

# *Internet Packages Purchasing Decision after VAT Increase in Indonesia*

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**Abstract**— The purpose of this study is to ascertain the impact of the VAT rise on internet packages purchasing decisions. This study utilized data derived from responses to a linear scale questionnaire completed by 120 students in Surabaya, addressing the increase in VAT rates. Data analysis technique is simple regression analysis. The acquired data analyzed with SmartPLS version 3.1 software. This study determined that the implementation of an 11% VAT had a negligible impact on the decision to acquire internet packages. The minimal correlation among these variables is attributable to various factors, including the significant relevance of internet packages for daily living and other variables such as rising customs taxes or accelerating technology advancements. This study's results demonstrate the efficacy of a government initiative aimed at restoring the state budget following the pandemic two years prior. The lack of a substantial effect in this study demonstrates that a 1% rise in the VAT rate does not impose a hardship on the public when purchasing essential commodities. The elevation of VAT rates can steady state earnings without imposing further burdens on the purchasing choices of Surabaya students concerning internet packages

**Keywords**—VAT, Internet, Purchase, Decision.

## I. INTRODUCTION

The rise in Value Added Tax (VAT) impacts nearly all commodities in Indonesia. Instances of products that have had VAT rises encompass internet packages. The necessity of using internet packages has escalated significantly in recent years. Both the lower middle class and upper middle class require internet for sustenance and daily functions.

According to data from detik.com in 2021, there was a notable rise in internet packages purchases. The rise in commodity purchases is attributed to the enforcement of regulations on community activities (PPKM) in Indonesia, which necessitates that all activities occur online. One method involves facilitating distance education through video conferencing or virtual meetings. In 2022, statistics from the Indonesian Internet Service Providers Association (APJII) indicates that Java Island continues to dominate internet package usage at 78.40%. The attached data indicates that individuals residing on the island of Java who are classified as students are the predominant consumers of internet packages.

Surabaya, a city on the island of Java, is one of Indonesia's urban centers with a significant student population, encompassing individuals with diverse requirements for internet packages. According to data from BPS in 2021, Surabaya City possesses the greatest total student population in East Java. The overall number of students comprises 276,113 individuals from public and private universities. Consequently, the researcher will undertake a study on the impact of VAT increase on purchasing decisions regarding internet packages.

This research aims to investigate and elucidate the impact of the VAT rise on consumer decisions regarding the purchase of internet packages. This research aims to offer a novel perspective on the community in light of the increased VAT on internet packages. This study aims to inform the government by assessing the impact of increased VAT to consumer purchasing decisions

on internet packages. This study's results can inform the Directorate General of Taxes (DGT) by elucidating the impact of increased VAT on consumer purchase decisions regarding internet packages. Furthermore, the research is anticipated to serve as a reference for subsequent studies investigating the impact of the 11% VAT rise on purchasing decisions regarding internet packages, as well as inquiries into related phenomena within the domain of taxes.

## II. LITERATURE REVIEW

### A. *Purchasing Decision*

Kotler & Armstrong (2018) assert that customer purchasing decisions involve selecting the most favored brand; nevertheless, two factors may intervene between purchase intention and the final purchase decision. Firmansyah (2019) posits that purchasing decisions are problem-solving activities undertaken by individuals to select the most suitable alternative from two or more options, deemed the optimal course of action in the buying process, following the stages of decision-making. Tanady & Fuad (2020) assert that customer purchasing decisions are affected by the execution of the purchasing decision-making process. Yusuf (2021) defines a purchasing decision as a cognitive process wherein consumers assess multiple alternatives and select a product from several options.

Purchasing decisions represent a critical phase of consumer behavior that influences individuals, groups, and organizations in selecting, acquiring, and utilizing goods or services to fulfill their needs and desires, preceding post-purchase behavior. Kotler and Armstrong (2016) identify five steps in the decision-making process. The subsequent five stages comprise: (1) Problem identification, (2) Information acquisition, (3) Alternative assessment, (4) Purchase determination, and (5) Post-purchase attitude. Kotler and Armstrong (2008: 181) delineate the indications of purchase decisions as follows: (1) Commitment to purchase following the acquisition of product knowledge, (2) Choosing to purchase due to brand preference, (3) Purchase because it fulfills your desires and requirements, (4) Acquired based on a referral from another individual.

### B. *Regulation regarding The Application of VAT on Internet Packages*

According to Minister of Finance Regulation (PMK) Number 6 of 2021, there are applicable VAT and Income Tax (PPh) rates on the sale of credit, starter packs, tokens, and vouchers. Consequently, the Value Added Tax (VAT) rate is formally raised to 11%. The augmentation was formerly governed by Law Number 7 of 2021 about the Harmonization of Tax Regulations (UU HPP).

### C. *Previous Studies*

Puteri (2021) did normative juridical research focusing on PMK No. 6 of 2021. PMK No. 6 of 2021 will serve as a regulation or standard for the tax collecting process in Indonesia, with this study concentrating on the assessment of Credit Tax and Starter Pack Cards. This research utilizes primary and secondary legal sources, emphasizing legal papers as primary data. The normative regulation of VAT on Credit and Prime Cards is governed by PMK No. 6 of 2021 in conjunction with relevant tax law theories. Secondary data is derived from many internet news sources regarding the advantages and disadvantages of implementing VAT on Credit and Starter Pack Cards. The written reference focuses on primary facts to comprehend the aim and utility of imposing VAT on Credit and Prime Cards for the Indonesian populace, incorporating input and critiques from the opinions of the DPR and/or other community institutions. A conclusion can be reached concerning the regulation of VAT imposition on Credit and Prime Cards, which stays clear, certain, and transparent while considering the community's welfare, particularly regarding economic factors.

## III. RESEARCH METHOD

The data gathering method employed in this research was a questionnaire. The instrument employed in this study is a Likert scale questionnaire. The questionnaire will be administered to 120 students utilizing internet packages across Surabaya City. The employed data analysis technique is simple regression analysis. The acquired data will be analyzed with SmartPLS version 3.1 software.

#### IV. RESULT AND DISCUSSION

##### A. Research Overview

This research was conducted during a three-week from Monday, April 10, 2023, to Monday, April 24, 2023. This study was executed online with a Google Form-based questionnaire and employed a Likert scale ranging from 1 to 5 as the measurement instrument. The online questionnaire was disseminated to individuals aged 18-25 who are students in Surabaya. The questionnaire seeks to collect perspectives on the purchasing choices of the Surabaya community, particularly among students, about the acquisition of internet packages.

##### B. Descriptive Data

A data description delineates the data utilized in a study. This study utilized data derived from responses to a linear scale questionnaire completed by 120 respondents aged 18-25 years from Surabaya, all of whom utilize internet packages, regarding their reactions to the increase in VAT rates. Data was gathered utilizing a Likert scale ranging from 1 to 5 for each statement, a score of 1 represents "strongly disagree," and a score of 5 indicates "strongly agree."

According to the questionnaire results, 95.8% of the 120 student respondents, equating to 115 individuals, concurred that internet packages are a vital resource for daily living. Subsequently, it was determined that 4.2%, equating to five students, moderately concurred with this statement. It may be inferred that the majority of respondents acknowledge the significance of internet packages in daily life.

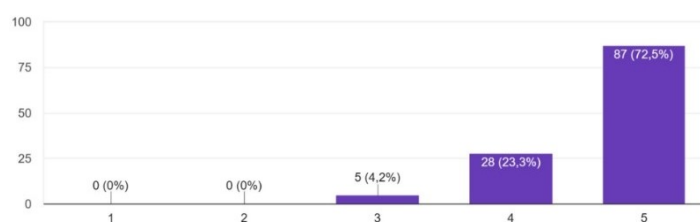


Figure 1. Knowledge the significance of internet packages in daily life

According to the study results, of the 120 student respondents, 95%, or 114 respondents, concurred that their internet package is sufficient for daily living. Subsequently, it was determined that 5% or up to 6 students expressed moderate agreement with this statement. Subsequently, the remaining 0.8%, equivalent to one respondent, either disagreed or strongly disagreed that the internet package utilized was sufficient for daily life. It can be inferred the majority of responders concur that the internet package utilized is sufficient for daily activities.

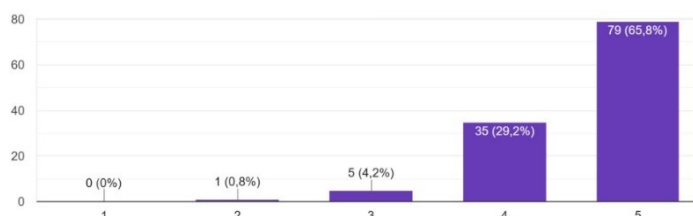


Figure 2. Internet package utilized is sufficient for daily activities.

According to the questionnaire results, of the 120 student respondents, 73.3% or 88 individuals indicated that they would continue to purchase internet packages despite an increase in VAT, provided they had conducted research on the product or offer. Subsequently, it was determined that 26.7%, equivalent to 32 students, moderately concurred with this statement. It can be concluded that despite the increase in VAT, certain respondents will continue to purchase internet package items or offers after conducting prior study.

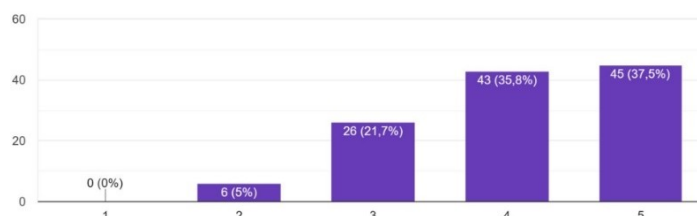


Figure 3. Purchase because it fulfills your requirements

According to the study results, among 120 student respondents, 82.5% or 99 individuals concurred that they would purchase internet packages with preferred deals in light of the VAT increase. Subsequently, it was determined that 14.2%, equating to 7 students, moderately concurred with this statement. Consequently, the other 3.4%, equivalent to four respondents, either disagreed or strongly disagreed that an increase in VAT would prompt them to reverse their choice to purchase a smartphone based on their favorite brand. It may be inferred that despite the increase in VAT, certain respondents will continue to purchase things or subscribe to internet packages that appeal to them.

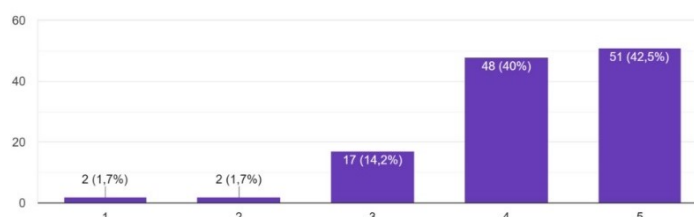


Figure 4. Purchase things or subscribe to internet packages

According to the questionnaire results, of the 120 student respondents, 50.8% or 61 individuals concurred that they would persist in purchasing internet packages according to their preferences despite the increase in VAT. Subsequently, 24.2% or up to 29 students expressed moderate agreement with this statement. Consequently, the remaining 25%, or up to 30 respondents, either rejected or strongly disagreed with the notion that they would continue to purchase internet packages according to their preferences in the event of a VAT hike. It can be inferred that despite the increase in VAT, the majority of respondents will continue to purchase internet packages due to their desire to do so. Nevertheless, certain respondents may dissuade the purchase of internet services due to the rise in VAT rates or other unexamined elements.

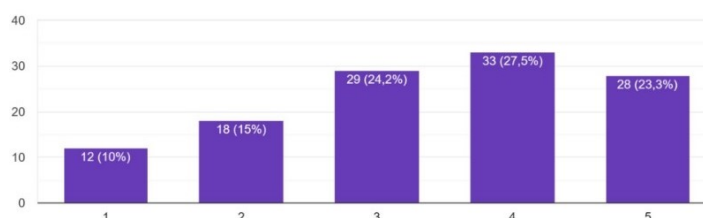


Figure 5. Purchase because it fulfills your desires

According to the questionnaire results, of the 120 student respondents, 95.8% or 115 individuals indicated that they will continue to purchase internet packages according to their needs despite the increase in VAT. Subsequently, it was determined that 4.2%, equivalent to 5 students, moderately concurred with this statement. It may be inferred that despite the rise in VAT, the majority of respondents will continue to purchase internet packages out of necessity.

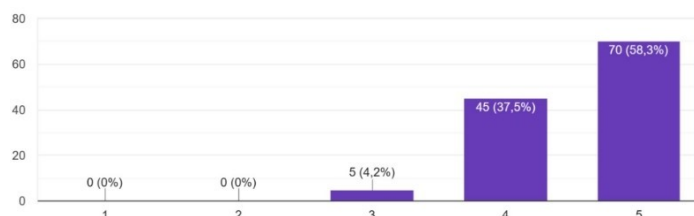


Figure 6. Continue to purchase internet packages out of necessity

According to the poll results, of the 120 student respondents, 49.2% or 59 individuals concurred that they would persist in purchasing internet packages despite the VAT increase, influenced by suggestions from others. Subsequently, 28.3%, or to 34 pupils, expressed moderate agreement with this statement. Consequently, 22.5% or 27 respondents either disagreed or strongly disagreed with the notion that they would continue purchasing internet packages based on suggestions from others in the event of a VAT increase. It may be inferred that despite the rise in VAT, the majority of respondents will continue to purchase internet bundles due to recommendations from others. Nonetheless, it is conceivable that certain respondents refrain from purchasing internet bundles based on external suggestions due to the influence of the VAT rate hike or other unexamined variables.

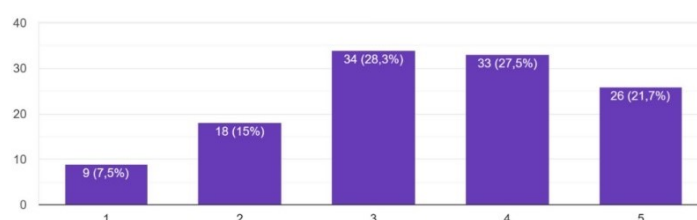


Figure 7. Acquired based on a referral from another individual

### C. Data Analysis

The variables employed in this study are as follows: The occurrence of the 11% VAT hike is designated as X. The choice to acquire internet packages is represented by variables Y2. Data processed using SmartPLS 3.1 software.

The adjusted R-squared value is 0.209, indicating that the VAT rise influences the decision to purchase internet packages by 20.9%. The generated figure indicates a relationship between the two variables, however not significantly impactful, attributed to the influence of additional variables affecting the decision to acquire internet bundles beyond the 79.1% VAT rise. Notwithstanding the availability of alternatives like public or private Wi-Fi, internet packages remain essential for the majority of students in Surabaya.

The rise in VAT has a significance value of 0.000 ( $<0.05$ ) for internet packages purchasing decisions, accompanied by a beta coefficient of 0.464 (positive value). The significant value and beta coefficient demonstrate that the VAT variable influences the purchase choice for the internet package.

### V. CONCLUSION

The introduction of an 11% VAT has a negligible impact on the decision to acquire internet package commodities, akin to the decision-making process for purchasing internet packages. The findings indicate a R square value of 0.209 with a significance level

of 0.000 ( $<0.05$ ), demonstrating an influence between the two variables; nevertheless, the effect is not substantial. The minimal impact observed between these variables can be attributed to various factors, including the significant relevance of internet package commodities and other unexamined variables.

This study's results demonstrate the efficacy of a government initiative aimed at restoring the state budget following the pandemic two years prior. The lack of a substantial effect in this study demonstrates that a 1% rise in the VAT rate does not impose a hardship on the public when purchasing essential commodities. The elevation of VAT rates can steady state earnings without imposing further burdens on the purchasing choices of Surabaya students concerning internet packages.

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