


# Gen-Z and VAT Rate Changes: Assessing the Impact on VAT Revenue Potential in Indonesia

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Article Info	ABSTRACT
<p><b>Article history:</b></p> <p>Received Jul, 2025 Revised Jul, 2025 Accepted Jul, 2025</p> <hr/> <p><b>Keywords:</b></p> <p>Potential Value Added Tax Revenue; Tax Literacy; Value Added Tax Rate Increase</p>	<p>In order to gather primary data for this study, 200 taxpayers who are still in the Gen-Z age range were given questionnaires. Purposive sampling was used to choose the research sample, and IBM SPSS Statistics 26.00 software was used to analyze the data using multiple linear regression analysis. The study's conclusions demonstrate that the potential for Value Added Tax revenue in Indonesia, specifically in Jakarta, is significantly and favorably impacted by the rise in the VAT rate and tax literacy. However, it has limitations because it only included samples of Gen-Z taxpayers and those who are based in Jakarta.</p> <p><i>This is an open access article under the <a href="#">CC BY-SA</a> license.</i></p> <div></div>
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## 1. INTRODUCTION

The Unitary State of the Republic of Indonesia, a developing country on the path to becoming a developed one, depends heavily on taxes for its revenue. According to Law No. 7 of 2021 concerning the Harmonisation of Tax Regulations, taxes are necessary payments made to the state by both persons and entities without direct payment, and they are utilised to further the general welfare of the state. Taxes serve several important functions in national life. They are the largest and inseparable source of state revenue. Along with global economic growth, trade activity has increased in every market sector in every country. The trade sector is always connected to meeting the needs of one country to another. For businesses to run smoothly and generate income, a country must impose taxes on all goods purchased by domestic and foreign consumers. Taxes are

the primary source of state revenue and a vital instrument for supporting the Indonesian economy [1].

Income Tax (PPh), Value Added Tax (PPN), Sales Tax on Luxury Goods (PPnBM), Land and Building Tax (PBB), and Land and Building Acquisition Tax account for 80 percent of state revenue. VAT as a whole went risen from 10% to 11% [2]. One benefit of the Law on Harmonisation of Tax Regulations is that value added tax is anticipated to contribute significantly to state foreign exchange revenue due to the ongoing collection of taxable products and services. On April 1, 2022, Indonesia formally enacted the policy of raising the VAT rate from 10% to 11% in accordance with Law Number 7 of 2021 about Harmonisation of Tax Regulations. After that, the implementation of VAT will be carried out in stages according to the current provisions. One of the factors

influencing purchasing decisions is the increase in the VAT rate.

Finance Minister Sri Mulyani emphasized that Indonesia's VAT rate remains below the global average, including for countries in the Organization for Economic Co-operation and Development (OECD). This presents an opportunity for the government to raise tax rates to boost tax revenue. She emphasized that VAT on imports grew 36.6% in 2020, representing 18.04% of state revenue, and domestic VAT contributed 26.8% of state revenue in 2021. One of the best approaches in the HPP Law is a policy of increasing the VAT rate by 11%. This policy is expected to improve the state budget deficit to 3% in the coming years [3].

Value Added Tax (VAT) is a crucial instrument for state tax revenue. As a consumption tax, VAT plays a significant role in supporting fiscal stability and financing development. The Indonesian government has implemented a VAT rate increase from 10% to 11% as of April 1, 2022, in accordance with the Law on Harmonization of Tax Regulations (Republic of Indonesia, 2021). This increase is planned to continue to 12% by 2025, in accordance with Article 7 of the HPP Law. This policy aims to strengthen state revenue, but on the other hand, it poses various challenges for the public and businesses in implementing this new value-added tax policy.

The increase in VAT rates has a direct impact on the prices of goods and services. This has the potential to reduce people's purchasing power and reduce consumption levels, especially among low-income groups. [4] found that the increase in VAT rates negatively impacted the sales volume of MSMEs, ultimately leading to an economic slowdown. For businesses, the increase in VAT rates means an increased tax administration burden and the need to adjust selling prices. This challenge is further complicated by the low levels of tax and financial literacy among the public and businesses [5].

Tax literacy refers to a person's level of understanding of their rights, obligations, and tax regulations. The better their tax

literacy, the higher their potential for taxpayer compliance. Conversely, low tax literacy can lead to tax avoidance, under-reporting, and tax evasion. Furthermore, financial literacy also influences taxpayer behavior. According to the 2024 National Survey of Financial Literacy and Inclusion (SNLIK), the financial literacy index of the Indonesian population was 65.43%. This result represents an increase compared to 2022, when the literacy index was 49.68% [6]. This increase in tax literacy in Indonesia is quite good, but it does not meet the government's target of tax awareness and increasing the taxpayer compliance ratio in Indonesia.

In the Financial Services Authority Circular Letter (SE-OJK) No. 30 of 2017, the Financial Services Authority defined financial literacy as the knowledge, abilities, and beliefs that impact attitudes and behaviour to enhance the quality of financial management and decision-making for the benefit of the populace. People who are financially literate are better able to manage their personal resources and make both short- and long-term decisions that will improve their quality of life. Understanding the fundamentals of personal finance, savings and loans, insurance, and investing are all components of financial literacy [7].

The increase in the Value Added Tax (VAT) rate that has been implemented from 10% to 11% in accordance with Law No. 7 of 2021, namely the Law on Harmonization of Tax Regulations (HPP), provides benefits not only in terms of tax revenue, especially Value Added Tax (VAT), but when the increase in VAT rates can affect the potential for VAT revenue, the government, in this case the DJP (Directorate General of Taxes), can make better policies regarding the VAT rate, especially regarding the increase in VAT rates that will be carried out in 2025. In addition, the government can also see which BKP and/or JKP products have the potential to have their rates increased or decreased [8]. VAT literacy also, if it has an influence on the potential for Value Added Tax revenue, both the government and other related parties can develop strategies in line with efforts to

increase tax literacy regarding the increase in Value Added Tax in Indonesia.

## 2. LITERATURE REVIEW

### 2.1 Attribution Theory

Attribution theory was first introduced in [9] work entitled "The Psychology of Interpersonal Relations". This theory fundamentally discusses how people interpret and understand the causes behind an event or a person's behavior [9]. So, people not only see what happened, but also actively ask "why" it happened. The process of finding answers to the question "why" is called the attribution process [10]. According to Heider, when assessing someone's actions, we will naturally distinguish between two main sources of causes: (1) Personal causes (personal causality), namely when we believe the cause comes from within the person. These personal causes are then divided into two main factors: (a) Strength Factors - This factor is often represented by ability. This refers to whether a person has the capacity to carry out the action; (b) Motivational Factors - This factor includes intention and effort (exertion, how hard he tries); (2) Impersonal or environmental causes (*Impersonal/Environmental Causality*), namely when we feel that the cause comes from factors outside the person (such as because of the situation, coercion, or luck).

As it developed through various subsequent studies, attribution theory explained that an action can occur due to internal or external causes. The link between attribution theory and this research is very strong. The potential for Value Added Tax revenue, as a complex behavior, can be attributed or caused by various factors [11], [12]. Referring to attribution theory, this research specifically focuses on exploring personal or internal causes as the source of this behavior. The variables include: the increase in Value Added Tax rates and Tax Literacy, which can be viewed as internal characteristics within an

individual. These characteristics are suspected in this study to significantly influence an individual's motivational factors, thus driving the decision to commit tax evasion. This means that these existing factors are assumed to shape the intention of an action regarding the potential increase in Value Added Tax revenue [13]. In other words, the researcher makes an attribution that a policy with several factors in this study is due to the encouragement of a strong goal from an institution or organization, specifically the Directorate General of Taxes [14], [15]. Thus, this study practically applies the logic of Heider's attribution theory to test whether actions in the potential to increase value added tax revenue can be explained by referring to internal conditions in people's behavior, namely the increase in value added tax rates that have been implemented in tax policies and tax literacy in Indonesia.

### 2.2 Increase in Value Added Tax Rates

The tax rate is a percentage determined as the basis for imposing taxes on taxable objects, which is the responsibility of taxpayers [16]. In Indonesia, tax rates are determined based on the principle of fairness because tax collection is carried out using tax rates [6]. In general, although tax rates are used to calculate tax payable, they must still adhere to the principle of fairness. If tax rate determination is not carefully considered, this can certainly become problematic. In some countries, many taxpayers avoid paying taxes because they perceive tax rates to be too high [17]. Therefore, policies related to tax rates must be in accordance with the optimal level so as not to burden any party.

Based on Law Number 42 of 2009 concerning Value Added Tax on Goods and Services and Sales Tax on Luxury Goods, the VAT rate is 10% and on exports of goods is 0%. This tax rate can change to as low as 5% and as high as 15% in accordance with Government Regulations. Since the initial enactment of

the VAT Law, the VAT rate has never changed, however, according to Law Number 7 of 2021 concerning Harmonization of Tax Regulations, the VAT rate has finally changed. Based on Article 7 Paragraph 1 of Law Number 7 of 2021, the VAT rate increased to 11%, effective April 1, 2022, and will increase again to 12%, effective no later than January 1, 2025.

The 11% VAT rate is the basis for calculating VAT payable, which is done by multiplying the price of taxable goods and/or services by that percentage. The government increased the VAT rate to increase state revenue, especially since Indonesia's VAT rate is still relatively low compared to the global average [18]. VAT is an indirect tax, meaning that even if the VAT rate increases, the resulting state revenue will be felt by the public in the future.

### 2.3 Tax Literacy

According to the Great Dictionary of the Indonesian Language, literacy means the ability to write, read, process information, and acquire knowledge related to a specific field for life skills. In general, tax literacy is the theoretical and practical ability to understand taxation, which can influence a person's decision-making [11], [19]. Tax literacy can be specifically defined for each type of tax, one of which is VAT. Therefore, VAT literacy is a person's knowledge and skills related to VAT [20]. Value Added Tax (VAT) is not dependent on the subject of a transaction, regardless of whether the subject is an individual, a corporation, the government, or even whether they have a Taxpayer Identification Number (NPWP). VAT is imposed on the object of a transaction, thus making it a type of objective tax. These transactions relate to the consumption of taxable goods and/or taxable services within the customs area [6]. The law governing VAT is Law Number 8 of 1983 concerning Value Added Tax on Goods and Services and Sales Tax on Luxury Goods, which was

last amended in Law Number 7 of 2021 concerning Harmonization of Tax Regulations.

### 2.4 Potential Value Added Tax Revenue

The potential for VAT revenue can be illustrated by consumer behavior, particularly in relation to purchasing decisions. This relates to the VAT imposed on taxable goods and/or taxable services (BKP) consumed by the public. VAT is proportional to consumption behavior, so if consumer consumption increases, VAT will also increase [6]. Conversely, if consumer consumption of taxable goods and/or taxable services (JKP) decreases, VAT will also decrease, thus reducing the potential for VAT revenue. Consumption behavior is closely related to consumer purchasing decisions. Purchasing decisions are the process of choosing between two or more alternative products.

Purchasing decisions are consumer behaviors related to whether or not to buy a product [21]. Factors that can influence people's decision-making are divided into two categories: internal and external [22]. Internal factors that influence people's decision-making include motivation, lifestyle, perception, experience, learning, and emotions. Meanwhile, external factors that influence people's decision-making include economic conditions, market trends, technological, social, and cultural changes, as well as political issues and sentiments between groups.

### 2.5 Hypothesis

A hypothesis is a temporary solution to a research problem, where the problem formulation is expressed in the form of a statement. The hypothesis in a study is derived from the theory that forms the basis of the research's Conceptual Model. A hypothesis is tentative and needs to be tested for its truth to prove whether the hypothesis is true or not. Based on the description and findings of previous research, the hypothesis proposed in this study is as follows:

H1: The increase in Value Added Tax rates has an impact on the potential for Value Added Tax (VAT) revenue.

H2: Tax literacy has a negative effect on the potential for Value Added Tax (VAT) revenue.

### 3. METHOD

A Likert scale will be used as the measurement tool in this investigation. The attitudes, views, and perceptions of an individual or group of people about social phenomena are measured using a Likert scale, according to [23]. These social phenomena are known as research variables because they have been precisely described by the researcher. The variables to be measured are referred to as variable indicators when using a Likert scale. Following that, these indicators serve as standards for gathering instrument items, which may consist of questions or statements. Respondents can select one of the following choices to rate the questions:

Table 1. Likert Scale Scoring Table

Answer Choice	Score
Strongly agree	6
Agree	5
Rather agree	4
Rather disagree	3
Disagree	2
Strongly Disagree	1

The sort of research, sample and population or research subjects, research time and location, tools, processes, and techniques, as well as other issues pertaining to the research method, are all included in the research methodology section. Numerous subchapters can be created from this section; however, they are not required to be numbered.

A questionnaire was used as the research instrument in this study, and it was disseminated between January and February of 2025. A total of 200 questionnaire statements were given to participants in this study. These statements included up to seven questions about the VAT rate increase variable (X1), up to seven questions about the

Tax Literacy variable (X2), and up to seven questions about the Value Added Tax revenue potential variable (Y).

#### 3.1 Data Processing Stages

This study's data processing step uses primary data gathered from questionnaire collection results. Conducting a trial of the manufactured instrument is the first step. Once the trial is completed and the results indicate that the instrument used for this study is valid and reliable, the results can proceed to the next step, which is the processing and distribution of questionnaires with a target sample of 200 samples to employees in the consumer environment who meet the Gen-Z age criteria and are based in Jakarta. These employees must be qualified to be included in the study's sample, and they must evaluate their leaders in the personnel section when they complete the questionnaire that the researcher has distributed. After the purposive sampling method is used to distribute the questionnaire to company employees, samples are taken based on predefined criteria and the desired number, and data is processed and analyzed using a computerized program to create tabulations using Microsoft Excel and the SPSS program as a test tool to process and analyze data.

The data processing stages of this study make use of primary data obtained from the results of questionnaire collection. The first phase is pilot testing of the manufactured instruments. The researcher distributed the questionnaire to their leaders in the employee department in order to move on to the next step, which entails processing and distributing questionnaires with a target sample of 170 samples to employees in the BUMN Banking Services company environment located in the cities of Jakarta and Bandung who met the requirements for determining the sample of this study. This was done once the pilot test was finished and the findings showed that the study's instruments were reliable and valid. Following the distribution of

the questionnaire to the company's employees using the purposive sample approach, a computerised programme was utilised to generate tabulations using Microsoft Excel and the SPSS application as a test tool to process and interpret data. Following that, samples were collected in accordance with the predefined standards and the desired quantity.

159 BUMN employees who work in the banking industry and are based in Jakarta and Bandung are the respondents to 170 questionnaires that were distributed for this study. The samples were gathered or returned from both physical and digital questionnaires using Google Forms. Nevertheless, nine of the 170 questionnaires that were not returned were returned, and up to three of those questionnaires could not be processed because they were not completed completely, making it impossible to summarise the completed data for the study's findings.

### 3.2 *Validity Test*

According to [24], a valid instrument is one that is able to measure what needs to be measured. The study's conclusions are regarded as legitimate if there is a similarity between the data collected and the data that actually occurs in the thing being studied. Questionnaires are deemed valid if the statements they include shed light on the subject matter they are meant to assess. In order to verify the validity of the data, the researcher employed construct validity using factor analysis of the instrument, also referred to as corrected item total correlation. This entails modifying the correlation coefficient value after comparing the item score to the overall score. To ascertain if the criteria used to evaluate validity are significant or not, a two-sided test with a significance threshold of 0.05 is utilized [24].

- a. If  $r_{\text{count}} > r_{\text{table}}$ , then the item is declared valid
- b. If  $r_{\text{count}} < r_{\text{table}}$ , then the item is declared invalid

### 3.3 *Reliability Test*

Reliable research findings, according to [24], occur when data from several periods show similarities. A questionnaire that can be evaluated through a reliability test is called a construct indicator. A questionnaire is deemed reliable if the same instrument is used to measure the same thing repeatedly and a person's response to it stays consistent or stable over time. If a construct or variable produces a Cronbach Alpha score higher than 0.60, it is deemed reliable [25].

- a. If Cronbach alpha  $< 0.60$  = not reliable
- b. If Cronbach alpha  $> 0.60$  = reliable

Comparing the average sample or population data and doing regression analysis.

### 3.4 *Normality Test*

To determine if the data is normally distributed, the normality test is utilised [26]. One way to observe normality is to compare observations with a distribution that looks like a normal distribution using a histogram. If the data distribution is normal, the line that describes the data will follow its diagonal line. To check for normality in research, the Kolmogorov-Smirnov statistical test is employed.

### 3.5 *Multicollinearity Test*

The multicollinearity test is used to ascertain whether the regression model finds a link between independent variables. The multicollinearity test is conducted using the Variance Inflation Factor (VIF) and tolerance value [27]. A good regression model should not have correlated independent variables. Multicollinearity-based decision-making is predicated on the following:

- a. If  $VIF < 10$  and tolerance  $> 0.1$  then there is no multicollinearity
- b. If  $VIF > 10$  and tolerance  $< 0.1$  then there is multicollinearity

### 3.6 *Multiple Linear Regression Analysis*

Multiple linear regression is the data analysis technique employed in this investigation. [28] states that when two or

more independent variables are employed as predictor factors, researchers use multiple linear regression analysis to anticipate how the condition (rise and fall) of the dependent variable (criterion) will change. Regression analysis is used to determine the direction of the link between the dependent and independent variables as well as the intensity of the association between two or more variables, according to [29]. The goodness of fit of the sample regression function can be used to gauge how well it estimates the true value. The coefficient of determination, F statistic value, and t statistic value are statistical indicators that at least quantify this [30].

### 3.7 Hypothesis Testing

A hypothesis, as defined by [31], is a short-term solution to the formulation of research questions, typically organised as a question sentence. Because the responses are based solely on pertinent hypotheses and not yet on empirical facts gathered through data collecting, it is referred to as transitory. The SPSS 26.00 version of the programme was used to analyse the data for this investigation. The purpose of this analysis is to ascertain how various independent variables (X) affect the dependent variable (Y). The determination coefficient test, t test, and F test were used in multiple linear analysis. The following is the study's regression model:

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \varepsilon$$

Information:

Y = Potential Value Added Tax Revenue

$\alpha$  = constant

X<sub>1</sub> = Increase in Servant Leadership Value Added Rates

X<sub>2</sub> = Tax Literature

$\varepsilon$  = error term

Error tolerance ( $\alpha$ ) is set at 5% with a significance level of 95%.

### 3.8 Partial Effect Test (t-Test)

The t-test, which essentially illustrates how much the influence of one independent variable is independent in explaining the fluctuation of the dependent variable, is used to ascertain whether two unrelated samples have different average values, according to [30]. The difference is compared to the standard error to perform the t-test. Whether a parameter ( $b_i$ ) equals zero, or  $H_0: b_i = 0$ , indicates whether an independent variable is not a major explanation of the independent variable. This is the null hypothesis ( $H_0$ ) that needs to be tested. A variable parameter's alternative hypothesis ( $H_a$ ) is not equal to zero, or  $H_a: b_i \neq 0$ .

A significance level of 0.05 ( $\alpha=5\%$ ) is used for the test. The following factors are used to determine whether the hypothesis is accepted or rejected: Acceptance criteria for the hypothesis:

- If the significant value is  $<0.05$  and  $t_{count} > t_{table}$ , then  $H_1$  is accepted
- If the significant value is  $> 0.05$  and  $t_{count} < t_{table}$ , then  $H_1$  is rejected

## 4. RESULTS AND DISCUSSION

The following are descriptive statistics of each variable studied.

Table 2. Descriptive Statistics

Descriptive Statistics					
	N	Minimum	Maximum	Mean	Standard Deviation
INC_PPN	181	20.00	35.00	32,7514	2.90193
TAX_LIT	181	20.00	35.00	33,2818	2.72909
PON_TAX	181	22.00	35.00	32,9006	2,72051
Valid N (listwise)	181				

Sources: Processed data SPSS 26.00 (2025)

With a minimum value of 20 and a maximum value of 35, the Increase in VAT Rates (INC\_VAT) variable displays an average value of 32.751 and a standard deviation of 2.9019. The standard deviation

value is 2.72051 with a minimum value of 22 and a maximum value of 35.

#### 4.1 Hypothesis Test

The following are the regression results.

Table 3. Regression Test

Coefficients <sup>a</sup>						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	2,735	,873		3,134	,002
	INC_PPN	,484	,085	,516	5,723	,000
	TAX_LIT	,430	,090	,432	4,788	,000

a. Dependent Variable: PON\_TAX

Source: Processed data SPSS 26.00 (2025)

The study's findings indicate that the variables related to the VAT Rate Increase and the Tax Literature have a

major impact on the potential increase in VAT revenue.

Table 4. Results Of The Coefficient Of Determination Test

Model Summary				
Model	R	R Square	Adjusted R Square	Standard Error of the Estimate
1	,938a	,879	,878	,95124

a. Predictors: (Constant), TAX\_LIT, INC\_VAT

Source: Processed data SPSS 26.00 (2026)

Using the results of the coefficient of determination test, the Adjusted R Square value is determined to be 0.878. This indicates that 87.8% of the potential increase in VAT revenue

can be explained by the factors of rate increase and tax literature, with the remaining 12.2% coming from other variables not covered in this study.

Table 5. Result Of F Statistics Test (Simultaneous)

ANOVA						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	1171,145	2	585,573	647,142	,000b
	Residual	161,065	178	,905		
	Total	1332,210	180			

a. Dependent Variable: PON\_TAX

b. Predictors: (Constant), TAX\_LIT, INC\_VAT

Source: Processed data SPSS 26.00 (2026)

With a significance level of 0.000, the F value that was produced from the application of the F statistic in the graph above was 647.142. Consequently, every independent variable affects organisational performance. Tax literature and the increase in the VAT rate.

#### 4.2 Discussion

##### a. Effect of VAT Rate Increase on Potential Increase in VAT Revenue

The purpose of this study is to examine how the possible increase in VAT revenue is impacted by the rise in the VAT rate. The findings show that the potential increase in VAT income is positively and



significantly impacted by the rise in the VAT rate. The obtained significance value, 0.000, is less than the 0.05 significance error limit. This suggests that the possible increase in VAT revenue is significantly impacted by the rise in the VAT rate. These findings are in line with earlier research by [4], [6], which discovered that raising the VAT rate increased VAT revenue.

In the context of arbitrage theory, an increase in the VAT rate can influence tax arbitrage decisions. According to arbitrage theory, companies will choose to minimize their tax burden by exploiting existing tax loopholes. However, with an increase in the VAT rate, companies may find it more difficult to engage in tax arbitrage, thereby increasing VAT revenue. The regression results show that an increase in the VAT rate has a positive and significant effect on the potential increase in VAT revenue. This suggests that an increase in the VAT rate can reduce a company's ability to engage in tax arbitrage, thereby increasing VAT revenue.

Based on the research results, it can be concluded that the increase in the VAT rate has a positive and significant impact on the potential increase in VAT revenue. These findings have important implications for tax policy in Indonesia, namely that the increase in the VAT rate can be a strategy to increase tax revenue and reduce the ability of companies to engage in tax arbitrage. Therefore, the government and policymakers can consider increasing the VAT rate as a strategy to increase tax revenue and improve the effectiveness of the Indonesian tax system.

**b. Effect of Tax Literature on Potential Increase in VAT Revenue**

The purpose of this study is to examine how tax awareness affects the possible rise in VAT income. The

findings demonstrate that the potential increase in VAT income is positively and significantly impacted by tax awareness. The obtained significance value, 0.000, is less than the 0.05 significance error limit. This suggests that the potential growth in VAT collection is significantly impacted by tax awareness. Prior research by [27] also indicated that VAT income is positively impacted by tax awareness. As a result, the study's findings support earlier studies and show that raising tax knowledge is essential to raising VAT collection.

In the context of arbitrage theory, tax awareness can influence tax arbitrage decisions. According to arbitrage theory, companies will seek ways to minimize their tax burden by exploiting existing tax loopholes. However, with high tax awareness, companies may find it more difficult to engage in tax arbitrage, thereby increasing VAT revenue. Research conducted by KPMG (2022) also found that tax awareness can reduce the risk of tax arbitrage and improve tax compliance. Thus, the results of this study indicate that tax awareness not only increases VAT revenue but can also reduce the risk of tax arbitrage and improve tax compliance.

Based on the research results, it can be concluded that tax awareness has a positive and significant impact on the potential increase in VAT revenue. These findings have important implications for tax policy in Indonesia, namely that increasing tax awareness can be a strategy to increase VAT revenue and reduce the risk of tax arbitrage. Therefore, the government and policymakers can consider increasing tax awareness as a strategy to increase VAT revenue and improve the effectiveness of the tax system in Indonesia. Research conducted by the

OECD (2022) also found that tax awareness can influence tax arbitrage decisions and improve tax compliance.

## 5. CONCLUSION

The buying power of Gen-Z in the study's findings indicates that the variables of value-added tax rate increases and taxpayer tax literature in the Gen-Z group have a significant and positive effect on the potential increase in value-added tax revenue. This is supported by research on Gen-Z behaviour on value-added tax, whose policy has seen rate increases by the government. This increase in Value Added Tax rates affects the purchasing power of consumers in the Gen-Z age group for respondents in this study so that the potential for an increase in value added tax revenue. In addition, with increased insight into tax literacy for the Gen-Z, it can also increase the potential for an increase in state value added tax revenue where this can also

increase the tax compliance ratio for the Gen-Z age group.

The implications of this research for academics include the potential for Value Added Tax revenue in Indonesia, particularly in Jakarta, for the Gen-Z age group, which can be further and more thoroughly studied, given that the government can still implement changes to the value added tax rate within its upcoming tax law. Given that the government is still pursuing its target for state revenue from the tax sector, this is highly possible.

Limitations in the study include focusing on the potential for value-added tax revenue alone, not including Income Tax, and also still focusing on the Gen-Z age group in the city of Jakarta, so that further research can add other types of taxes such as income tax for age groups other than Gen-Z, for example the Millennial Generation age group and not only in the city of Jakarta but can be expanded to other big cities in Indonesia such as Bandung, Batam or Bali which will be used as research samples.

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