

## The Effect of the Imposition of Value Added Tax and Sales Tax on GoodsLuxury for Consumer Purchasing Power

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**ABSTRACT :** Taxes are the largest source of state revenue which is used to carry out development and create public welfare. The purpose of this study is to obtain empirical evidence regarding the effect of VAT and Sales Tax on Luxury Goods on the purchasing power of motorized vehicle consumers at PT. Duta Intika. This research was conducted at PT. Duta Intika. The method used was purposive sampling method. The number of samples was calculated using the Slovin formula in order to obtain a sample of 85 respondents. The data was collected through a survey method using a questionnaire. The analysis technique used is multiple linear regression. Based on the analysis, it was found that VAT and Sales Tax on Luxury Goods had a positive effect on the purchasing power of consumers at PT. Duta Intika. This shows that the higher the selling value of a vehicle that is subject to VAT and Sales Tax on Luxury Goods will affect consumer purchasing power.

**Keywords :** VAT, Sales Tax on Luxury Goods, Purchasing Power.

### I. INTRODUCTION

Taxes are the largest source of state revenue which is used in enhancing development to create public welfare. Currently, taxes are increasingly inseparable from humans, where human steps must be related to taxes. Taxation in which there are elements of PPN and PPn BM is also part of the government's fiscal policy. Excessive consumption of taxable goods that is classified as luxury is generally carried out by high-income groups. It is hoped that with the imposition of additional taxes in the form of PPn BM on consumers who consume taxable goods classified as luxury, this regressive impact can be suppressed.

Value added tax is a tax imposed on domestic consumption (customs areas), whether consumption of taxable goods or consumption of taxable services (Supramono and Damayanti, 2010: 125). In general, Value Added Tax is a tax imposed on the added value of a good or service after going through the production process. Thus, VAT contains a regressive element, namely the higher the ability of consumers, the heavier the tax burden to be borne (DyahAyuningtyas, 2010). So to achieve the principle of justice in society, for the delivery or import of tangible goods classified as luxury, apart from being subject to Value Added Tax, Sales Tax on Luxury Goods (PPn BM) is also imposed.

Apart from PPN and PPn BM, taxes that contribute to a country's income, especially in provincial areas, are Motor Vehicle Taxes (PKB). Motor vehicle taxes have a considerable influence on a region to finance routine regional expenditures (Yunus, 2010). The total number of two-wheeled motorized vehicles in Denpasar City during 2015 to 2019 reached 6,497,412 units (Central Statistics Agency, 2020). In Table 1. The data on the number of two-wheeled motorized vehicles, PPN and PPn BM receipts in Denpasar City in 2015-2019 are presented.

**Table 1. Number of Two-Wheeled Motorized Vehicles, PPN and PPn BM Receipts in Denpasar City in 2015-2019**

Year	Amount (Unit)	Income PPN	Income PPn BM
2015	1,187,075	991,756,303,025	2,387,801,660
2016	1,243,145	978,312,076,290	2,205,093,790

2017	1,292,618	1,085,850,219,140	2,061,178,249
2018	1,353,577	1,262,186,138,901	3,134,733,028
2019	1,420,977	1,242,195,116,265	1,904,438,564

Source: Directorate General of Taxes Bali, 2020

Table 1. Shows the number of two-wheeled motorized vehicles in Denpasar City from 2015 to 2019 reaching 6,497,412 units. The people of Denpasar City, who on average have an interest in goods of high value, such as motorbikes that are included in luxury goods. As for the factors that can cause an increase in the number of motorized vehicles for transportation, the high purchasing power of the community, the more installments with low interest rates offered by dealers, and the easy conditions for ownership of motorized vehicles (Dewi and Jati, 2018).

This research was conducted on the basis of the phenomenon of purchasing power is one of the factors that can influence consumers in buying an item, in which case the goods are taxed and the results of previous studies are inconsistent. Claudya (2015) and Febe (2015) state that VAT has no effect on consumer purchasing power. Fadilah (2012) PPn BM is a tax that is less popular in the general public. Because the characteristics of PPn BM are other levies. Fadilah (2012) states that PPn BM has no effect on consumer purchasing power. Yunita (2015) states that PPn BM has a positive effect on consumer purchasing power.

Based on the background that has been presented, the researchers are interested in examining the effect of VAT and PPn BM imposition on the purchasing power of motorized vehicle consumers. This study aims to obtain empirical evidence regarding the effect of PPN and PPn BM on the purchasing power of motorized vehicle consumers at PT. Duta Intika.

## II. CONCEPTUAL MODEL AND HYPOTHESIS

This study uses the Theory of Purchasing Power and Prestige Principles. In the Principle of Purchasing Power Theory is closely related to the ability of the community when making buying and selling transactions. Many people with different needs certainly need various items to meet their every need. State revenue that comes from taxes, especially PPN and PPn BM is the largest revenue received by a country. This is because the community cannot be separated from the activities of consuming daily necessities, especially luxury goods such as motorized vehicles, which are subject to these taxes. In Prestige, ownership of an item that is classified as luxury, in this case a two-wheeled motorized vehicle, of course will increase the prestige of the owner. The more luxurious the two-wheeled motorized vehicle is, the higher the prestige. The more luxurious two-wheeled motorized vehicles, of course, the higher the tax value imposed on these vehicles, especially PPN and PPn BM.

The theory of the principle of purchasing power explains that the interests of society that can be used as a basis for tax collection justice are not for the interests of others, but for the interests of society. In addition, the purchasing power principle relates to the ability of society to transact with other parties. The higher the tax burden, a person's purchasing power will decrease. This is in accordance with the results (Ratnasari & Setiawan, 2016) which state that VAT has a significant negative effect on consumer purchasing power. Meanwhile (Pramesi & Supadmi, 2017) revealed different results, namely that VAT has a positive effect on the purchasing power of consumers of four-wheeled vehicles in Denpasar City. Based on this description, the first hypothesis in this study is.

**H<sub>1</sub>: The imposition of VAT has a significant positive effect on the purchasing power of motorized vehicle consumers at PT. Duta Intika.**

Purchasing power principle theory relates to the ability of society to transact with other parties. Although not all people understand PPn BM, it does not reduce their intention to buy a motorized vehicle that is classified as luxury, because the need for prestige is an affirmation of social status. PPn BM is a tax that is collected on the delivery of BKP which is classified as luxury by entrepreneurs who produce BKP which are classified as luxurious in the customs area in their business activities or work. The results of research by Hapsari (2010) and Fadilah (2012) show that the imposition of PPn BM has no effect on consumer purchasing power. This is because PPn BM will be imposed on luxury goods that are only consumed by people from the middle to upper economic class. Research by Fandy (2014) shows that PPn BM has a significant positive effect on consumer purchasing power. The higher the selling value of a vehicle that is subject to PPn BM at a higher rate

of VAT, or the more luxurious the vehicle will significantly affect the purchasing power of motorized vehicle consumers. This research has consistent results with (Claudya, 2015) (Evina, 2015) (Pramesti, 2017) and (Abdurrahman, 2014) that PPn BM has a positive effect on consumer purchasing power. Based on the results of previous studies, the second hypothesis in this study is.

**H<sub>2</sub>: The imposition of PPn BM has a significant positive effect on the purchasing power of motorized vehicle consumers at PT. Duta Intika.**

### III. RESEARCH METHODS

This research was conducted at the motor vehicle company PT. Duta Intika which is located at Jl. West Teuku Umar No. 999, West Denpasar, Bali. The independent variable in this study is PPN ( $X_1$ ), and PPn BM ( $X_2$ ), while the dependent variable in this study is Consumer Purchasing Power (Y). The population in this study were 583 consumers from January to July who bought a motorized vehicle in 2020 at PT. Duta Intika. The sampling method used in this research is purposive sampling method. The number of samples used in this study was calculated using the Slovin formula. Based on the Slovin formula used in determining the number of respondents, the research respondents obtained were 85 consumers of PT. Duta Intika.

This study uses a data collection method in the form of a survey method with a questionnaire technique. Respondents' answers were then measured using a Modified Likert Scale. Modified Likert Scale is a choice of answers that are rated on a four-point scale. The analysis technique used is multiple linear regression analysis which is used to test and obtain an overview of the effect of VAT ( $X_1$ ), PPn BM ( $X_2$ ) on consumer purchasing power (Y). The regression analysis equation model in this study is as follows.

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + e \dots \dots \dots (1)$$

Information:

Y = Purchasing Power of Consumers

$\alpha$  = Constant

$\beta_1, \beta_2$  = Regression coefficient

$X_1$  = independent variable, namely VAT

$X_2$  = Independent variable, namely PPn BM

e = Standard Error

### IV. RESULTS AND DISCUSSION

This study used 85 respondents who bought two-wheeled motorized vehicles at a motorized vehicle dealer PT. Duta Intika (Kawasaki). Characteristics of respondents seen from 2 variables, namely gender and type of vehicle, are presented in Table 2.

Table 2 shows the characteristics of the respondents, the first characteristic is gender, the percentage of male respondents is 85.9 percent and female respondents are 14.1 percent. This shows that there are more male respondents than women. The second characteristic is the type of vehicle, the dominant vehicle type of the respondent is W175 with a percentage of 40.0 percent, while for the lowest type of vehicle is Versys 650 with a percentage of 1.2 percent.

**Table 2. Characteristics of Respondents**

No	Variable	Classification	Total (Person)	Percentage (%)
1	Gender	Pria	73	85,9
		Wanita	12	14,1
		<b>Total</b>	<b>85</b>	<b>100</b>
2	Type of Transportation	Versys650	1	1,2
		D-Tracker	2	2,3
		EX250	9	10,6
		LE250C	2	2,3
		LX150/230	25	29,4

	KawasakiNinja	7	8,3
	W175	34	40,0
	Z1000	5	5,9
	<b>Total</b>	<b>85</b>	<b>100</b>

Source: *Primary data processed, 2020*

**Table 3. Multiple Linear Regression Analysis Test**

Coefficients <sup>a</sup>						
		Unstandardized Coefficients		Standardized Coefficients Beta	T	Sig.
Model		B	Std. Error			
1	(Constant)	-1.349	1.946		-.693	.490
	Pajak Pertambahan Nilai	.348	.129	.289	2.706	.008
	Pajak Penjualan Atas Barang Mewah	.743	.134	-.593	5.548	.000

Source: *Primary data processed, 2020*

Based on the results of multiple linear regression analysis as presented in Table 3. Then the structural equation is as follows.

$$Y = -1.349 + 0.348 X_1 + 0.743 X_2 + 0.52 + e \dots \dots \dots (2)$$

#### **The Effect of Value Added Tax on Consumer Purchasing Power (H<sub>1</sub>)**

The value of the  $\beta_1$  coefficient on VAT ( $X_1$ ) of 0.348 has a positive relationship with Consumer Purchasing Power, assuming other independent variables are considered constant. If the VAT ( $X_1$ ) increases, the Consumer Purchasing Power (Y) will tend to increase. From the results of the SPSS calculation, the comparison of the sig.t value of 0.008 is less than the significant value used (0.008 < 0.05). This shows that Value Added Tax has a positive and significant effect on consumer purchasing power, which means H<sub>1</sub> is accepted.

The results of this study support the Theory of Purchasing Power and Prestige Principles which are closely related to the community's ability to make buying and selling transactions. When price increases are not matched by an increase in the level of income, it will reduce purchasing power which in turn has an impact on slowing economic growth, in this situation new jobs are needed. With the presence of new jobs, the level of people's income will increase, so that with the increase in the level of income, the community will not be too burdened if there is an increase in prices.

From the results of research conducted by Dyah (2010), it was found that the results of the regression test found that the VAT variable had a significant positive effect on consumer purchasing power, this result is consistent with the results of research conducted by Fadilah (2012) and Fandy (2014) which stated that VAT has a positive effect on consumer purchasing power. Owning a two-wheeled motorized vehicle will certainly increase the owner's prestige. Owning a luxury motor vehicle will certainly increase the owner's prestige. When buying a motorized vehicle, people will prioritize the quality of the vehicle they are buying. The better the quality of the vehicle, the higher the owner's prestige which of course will cause the price of the vehicle to be even higher. (Pramesti&Supadmi, 2017) revealed that the results show that VAT has a positive effect on the purchasing power of four-wheeled vehicle consumers in Denpasar City.

#### **The Effect of Sales Tax on Luxury Goods on Consumer Purchasing Power (H<sub>2</sub>)**

The value of the  $\beta_2$  coefficient on PPn BM ( $X_2$ ) is 0.743 which has a positive relationship with Consumer Purchasing Power with the assumption that other independent variables are considered constant. If PPn BM ( $X_2$ ) has increased, then Consumer Purchasing Power (Y) will tend to increase. From the results of the SPSS calculation, the comparison of the sig.t value of 0,000 is less than the significant value used (0,000 < 0.05). This shows that the sales tax on luxury goods has a positive and significant effect on consumer purchasing power, which means that H<sub>2</sub> is accepted.

The results of this study support the Purchasing Power Principle Theory which is closely related to the community's ability to make buying and selling transactions. The imposition of PPn BM on taxable goods is

very well known by taxpayers, which are usually middle to upper economic class. So that this PPn BM is not an obstacle for certain people in consuming luxury goods because even though the price of these goods is increasing along with the increasing tax burden, the priority for this group of people is satisfaction and lifestyle. Regardless of the price, if the goods are purchased in accordance with the desires of the consumers, in this case, namely consumers of motorized vehicles, PT. Duta Intika, the price is not a problem.

These results also support previous research conducted by Fandy (2014), Claudya (2015), Evina (2015), Pramesti (2017) and Abdurrahman (2014) who found that sales tax on luxury goods has a significant effect on consumer purchasing power. Prestige and purchasing power determine the purchase of motorized vehicles. Prestige is one of one's needs that can be obtained from the environment. A high position will increase one's prestige, although not all people really understand PPn BM but it does not reduce consumer interest in buying motorized vehicles that are classified as luxury, because the need for prestige is an affirmation of social status.

## V. CONCLUSION

Based on the results of data analysis and discussion of research results, it can be concluded that 1) Value added tax has a positive effect on consumer purchasing power. This means that the higher the VAT paid on the purchase of a vehicle, it shows the high purchasing power of consumers. Sales tax on luxury goods has a positive effect on consumer purchasing power. This means that the higher the PPn BM paid for the purchase of a vehicle, it can indicate that the purchasing power of consumers is high.

Suggestions that can be conveyed to further researchers regarding the coefficient of determination (Adjusted R<sup>2</sup>) of this study are 71.8 percent shows that there are still other variables of 28.2 percent that can affect the purchasing power of motorized vehicle consumers so that further researchers can add other variables that can affect the purchasing power of motorized vehicle consumers such as motor vehicle taxes and progressive motor vehicle tax rates.

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