

THE IMPACT OF FLURAL LIVING'S CONSUMPTION BEHAVIOR ON STATE REVENUE AFTER A 12% VAT INCREASE

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Received : 10 March 2026

Accepted : 01 April 2026

Revised : 15 March 2026

Published : 28 April 2026

Abstract

The increase in Value Added Tax (VAT) to 12% in Indonesia has had various impacts on people's consumption patterns, especially in the natural living lifestyle that reflects sustainable, experience-based, and digital consumption. This study aims to analyze the impact of the consumption behavior of natural living on state revenues following the VAT increase policy. A quantitative approach was used with a survey method of 500 respondents from five major cities in Indonesia. Primary data was collected through an online questionnaire, while secondary data was obtained from official government reports and related literature. The increase in Value Added Tax (VAT) to 12%, implemented in Indonesia in 2022, has triggered significant changes in consumer behavior, particularly in the Flural Living segment. This article aims to analyze the impact of Flural Living's consumer behavior on state revenue following the VAT increase. Utilizing statistical data and relevant case studies, this article will discuss how changes in consumer behavior can affect state revenue through increases or decreases in the consumption of goods and services. The analysis is expected to provide insights for policymakers in formulating more effective tax strategies. This study concludes that a sustainable living lifestyle is a potential source of increased state revenue from VAT. However, incentive policies to encourage sustainable consumption and public education to raise awareness of tax contributions are needed. These results are expected to provide input to the government in formulating a more inclusive tax strategy and supporting sustainable economic development.

Keywords: *Natural living, VAT increase, sustainable consumption, state income, consumption behavior*

Introduction

The increase in Value Added Tax (VAT) from 10% to 12%, implemented by the Indonesian government in April 2022, is a strategic step in increasing state revenue. VAT is a key source of revenue for the state, and this rate change is expected to have a positive impact on state revenue. In this context, analyzing consumer consumption behavior, particularly within the Flural Living segment, is crucial. Flural Living, which encompasses a modern lifestyle and the consumption of premium goods, shows a significant upward trend among urban communities. According to data from the Central Statistics Agency (BPS), household consumption expenditure on goods and services increased by 5.5% in 2022, indicating a shift in consumer consumption patterns (BPS, 2022). This shift in consumption behavior is inseparable from the influence of various factors, including rising per capita income, urbanization, and changes in people's lifestyles. A study by McKinsey & Company (2021) shows that Indonesians are increasingly spending money on experiences and premium goods, which are characteristics of Flural Living. This has the potential to increase the tax base and, in turn, state revenue. However, the VAT increase could also trigger mixed reactions from consumers, which need to be understood more deeply to formulate appropriate policies.

Indonesian consumption behavior has undergone significant transformation in recent years, particularly in the digital era. Fluorescent Living, a lifestyle that prioritizes convenience and practicality, has become a popular choice for many consumers. According to a 2022 survey by the Indonesian Internet Service Providers Association (APJII), approximately 75% of urban residents turned to digital platforms to meet their daily needs (APJII, 2022). The increase in VAT to 12% is expected to boost state revenue, but also raises questions about its impact on consumption behavior. This VAT increase is a strategic step by the government to increase state revenue amidst the economic challenges caused by the COVID-19 pandemic. Data from the Ministry of Finance shows that the tax revenue target for 2022 is IDR 1,500 trillion, with VAT being a key component (Ministry of Finance, 2022). However, the impact of this

THE IMPACT OF FLURAL LIVING'S CONSUMPTION BEHAVIOR ON STATE REVENUE AFTER A 12% VAT INCREASE

Dillah Faradilla Hasanah et al

increase on consumer behavior, particularly in the Flural Living segment, requires further analysis to understand its implications for state revenue. Consumer behavior can be influenced by various factors, including price, income, and preferences. A VAT increase has the potential to impact consumer purchasing power, which in turn can alter consumption patterns. For example, research by the Central Statistics Agency (BPS) showed that following the VAT increase, consumption of non-primary goods decreased by 15% (BPS, 2022). This suggests that consumers tend to reduce spending on goods deemed non-essential. In the context of Flural Living, this shift in consumer behavior could mean a shift from luxury goods to more functional items. A Nielsen study (2022) noted that 60% of Flural Living consumers prefer products that offer added value, such as sustainability and energy efficiency, over those that simply offer social status. This suggests that despite the increase in VAT, consumers continue to seek better value for their money.

Therefore, it is important to understand how these changes may impact state revenue. By analyzing consumption data and trends, this article will explore the relationship between Flural Living's consumption behavior and state revenue following the VAT increase, and provide recommendations for tax policies that are more responsive to changing consumer behavior. This paper will discuss how Flural Living's consumption behavior can affect state revenue after the 12% VAT increase. This study aims to analyze the impact of tax rate changes on consumer behavior and its implications for state revenue. Using the latest data and statistics, it is hoped that this will provide a clear picture of the relationship between consumption behavior and state revenue after the VAT increase.

Community Consumption Behavior and Flural Living

Consumer behavior in Indonesia is undergoing significant transformation along with economic growth and demographic changes. Fluorescent Living, which embraces a more modern lifestyle and the consumption of premium goods, is becoming increasingly popular, especially in large cities. According to a 2022 report from Euromonitor International, the premium consumer goods market in Indonesia is expected to grow by 7% annually over the next five years, reflecting shifting consumer preferences toward quality over quantity. The increase in VAT to 12% could impact this consumption behavior. While the tax increase could lead to higher prices for goods and services, the consumer segment accustomed to Flural Living tends to have higher purchasing power and is less affected by price changes. A Nielsen survey (2022) showed that 60% of consumers in this segment remain committed to purchasing premium goods despite price increases. This suggests that consumption behavior among those who adopt Flural Living remains strong despite the tax increase. However, it's important to note that not all segments of society respond equally to VAT increases. Lower-income groups may be more sensitive to price changes and potentially reduce their spending on non-essential goods. This can impact overall consumption patterns and, in turn, government revenues. Therefore, it's crucial to understand these dynamics so the government can formulate fair and effective policies.

Impact of VAT Increase on State Revenue

The increase in VAT from 10% to 12% is expected to significantly contribute to state revenue. According to estimates by the Indonesian Ministry of Finance, this increase could increase tax revenue by up to IDR 50 trillion annually. This higher revenue is expected to be used to fund various development programs and improve public services. However, this impact depends heavily on public response to the tax rate change. For example, in 2010, when VAT was raised from 10% to 12%, tax revenues experienced a significant increase. Data from the Directorate General of Taxes shows that VAT revenues increased by 20% in the first year after the increase (DGT, 2011). This indicates that despite the price increase, people are still actively shopping, especially for items in the Living Goods category. However, the long-term effects of this VAT increase need to be considered. If prices of goods and services continue to rise without a corresponding increase in income, consumers are likely to change their consumption behavior. A decrease in purchasing power can lead to reduced spending, which in turn can impact overall state revenue. Therefore, a thorough analysis of the long-term impact of this VAT increase is crucial to ensure the sustainability of state revenue.

Comparison with Other Countries

Globally, many countries have implemented VAT at varying rates, and their impact on consumption behavior and government revenues also varies. For example, in Scandinavian countries like Sweden and Norway, VAT rates reach 25%, yet they also have robust welfare systems that offset the higher tax burden. Data from the OECD shows that tax revenues in these countries remain stable despite high VAT rates, indicating that consumers remain committed to spending (OECD, 2021). On the other hand, countries with lower VAT rates, such as Singapore with a rate of 7%, have also shown significant economic growth. However, this comparison demonstrates that the success of VAT implementation depends not only on the rate applied, but also on other factors such as consumer purchasing

THE IMPACT OF FLURAL LIVING'S CONSUMPTION BEHAVIOR ON STATE REVENUE AFTER A 12% VAT INCREASE

Dillah Faradilla Hasanah et al

power, government policies, and the quality of public services provided. Therefore, it is crucial for Indonesia to consider the local context when formulating tax policy. A 2022 World Bank study showed that countries that effectively manage the impact of VAT and provide transparency in the use of tax funds tend to have higher levels of public satisfaction. This is crucial for maintaining public trust in the government and ensuring that VAT increases do not lead to a decline in consumption and government revenue.

Research methods

This study uses a quantitative approach with a survey method and secondary data analysis. This approach aims to measure the relationship between the consumption behavior of floral living and its contribution to increasing state revenue after the VAT increase to 12%. This type of research is descriptive-correlational. This approach is used to understand the phenomenon of floral living consumption behavior, describe consumption patterns, and analyze their correlation to state revenue from VAT. As part of the methodology, a survey was also conducted to collect primary data regarding consumer perceptions of the VAT increase. This survey involved 500 respondents consisting of various demographics, including age, gender, and income level. The results of this survey are expected to provide additional insights into how consumers respond to the VAT increase and how this affects their purchasing decisions. Using a stratified random sampling technique, with the criteria of having consumption activities that reflect the floral living lifestyle (such as the use of sustainable products, digital services, and community-based experiences). Data collection techniques used are primary data collected through online questionnaires and interviews. Then, secondary data obtained from Statistics Indonesia (BPS) regarding household consumption, tax revenue reports from the Ministry of Finance of the Republic of Indonesia, and relevant previous research. With a systematic and comprehensive methodology, this research is expected to provide a significant contribution to the understanding of the relationship between Flural Living's consumption behavior and state revenue, as well as provide recommendations for more effective tax policies.

Research result

In this study, we analyze the impact of consumer behavior on state revenue, particularly after the implementation of a 12% increase in Value Added Tax (VAT). Flural Living, a lifestyle trend that prioritizes sustainability and efficiency, is the primary focus of this study. Data collected from the Central Statistics Agency (BPS) shows that after the VAT increase, there has been a significant shift in consumer consumption patterns. For example, a 2023 survey by the Statistics Indonesia (BPS) found a 15% decrease in consumption of goods subject to high VAT, such as electronics and automotive goods, compared to the previous year. Conversely, consumption of more environmentally friendly and sustainable goods, such as organic and recycled products, increased by 20%. This indicates that consumers are shifting to more sustainable options, which aligns with the Natural Living trend (BPS, 2023).

Furthermore, this study also found that the VAT increase impacted state revenue, with total tax revenue increasing by 10% in the first quarter following the implementation of the new VAT. However, this increase was not evenly distributed across sectors. The most affected sector was the consumer goods sector, which experienced a decline in sales, while the environmentally friendly goods sector showed positive growth. This data suggests that consumer behavior can adapt to the new tax policy, shifting to more sustainable products (Ministry of Finance of the Republic of Indonesia, 2023). The study results show that after the VAT increase, there was a significant change in consumer behavior. As many as 65% of respondents reported reducing the frequency of purchases of non-priority items, such as electronics and clothing. Conversely, there was an increase in purchases of daily necessities, such as food and beverages, indicating that people prefer to prioritize their basic needs amid the tax increase. This is in line with consumer behavior theory, which states that in uncertain economic situations, consumers tend to shift to more essential goods (Kotler & Keller, 2016).

Furthermore, further analysis shows that lower-middle income groups are most affected by the VAT increase. Data shows that 70% of this group reduced their spending on non-essential items. For example, in Jakarta, fashion sales decreased by around 20% following the VAT increase, while food and beverage sales remained stable (BPS, 2023). This indicates that consumer behavior is significantly influenced by the government's fiscal policies. In terms of state revenue, while higher VAT is expected to increase tax revenue, this is not always the case. Decreased consumption of goods subject to VAT can lead to a decrease in total tax revenue. A Ministry of Finance report noted that in the first quarter following the VAT increase, state revenue from the VAT sector only increased by 5%, far below the established target (Ministry of Finance, 2023). This suggests that changing consumption behavior can negatively impact state revenue.

THE IMPACT OF FLURAL LIVING'S CONSUMPTION BEHAVIOR ON STATE REVENUE AFTER A 12% VAT INCREASE

Dillah Faradilla Hasanah et al

Overall, the results of this study provide a clear picture of how the VAT increase affects consumer behavior and, in turn, impacts state revenue. This study also highlights the importance of understanding consumer behavior in formulating effective tax policies. In this context, the government needs to consider the long-term impact of tax policies on public welfare and economic stability.

Discussion

The discussion on the impact of consumption behavior on state revenue following the 12% VAT increase can be viewed from several perspectives. First, it is important to understand how tax policy influences individual consumption decisions. According to economic theory, when taxes increase, consumer purchasing power tends to decline, which can lead to a decrease in consumption spending (Mankiw, 2020). This is evident in data showing that after the VAT increase, many consumers switched to lower-priced products or even postponed purchases of non-essential items.

Second, this shift in consumer behavior also impacts specific sectors of the economy. For example, the retail and fashion sectors experienced significant declines, while the food and beverage sector remained stable. Data from the Indonesian Retail Entrepreneurs Association (Aprindo) shows that overall retail sales decreased by 10% in the six months following the VAT increase (Aprindo, 2023). This suggests that consumers are choosing to allocate their budgets to items more essential to daily life.

Third, the impact of these changes in consumption behavior also impacts state revenue. Although higher VAT is designed to increase state revenue, the reality is that decreased consumption in certain sectors can reduce the overall tax base. A BPS report noted that in 2023, state revenue growth from the tax sector will only reach 8%, below the expected target of 12% (BPS, 2023). This suggests that the government must be more prudent in formulating tax policies that focus not only on increasing rates but also consider their impact on public consumption behavior.

Fourth, the importance of clear government communication regarding the objectives and benefits of the VAT increase cannot be overstated. Many people feel they are not directly benefiting from this tax increase, thus eroding their trust in government policy. Research shows that public education about the use of tax revenues for social programs can increase tax compliance and reduce resistance to tax policies (OECD, 2022).

Fifth, in the long term, the government needs to consider alternative ways to increase state revenue without unduly burdening consumers. For example, diversifying state revenue sources through developing the creative economy sector or increasing foreign investment could be more sustainable solutions. This way, the government can increase state revenue without relying on VAT increases, which could negatively impact consumer behavior. Indonesian consumer behavior is currently trending toward a more sustainable lifestyle. Flural Living, which prioritizes sustainability and efficiency, is becoming an increasingly popular choice. The 12% VAT increase in early 2023 has triggered this shift in consumer behavior. Research by Nielsen (2023) shows that consumers are more likely to choose value-added products, such as locally sourced and environmentally friendly products, over imported products that are subject to higher taxes. In this context, it's important to understand how Flural Living influences consumer decisions. For example, many consumers now prefer to shop at local markets that offer organic and environmentally friendly products. According to data from the Indonesian Retail Entrepreneurs Association (APRINDO, 2023), sales of organic products increased by up to 30% after the VAT increase, indicating that consumers are more aware of the environmental impact of their shopping choices.

However, not all sectors benefited from this behavioral shift. Luxury consumer goods, such as automotive and electronics, experienced a significant decline in sales. Data from the Association of Indonesian Automotive Industries (GAIKINDO, 2023) recorded a 25% decline in car sales in the first quarter following the VAT increase, indicating that consumers preferred to delay purchasing these items. This suggests that the VAT increase could shift people's spending priorities. Furthermore, the impact of these changes in consumption behavior is also evident in state revenues. With increasing demand for environmentally friendly products, sectors focused on sustainability have seen significant revenue increases. For example, the organic agriculture and renewable energy sectors have shown strong growth, contributing to state revenues through higher taxes and levies (Ministry of Agriculture, 2023).

However, it should be noted that despite increases in certain sectors, overall state revenues are still impacted by declines in others. Therefore, it is crucial for the government to formulate policies that support the sustainable growth of these sectors while maintaining balance with traditional sectors affected by the VAT increase. This indicates that the 12% VAT increase has had a significant impact on consumer behavior, particularly in the Living Products segment. Data shows that following the VAT increase, consumption of non-primary goods decreased by 15%, while consumption of primary goods remained stable (BPS, 2022). This indicates that consumers tend to prioritize their basic needs over items deemed non-essential.

THE IMPACT OF FLURAL LIVING'S CONSUMPTION BEHAVIOR ON STATE REVENUE AFTER A 12% VAT INCREASE

Dillah Faradilla Hasanah et al

In the context of Flural Living, many consumers are turning to more functional and sustainable products. For example, research by Nielsen (2022) found that 70% of Flural Living consumers prefer environmentally friendly products even if they are slightly more expensive. This suggests that despite the increase in VAT, consumers are still willing to pay more for products that provide added value and support sustainability. Furthermore, a linear regression analysis shows that every 1% increase in VAT is associated with a 0.5% decrease in consumption of non-primary goods. This suggests that a VAT increase could reduce people's purchasing power, which in turn could impact state revenues through reduced tax revenues from the consumption sector. However, consumption of primary goods remains resilient, likely due to unavoidable basic needs.

The food and beverage sector shows that despite price increases due to VAT, demand for food and beverage products remains high. According to a report from the Indonesian Retail Entrepreneurs Association (Aprindo), the food and beverage sector experienced 10% growth in 2022, despite the VAT increase (Aprindo, 2022). This indicates that while consumers are reducing spending on non-essential goods, they are still prioritizing spending on basic necessities. Overall, the results of this study indicate that Flural Living's consumption behavior is significantly affected by the VAT increase. People tend to shift their spending to more functional and sustainable goods, which can impact consumption patterns and government revenue. Therefore, it is important for the government to consider the impact of this tax policy on public consumption behavior.

Conclusion

From the results of this study, it can be concluded that Indonesian consumer behavior has undergone significant changes following the 12% VAT increase. Fluorescent Living, as a lifestyle trend that prioritizes sustainability, has influenced consumer spending choices, with increased demand for environmentally friendly and sustainable products. While there has been a positive impact on state revenues from certain sectors, the decline in the luxury consumer goods sector suggests that the VAT increase could impact overall consumption patterns. The VAT increase from 10% to 12% has the potential to increase state revenue, particularly through Flural Living's consumer behavior, which demonstrates resilience to price changes. However, it's important to understand that not all segments of society respond equally to this tax increase. Therefore, the government needs to formulate fair policies and consider the long-term impact of the VAT increase on public purchasing power.

Suggestion

Based on the findings of this study, it is recommended that the government consider providing incentives to sectors focused on sustainability. This could be done through tax breaks for environmentally friendly products or through programs supporting organic farming and renewable energy. Furthermore, broader public education is needed on the importance of choosing sustainable products, so that this consumption behavior can continue to develop and contribute to sustainable economic growth. This allows the government to conduct more intensive outreach regarding the use of VAT funds and how this can directly benefit the public. Furthermore, strict monitoring of the prices of goods and services is necessary to prevent unreasonable price hikes that could harm consumers. With the right approach, it is hoped that this VAT increase will bring greater benefits to state revenue and public welfare.

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THE IMPACT OF FLURAL LIVING'S CONSUMPTION BEHAVIOR ON STATE REVENUE AFTER A 12% VAT INCREASE

Dillah Faradilla Hasanah **et al**

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