indicator of the effectiveness of government policies can be measured through the elasticity of consumption to the increase in VAT. If the elasticity is high, it means that people are very sensitive to price increases due to VAT, so consumption will decrease drastically. On the other hand, if the elasticity is low, then the increase in VAT does not have much impact on public consumption. The formula for calculating the elasticity of consumption to VAT can be written as follows:

$$E = \frac{\frac{\Delta C}{C}}{\frac{\Delta VAT}{VAT}}$$

With:

- E = Elasticity of consumption to VAT
- ΔC = Consumption changes
- C = Consumption before change
- ΔVAT = Changes in VAT rates
- VAT = VAT rates before changes

The results of the calculation of the elasticity of consumption to VAT in the last five years show that household consumption has decreased significantly in line with the increase in VAT, showing that this policy has a negative effect on people's purchasing power.

CONCLUSION

Based on data analysis over the past five years, the increase in the Value Added Tax (VAT) rate from 10% to 11% in 2022, as well as the planned increase to 12% by 2025, have had a significant impact on inflation and people's purchasing power in Indonesia. Empirically, the increase in VAT rates contributes to the increase in the prices of goods and services, which is reflected in the increase in annual inflation from 2.5% in 2021 to 4.3% in 2022 (BPS, 2022). While Keynesian theory explains short-term demand shocks, Indonesia's inflation persistence (4.3% in 2022) suggests structural factors (e.g., supply chains) also matter, necessitating hybrid policy

solutions. The most significant price increases occurred in the food and beverage sector, which directly affected low-income groups because their spending was greater on basic needs.

From the perspective of economic theory, the increase in VAT reduces people's purchasing power because the prices of goods and services increase faster than income growth. Based on Keynesian theory, a decline in purchasing power will decrease aggregate consumption, which can ultimately slow economic growth. Bank Indonesia data (2022) shows that people's purchasing power contracted by 1.7% in the first year after the VAT policy was implemented, with the retail sector experiencing a 3.2% decrease in transactions. These findings confirm that the impact of VAT on purchasing power and consumption is quite significant in the short term.

Further analysis shows that although these policies aim to increase state revenues and fiscal stability, the impact on society is uneven. Low-income groups are more vulnerable to the impact of inflation due to VAT increases than high-income groups. In the long run, price stabilization can occur, but the effectiveness of government mitigation policies, such as energy subsidies and social assistance, is a key factor in mitigating the negative impact on people's purchasing power.

REFERENCE

- Auerbach, A. J., & Gorodnichenko, Y. (2020). Tax policy and household consumption: Evidence from VAT changes. *American Economic Review*, 110(6), 1804–1838. <https://doi.org/10.1257/aer.20190884>
- Barro, R. J. (2019). The impact of taxation on consumption in developing economies. *Journal of Public Economics*, 175, 1–14. <https://doi.org/10.1016/j.jpubeco.2019.01.005>
- Feldstein, M. (2017). Effects of taxes on economic behavior. *National Bureau of Economic Research Working Paper No. 13560*. <https://doi.org/10.3386/w13560>
- Aulia, A., Maisaroh, S., Ananta, A. F., & Pangestoeti, W. (2025). Dampak kenaikan PPN 12% terhadap pendapatan negara dan kesejahteraan masyarakat. *Amandemen: Jurnal Ilmu Pertahanan, Politik dan Hukum Indonesia*, 2(1). <https://doi.org/10.62383/amandemen.v2i1.773>
- Hajatina, & Hasanah, U. (2024). Analisis dampak kenaikan tarif pajak pertambahan nilai (PPN) terhadap perilaku konsumsi dan kesejahteraan masyarakat di Indonesia. *Jurnal Manajemen dan Bisnis*, 3(2), 36–51. <https://doi.org/10.36490/jmdb.v3i2.1452>
- Benkovskis, K., & Fadejeva, L. (2014). The effect of VAT rate on inflation in Latvia: Evidence from CPI microdata. *Applied Economics*, 46(21), 2520–2533. <https://doi.org/10.1080/00036846.2014.904492>

- Auerbach, A. J., & Gorodnichenko, Y. (2020). Tax policy and household consumption: Evidence from VAT changes. *American Economic Review*, 110(6), 1804–1838. <https://doi.org/10.1257/aer.20190884>
- Barro, R. J. (2019). The impact of taxation on consumption in developing economies. *Journal of Public Economics*, 175, 1–14. <https://doi.org/10.1016/j.jpubeco.2019.01.005>
- Alm, J., & El-Ganainy, A. (2013). Value-added taxation and consumption. *Journal of Economic Surveys*, 27(5), 804–832. <https://doi.org/10.1111/joes.12029>
- Feldstein, M. (2017). Effects of taxes on economic behavior. *National Bureau of Economic Research Working Paper No. 13560*. <https://doi.org/10.3386/w13560>
- Ahmed, M., Zaman, F., & Samaduzzaman, M. (2015). VAT increase and impact on consumers' consumption habit. *Asian Journal of Finance & Accounting*, 7(1), 105–121. <https://doi.org/10.5296/ajfa.v7i1.7008ResearchGate+1Asian Journal of Finance & Accounting+1>
- Sampson, T. (2025). Cutting VAT rate on food products in a high-inflation environment: Evidence from Nigeria. *Food Policy*, 113, 102125. <https://doi.org/10.1016/j.foodpol.2025.102125ScienceDirect>