The Effect Of Inflation And Economic Growth On Value Added Taxes At The Pratama Tax Service Office 2016-2019

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ABSTRACT

The purpose of this study is to provide empirical evidence regarding the effect of inflation and economic development on value added tax at the Padang Pratama Tax Service Office in 2016-2019. The population in this study is the Padang Pratama Tax Service Office. Total sampling technique is a sampling technique used in this study. The sample in this study is the Padang Tax Service Office (KPP). This type of research is quantitative research. Multiple linear regression analysis was used in this study. The results showed that inflation participation had a negative and significant effect on value added tax. Economic growth has no effect on value added tax.

Keywords: *Inflation, Economic Growth, Value Added Tax*

INTRODUCTION

National development is a continuous activity that takes place continuously which is useful for improving the welfare of the people, both materially and spiritually. To achieve this, it is necessary to pay attention to the issue of development financing. One of the efforts made is related to development financing by exploring sources of funds originating from within the country, namely taxes.

VAT is a substitute for sales tax because it is felt that it is no longer adequate to accommodate community activities and has not yet achieved the target of development needs. VAT also has the advantages of eliminating double taxation, using a single tariff that makes it easier to implement, neutral in domestic competition, neutral in international trade, neutral in usage patterns, and can encourage exports (Diah Yuliana, Marhamah, 2017).

VAT receipts in the City of Padang have increased almost 3 times in the last 5 years, from 2014 amounting to 55.8 trillion rupiahs to 165.3 trillionrupiahsh in 2019 in line with the development of the inflation rate and economic growth in the city of Padang.

Table 1

Comparison of the inflation rate, economic growth, realization of VAT receipts in Padang City, and growth rate of VAT revenue realization in Padang City for the period 2014-2019

Year	Economic growth (%)	Inflation (%)	Realization of VAT DN (in trillion)	VAT realization growth DN (%)
2015	5,5	6,6	79,9	43,19
2016	6,3	6,6	100,6	25,91
2017	6	11,1	112,8	12,13
2018	4,6	2,8	125,7	11,44
2019	6,1	7	152,3	21,16

Sumber: Data diolah dari Nota Keuangan dan RAPABN 2019 Bab III-14

Based on Table 1, it can be seen that VAT receipts in the last five years have fluctuated, the achievement of VAT receipts in 2015 is the best because it can exceed the target of 43.19%. In 2016, the realization of VAT receipts was still able to exceed the target of 25.91%. In 2017 it decreased with an achievement of 12.13%. In 2018, the realization of VAT receipts decreased again with achievement of 11.44 from the set target. In 2019 the realization of VAT receipts increased by 21.16% from the VAT target that had been set. Based on these data, it shows that VAT revenue in Padang has not been maximized. The Directorate General of Taxes and the government have issued policies so that VAT revenues always increase every year, but this has not materialized, so it is necessary to conduct a study to find out the cause of this.

Effect of Inflation on Value Added Tax

Inflation is a long-term increase in the prices of goods and services caused by the devaluation of a currency. Inflation problems arise when we experience unexpected inflation that is not matched by a sufficient increase in income. If income does not increase with the price of goods, everyone's purchasing power has effectively reduced, which can eventually cause the economy to decline. In addition, excessive inflation can also wreak havoc on retirement savings because it reduces the exchange rate of funds in savings.

(Renata & Hidayat, 2016) The results of the study found that inflation had a positive effect on VAT receipts. This is because if there is an increase in inflation, it will increase the selling price where the selling price is the basis for the imposition of VAT (DPP). DPP VAT will affect the increase in VAT revenue. That's why inflation has an effect on VAT receipts.

(Diah Yuliana, Marhamah, 2017) The results of the study reveal that the inflation rate has an effect on VAT receipts. The higher the consumption, the higher the VAT receipts because VAT is a tax on consumption, so it can be concluded that inflation has a positive effect on VAT receipts.

However, different results were presented in the research (WIjaya, Dewa Made, 2012). Based on the results of the analysis, it is known that the regional inflation rate of the Province of Bali does not affect the realization of domestic VAT receipts in Bali for the period April 2010 – to eSeptember2012.

In research (Puspitha & Supadmi, 2018) the results of the analysis concluded that inflation to to affect VAT receipts. This means that if there is inflation causing thnumberty of goods produced to decrease but the price of goods to increase, then VAT receipts will remain the same without an increase.

Based on previous research, it can be concluded that inflation can have a positive effect on VAT if the consumption rate increases, therefore VAT revenue will also increase. However, inflation can also have a negative effect if the quantity of goods decreases but the price of goods increases then the VAT does not increase. Based on research Based on the research above, the hypothesis proposed in this study is as follows:

H1 : Inflation has a positive effect on Value Added Tax revenue.

The Effect of Economic Growth on Value Added Tax

Economic growth is the process of changing the economic conditions of a country on an ongoing basis towards a better state over a certain period. Economic growth can also be interpreted as a process of increasing the production capacity of an economy which is manifested in the form of an increase in national income. The existence of economic growth is an indication of the success of economic development in people's lives.

(Puspitha & Supadmi, 2018) Based on the results of the analysis, it is concluded that economic growth has a positive effect on VAT receipts. This means that if economic growth in Bali increases, VAT revenue will also increase.

(Wijaya, Dewa Made, 2012) Based on the results of the analysis, it is known that regional economic growth in Bali Province has a positive effect on the realization of VAT Revenue because if economic growth in Bali increases, VAT revenue will also increase.

(Sarjono & Anwar, 2018) The results of the analysis show that economic growth has a positive and significant effect on VAT receipts because with increasing economic growth, VAT revenues can increase.

(Mispa, 2019) Based on the results of the study, it can be seen that economic growth has a significant effect on the realization of VAT receipts, meaning that if there is an increase in economic growth, VAT revenues will also increase.

Based on previous research, it can be concluded that economic growth can have a positive effect on VAT if economic growth increases, so VAT revenue will also increase. Based on research Based on the research above, the hypothesis proposed in this study is as follows:

H2 : Economic growth has a positive effect on value added tax revenue.

RESEARCH METHODS

Data and Sample

This type of research is quantitative. Quantitative research methods are forms of research that are systematic, specific, structured Sandwell planned from the start so that a result is obtained, namely conclusions (Puspitha & Supadmi, 2018), Ananda (2014) and Ananda (2018).

The type of data is time series. The purpose of time series data is when data on the dependent variable is collected two or more times in response to research

questions. According to (Kartika Putri Kumalasari, Astri Warih Anjarwi & Mochammad Taris Zulhilmi, 2019) secondary data is data that is already available as a result of data collection for certain purposes, which can be used partially or wholly as a source of research data.

This study has the main objective of the population at the Padang Pratama Tax Service Office. The sampling method used is a non-probability sampling method, with a sampling technique that is Total Sampling. Total sampling in which the entire population will be used as a sample. In this study, where the researchers directly took the available data, namely the monthly report of the Padang Tax Service Office (KPP).

Variable Operational Definition

Table 2
Research Variables and Indicators

Variable	Definition	Indicators	Source
Inflation	Inflation is an increase in the overall level of prices. The inflation rate is the rate of the general price level from year to year and is usually followed by an increase in prices in a given year from the previous year. The Consumer Price Index (CPI) measures the cost of a group of goods and services in the market.	Inflation rate = IHKt - IHK(t-1) : IHK (t-1) x 100%	(Diah Yuliana, Marhamah, 2017)
Economic growth	GRDP data is annual data, then the data is processed by changing the data using the linear trend of the least square method by changing the annual period to monthly so that monthly economic growth data is obtained and expressed in percent.	PE = PDRBt – PDBRt – 1: PDRBt – 1 x 100%	(Puspitha & Supadmi, 2018)
Value-added tax	VAT is a tax levied on every good and service that has value	Tarif PPN = 10% PPN = tarif PPN x DPP (10% x	(Puspitha & Supadmi, 2018)

| | added in its circulation   DPP). from consumers and producers. DPP (Basic for Imposition of Taxes) is the total selling price, replacement, import/export value o,r other value used as the basis for calculating the tax payable. |

Data analysis technique
Multiple Linear Regression Analysis

Winarno (2017) revealed in general the regression model used to know is the direction and magnitude of the influence of the independent variable on the dependent variable individually. Each independent variable is positively or negatively related and predicts the value of the dependent variable if the variable value decreases or increases.

$$Y = a + b1\ X1 + b2\ X2 + e..(1)$$

Y = value added tax revenue
a = constanta
b1, b2 = coefficient regresion variable X1, X2
X1= inflation
X2 = economic growth
e = error

Hypothesis testing
T Test (Regression Coefficient Test)

T-the est is a test of each independent variable that is carried out to determine whether individually the independent variable has a significant effect on the dependent variable. The comparison is the probability value < 0.05, which means that the independent variable has a significant effect on the dependent variable. On the other hand, if the probability value is greater than 0.05 (sig > 0.05), the independent variable has no significant effect on the dependent variable.

Coefficient of Determination Test (R^2)

The coefficient of determination (Adjusted R Square) means that the inflation and economic growth variables have a joint role to explain or explain the VAT revenue variable. While the rest is explained by other variables that affect VAT Revenue.

RESULTS AND DISCUSSION
Descriptive statistics

Table 3
Descriptive statistics

	N	Minimum	Maximum	Mean	Std. Deviation
Value Added Tax	48	11385500000000,00	71279500000000,00	26410052083333,3300	11855157663676,76400
Inflation	48	-,950	1,520	,28958	,486783
Economic Growth	48	-45,084	97,873	3,24648	30,389958
Valid N (listwise)	48				

Sumber: Data Olahan SPSS, 2021

The object that was sampled was the Tax Service Office in Padang City for a 4-year observation year, 2014-2019, so the amount of observation data collected was 48 months of sample data.

The measured value-aadded tax variable shows that the minimum value is 1.14, and the maximum value is 7.13. The overall sample has an average value of 2.64 with a standard deviation of 1.18.

The inflation variable shows that the minimum value is -0.and 95, and the maximum value is 1.52. The overall sample has an average value of 0.29 for all samples with a standard deviation of 0.49.

The measured economic growth variable shows that the minimum value is -45.08, and the maximum value is 97.87. The overall sample has an average value of 3.25 from the entire sample with a standard deviation of 30.39.

Multiple Linear Analysis

Table 4
Multiple Linear Analysis
Coefficients

Model		Unstandardized Coefficients B	Std. Error	Standardized Coefficients Beta	t	Sig.
1	(Constant)	25.342	6.862		-13.258	,000
	INFLASI	-4,585	1.638	-,020	-.280	,365
	LOGPE	7.008	5.175	,955	13.542	,025

Sumber: Data Olahan SPSS, 2021

$$Y = 25{,}342 - 4{,}585\ X1 + 7{,}008\ X2$$

From the multiple linear regression equation above, it can be concluded that: The constant of 30.345 states that if the independent variables of inflation and economic growth are considered 0 then the value added tax is 25.342.

Inflation has a regression coefficient value with a negative direction of 4.585, if it is assumed that the other independent variables are constant, then every decrease in inflation is 1, the value-added tax will decrease by 4.585.

Economic growth has a regression coefficient value with a positive direction of 7.008 if it is assumed that other independent variables are constant, then every increase in economic growth is 1, and value-added added tax will increase by 7.008.

Partial Test (T)

Table 5
Partial Test (Toeffici)

Coefficients^a

Model		Unstandardized Coefficients B	Std. Error	Standardized Coefficients Beta	t	Sig.
1	(Constant)	30,435	,195		156,154	,000
	INFLASI	-,365	,102	-,685	-3,566	,003
	LOGPE	,025	,059	,083	,430	,674

Sumber: Data Olahan SPSS, 2021

From table 5 it can be explained that it can be seen that the inflation variable (X1) has a significantly smaller value than the reality level (0.003 <0.05) and the regression coefficient value is negative at 0.365. From the results above, it can be seen that t-count > t-table is -3.566 > 1.678, so the decision is H0 is rejected and Ha is accepted. It can be concluded that inflation (X1) has a partially negative significant effect on value added tax. The variable (X2) Economic Growth has a significantly greater value than the reality level (0.674 > 0.05) and the positive multiple regression coefficient values is 0.025. From the results above, it can be seen that t-count < t-table is 0.430 <1.678, so the decision is H0 is accepted and Ha is rejected. So it can be concluded that Economic Growth (X2) has no significant effect on value added tax.

Simultaneous test (F Test)

Table 6
Simultaneous test (F Test)

ANOVA^a

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	1,394	2	,697	6,782	,009^b
	Residual	1,439	14	,103		
	Total	2,832	16			

Sumber: Data Olahan SPSS, 2021

Based on table 6 above, it can be seen that the F-count > F-table (6.782 > 2.41) and the significance value is 0.05 (0.009 < 0.05), then H0 is rejected and Ha is accepted. It can be concluded that inflation and economic growth simultaneously affect the value added tax

Coefficient of Determination Test

Table 7
Coefficient of Determination Test
Model Summa

Model	R	R Square	Adjusted R Square	Stdofentsror ofry the Estimate	Durbin-Watson
1	,701^a	,492	,420	,32055	1,314

a. Predictors: (Constant), LOGPE, LOGI
b. Dependent Variable: LOGPPN
Sumber: Data Olahan SPSS, 2021

It can be seen from Table 7 that the Adjusted R Square value is 0.420 or

42.0%. It can be concluded that the contribution of the variable that inflation and economic growth to value added tax is 42.0% and the remaining 58.0% is influenced by other variables not examined in this study.

DISCUSSION
The Effect of Inflation on Value Added Tax

It can be seen that the inflation variable (X1) has a significantly smaller value than the reality level (0.003 < 0.05) and the regression coefficient value is negative at 0.365. From the results above, it can be seen that t-count > t-table is -3.566 > 1.678, so the decision is H0 is rejected and Ha is accepted. It can be concluded that inflation (X1) has a negative and significant effect on value added tax because if there is inflation then prices will rise. needed to stimulate economic growth, but in the long term and inflation rate that exceeds 2 (two) digits will greatly disrupt the course of the economy, there will be an economic recession, a lot of unemployment, and the prices of goods and services are increasing so that it will reduce public demand, meaning that purchasing power will decline. and resulted in a decrease in value added tax revenues from consumption taxes.

The results of this study are supported by research by Utari (2017) and Maharani (2020) which state that inflation has a negative and significant effect on value added tax. In theory, an increase in inflation will reduce income because the company will increase production costs or even reduce production so that it can reduce revenue. Based on this research, inflation hurts tax revenue, but not significantly. This result occurs because people's income or income is not only influenced by inflation. And if inflation occurs, the community and economic actors will immediately find a way out of the consequences caused by the inflation, so that income and expenditure remain under control and the income earned can be in line with expectations or what has been planned because their income will of effect spending.

The Effect of Economic Growth on Value Added Tax

The variable (X2) Economic Growth has a significantly greater value than the reality level (0.674 > 0.05) and the positive multiple regression coefficient values is 0.025. From the results above, it can be seen that t-count < t-table is 0.430 <1.678, so the decision is H0 is accepted and Ha is rejected. So it can be concluded that Economic Growth (X2) has no significant effect on value added tax. Economic growth is one of the important indicators in analyzing an economic development that occurs in a certain country, the extent to which economic activity will generate additional people's income in a certain period. With economic growth, it is expected that people's income will also increase. An increase in the economy of a country is caused by an increase in people's income so that the price of goods and services also increases. An increase in the price of goods and services will result in a decrease in public consumption so that tax revenues will also decrease. So it can be concluded that the higher the economic growth, the lower the value-added tax revenue.

This research is supported by Nurfajriani (2019) and Maulidya, Maslichah & Mahsuni (2021) who state that economic growth has no effect on value added tax.

Although the rate of economic growth does not automatically provide answers to various kinds of welfare questions and problems, it remains an important element in development programs for the welfare of society. The prosperity of the people will cause an increase in the price of goods and services which will result in a decrease in public consumption so that tax revenues will also decrease. So it can be concluded that the higher the economic growth, the lower the value-added tax revenue.

CONCLUSION

Based on the results of research and discussion in the previous chapter IV, the following conclusions can be drawn: 1) Inflation (X1) has a negative and significant effect on value-added tax because if there is inflation then prices will rise, and rising prices will cause an increase in the cost of goods produced is high, increasing by selling prices of inflation in the short term within normal limits, it is very necessary to stimulate economic growth, but in the long term and inflation rate that exceeds 2 (two) digits will greatly disrupt the course of the economy, there will be an economic recession, a lot of unemployment, In addition, the price of goods and services is increasing so that it will reduce public demand, meaning that purchasing power will decrease further and result in a decrease in value-added tax revenues from consumption taxes. 2) Economic Growth (X2) does not have a significant effect on value added tax because an increase in the economy of a country is caused by an increase in people's income so that the price of goods and services will also increase. An increase in the price of goods and services will result in a decrease in public consumption so that tax revenues will also decrease. So it can be concluded that the higher the economic growth, the lower the value-added tax revenue.

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