

THE ROLE OF TAX LITERACY IN THE 12% VAT RATE AND LIFESTYLE ON PURCHASING DECISIONS

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Abstract

This study examines the effects of the VAT rate increase and lifestyle on purchasing decisions among consumers in the Malang area, with tax literacy as a moderating variable. An explanatory quantitative design was applied using PLS-SEM (SmartPLS 4.0) with 81 respondents selected through purposive sampling. The results indicate that VAT rate increase ($\beta = 0.537$; $p = 0.000$) and lifestyle ($\beta = 0.285$; $p = 0.024$) each have a significant positive effect on purchasing decisions. Tax literacy does not directly affect purchasing decisions ($\beta = 0.066$; $p = 0.465$), but functions as a significant moderator: it strengthens the effect of the VAT rate increase ($\beta = 0.309$; $p = 0.037$) while weakening the effect of lifestyle ($\beta = -0.337$; $p = 0.031$). These findings suggest that tax literacy may shift the basis of consumer decision-making toward a more rational-fiscal orientation, offering preliminary evidence for the value of tax education programs that address everyday consumption contexts.

Keywords: *Vat Increase; Lifestyle; Purchasing Decisions; Tax Literacy*

1. INTRODUCTION

Tax policies that are responsive to consumption dynamics are one of the main pillars of sound fiscal management. In Indonesia, the implementation of the Value Added Tax (VAT) rate of 12% which will be effective on January 1, 2025 is the final implementation of the mandate of Law Number 7 of 2021 concerning the Harmonization of Tax Regulations (HPP). This move makes Indonesia one of the countries with the highest VAT rates in the ASEAN region, alongside the Philippines (12%), and surpassing Malaysia (8%), Thailand (7%), and Vietnam (10%) (OECD, 2024). Historically, increases in consumption tax rates have been proven to have an asymmetrical impact on different income groups, where the middle group tends to bear a greater real burden than the upper and lower groups because they do not receive subsidies and do not have an adequate wealth buffer (Mirrlees et al., 2011; Peach et al., 2017). In the midst of people's purchasing power conditions that are still in the post-pandemic consolidation phase, this policy has the potential to substantially change the structure of consumer purchasing decisions, especially in the middleclass segment which is the backbone of domestic consumption.

The VAT policy in Indonesia reflects a gradual effort to expand the state revenue base. The 10% VAT rate that has been in effect since 1984 only underwent the first adjustment in April 2022 to 11%, then rose another point to 12% in early 2025, a cumulative increase of

20% in three years. The acceleration of tariff adjustments took place amid double pressures: increased fiscal needs due to financing the national economic recovery program, and inflationary pressures that still loom over vulnerable groups (The Implementation of the Arm's Length Principles in Transactions Influenced by a Special Relationship, 2023). From the perspective of tax incidence theory, indirect tax increases such as VAT are not only transmitted through prices, but also through the perception of tax burdens that shape consumer expectations before transactions occur (Fullerton & Metcalf, 2002). The Central Statistics Agency (BPS, 2024) noted that the consumer confidence index had corrected in the first quarter of 2025, indicating a real market psychological response to this policy. It is in this context that understanding the impact of VAT increases on purchasing behavior becomes a research question that is not only academically relevant, but also politically urgent.

The complexity of the impact of fiscal policy on consumer behavior lies not only in the amount of tariffs, but also in its interaction with the cognitive capacity and knowledge of the individual tax system. Tax literacy is defined as the ability to understand, interpret, and apply tax information in economic decision-making (Gangl & Torgler, 2020; Niemiowski et al., 2003) are a key variable that determines how far consumers respond to changes in fiscal policy rationally. Previous research has shown that consumers with higher tax literacy tend to actively use fiscal information in adjusting their consumption patterns, while consumers with low literacy rely more on heuristics and affective responses in the face of price changes (Blaufus et al., 2019; Chetty et al., 2009). On the other hand, lifestyle as an expression of consumer values and identity (Kotler & Armstrong, 2021) operates on an emotional-aspirational dimension that is fundamentally different from fiscal calculations. Within the framework of the Theory of Planned Behavior (Ajzen, 1991), lifestyle forms subjective norms and attitudes that directly influence purchasing intentions, and their influence on consumption decisions has been consistently confirmed in various Southeast Asian cultural contexts (Wardhana, 2021; Zeng & Chan, 2023). These two forces, fiscal stimulus mediated by tax literacy, and affective lifestyle encouragement, compete in determining purchasing decisions, and the competition mechanism is at the heart of the problem of this study.

The urgency of this research is emphasized by the fact that household consumption contributes around 53.8% to Indonesia's Gross Domestic Product (GDP) in 2024 (BPS, 2024), so any shift in consumer purchasing decision patterns has significant macroeconomic implications. Furthermore, the low tax literacy of the Indonesian people as measured through a survey by the Directorate General of Taxes is at an index of 53.4 out of 100, indicating that most consumers do not have an adequate understanding of the VAT mechanism. This is in line with cross-country findings that low levels of fiscal literacy contribute to distortions in consumption allocations and weaken the effectiveness of tax policies as a redistribution instrument (Lusardi & Mitchell, 2014; OECD, 2020). Understanding how tax literacy modulates the influence of VAT increases and lifestyle on purchasing decisions is crucial for designing effective tax education programs, as well as for the formulation of adaptive marketing strategies in the midst of changes in fiscal policy.

Although the relationship between tax policy and consumer behavior, as well as between lifestyle and purchasing decisions, has been extensively researched separately, there are three *relevant research gaps* that have not been bridged in the existing literature. First,

the majority of studies in Indonesia that analyze the impact of VAT use an aggregate macroeconomic approach and ignore the role of cognitive variables such as tax literacy in moderating consumer responses at the micro level (Hajatina & Hasanah, 2024; Sigiro et al., 2025). This kind of aggregate approach is not able to capture the empirically significant heterogeneity of consumer responses based on the level of individual tax understanding. Second, studies that explicitly examine the effect of tax literacy moderation on the relationship between VAT increases and purchasing decisions in one integrated structural model have not been found in the Indonesian financial management literature although a number of studies in developed countries have shown that knowledge-based moderation substantially changes the direction and strength of fiscal influence on consumption (Koskelainen & Scornavacca, 2023; Wolowiec et al., 2025). Third, a study that places lifestyle and fiscal policy as simultaneous predictors with tax literacy moderators so as to allow testing whether tax literacy shifts lifestyle dominance towards a more rational fiscal calculation has not been identified in the context of the 12% VAT policy in 2025. This third gap is particularly significant because it raises an important normative question: does increasing people's tax literacy change the quality of consumption decision-making in a more deliberative and information-based direction?

The novelty of this research lies in three contributions at once. Theoretically, this study integrates the literature on tax incidence, financial literacy, and consumer behavior in a single moderation framework that has not been widely applied simultaneously in the Indonesian context. Methodologically, the testing of the effect of moderation of tax literacy using the *moderated regression analysis* approach provides higher analytical precision than previous descriptive studies. Practically, the findings of this study provide an *evidence base* for the Directorate General of Taxes in designing a socialization program that not only improves compliance, but also optimizes the quality of people's consumption decisions in the midst of changes in tax rates.

Based on the identification of the gap, this study formulated four objectives: (1) to analyze the effect of the increase in VAT rates on consumer purchasing decisions; (2) analyze the influence of lifestyle on purchase decisions; (3) examining the role of tax literacy in moderating the relationship between VAT increases and purchasing decisions; and (4) examine the role of tax literacy in moderating the relationship between lifestyle and purchasing decisions.

2. RESEARCH METHOD

This study employs a quantitative causal approach to examine the influence of VAT rate increases and lifestyle on consumer purchase decisions in the Malang area, with tax literacy as a moderating variable. The research design, sampling procedure, measurement instruments, and analysis techniques are described as follows.

Research Design. This study applies a causal quantitative design using Partial Least Squares Structural Equation Modeling (PLS-SEM), processed with SmartPLS 4.0. PLS-SEM is selected for its suitability in handling small-to-medium sample sizes, non-normal

data distributions, and models that include both direct and moderating effects (Hair et al., 2019). The conceptual framework of this study is presented in Figure 1.

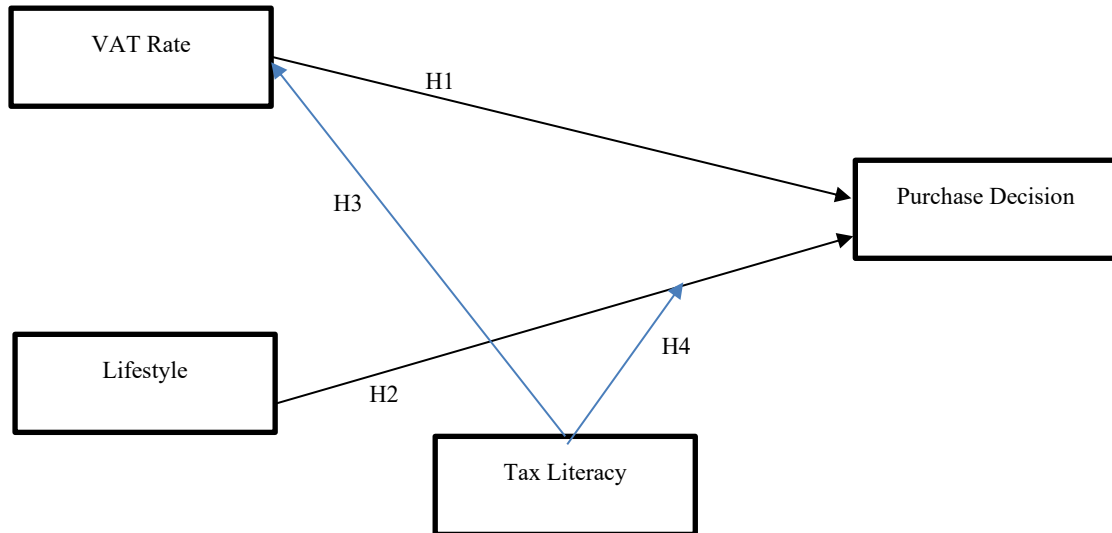


Figure 1 Conceptual Framework of the Study

Target Audience. The population of this study consists of consumers in the Malang area who had awareness of the VAT rate increase policy effective January 1, 2025, and had made purchasing decisions during the implementation period. Sampling was conducted using Non-Probability Sampling through a Purposive Sampling technique, with the following inclusion criteria: (1) domiciled in the Malang area; (2) aware of the 12% VAT rate increase policy; and (3) had completed at least one purchase transaction after January 1, 2025. A total of 81 respondents met the criteria from 100 questionnaires distributed. This sample size is considered adequate for PLS-SEM analysis, as the minimum requirement is ten times the maximum number of paths directed at any latent variable in the model (Hair et al., 2019). Data collection was carried out through an online questionnaire distributed via Google Form during the period of January–March 2025.

Materials and Tools. Data were collected using an online questionnaire distributed via Google Form, measured on a five-point Likert scale to capture respondents' attitudes, perceptions, and opinions. Structural equation modeling was performed using SmartPLS version 4.0.

Operational Definition of Variables. The operationalization of each variable is presented in Table 1.

Table 1 Variable Operationalization and Measurement

Variable	Role	Operational Definition	Indicators
VAT Rate Increase (X1)	Independent	Change in the percentage of tax imposed on transactions	1. Percentage increase of VAT rate

		of goods and services (Caesaria et al., 2024)	<ol style="list-style-type: none"> 2. Impact on prices of goods and services; 3. Scope of taxable objects affected 4. Consumer awareness of VAT burden
Lifestyle (X2)	Independent	A person's pattern of life expressed in activities, interests, and opinions (Kotler & Armstrong, 2021; Kotler & Keller, 2016)	<ol style="list-style-type: none"> 1. Daily consumption activities 2. Shopping frequency and patterns 3. Interest in branded or lifestyle products 4. Opinions on spending priorities 5. Alignment of purchases with personal values
Purchase Decision (Y)	Dependent	Steps taken by customers from recognizing needs, searching for information, comparing alternatives, to deciding to buy (Sander et al., 2021)	<ol style="list-style-type: none"> 1. Need recognition 2. Information search 3. Evaluation of alternatives 4. Product and transaction choice 5. Purchase behavior 6. Post-purchase satisfaction 7. Post-purchase loyalty
Tax Literacy (Z)	Moderating	The ability to understand, interpret, and apply tax information in economic decision-making (Gangl & Torgler, 2020)	<ol style="list-style-type: none"> 1. Knowledge of tax regulations 2. Understanding of VAT mechanisms 3. Ability to calculate VAT burden 4. Application of tax information in purchase decisions

5. Awareness of fiscal policy changes

Source: *Data Processed, 2026*

Measurement Model Evaluation. Before testing structural relationships, the measurement model (outer model) was evaluated through two stages. First, convergent validity was assessed using indicator loadings (≥ 0.70) and Average Variance Extracted (AVE ≥ 0.50) (Hair et al., 2019). Second, discriminant validity was evaluated using the Heterotrait-Monotrait ratio (HTMT), where values below 0.90 confirm that constructs are empirically distinct (Henseler et al., 2015). Internal consistency reliability was assessed using Composite Reliability (CR ≥ 0.70) and Cronbach's Alpha ($\alpha \geq 0.60$).

Structural Model Evaluation. The structural model (inner model) was evaluated using the coefficient of determination (R^2), which reflects the proportion of variance in the dependent variable explained by the predictors, with values of 0.25, 0.50, and 0.75 categorized as weak, moderate, and substantial, respectively (Hair et al., 2019). Path coefficient significance was determined through bootstrapping with 5,000 subsamples, producing t-statistics and p-values for each hypothesized path.

Moderation Analysis. The moderating role of tax literacy (Z) was tested using the Product Indicator approach available in SmartPLS. This approach generates interaction terms between the independent variables and the moderating variable, allowing direct estimation of the moderation effect within the PLS-SEM framework (Hair et al., 2019). The structural equations for the moderated model are formulated as follows:

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 (X_1 \cdot Z) + \beta_4 (X_2 \cdot Z) + \zeta \quad (1)$$

A moderating effect is confirmed when the interaction terms (β_3 or β_4) are statistically significant ($p < 0.05$), indicating that tax literacy strengthens or weakens the relationship between the independent variables and purchase decision.

3. RESULTS AND DISCUSSION

This section presents the findings of the PLS-SEM analysis conducted using SmartPLS 4.0, covering respondent characteristics, measurement model evaluation, hypothesis testing, and moderation analysis, followed by a theoretical and practical discussion of the findings.

3.1 Respondent Characteristics

Of 100 questionnaires distributed online and offline, 81 were declared valid and met the inclusion criteria (response rate = 93.75%). The demographic profile of respondents is presented in Table 2.

Table 2 Demographic Profile of Respondents (n = 81)

Characteristic	Category	n	%
Gender	Male	34	42.0
	Female	47	58.0
Age	18–25 years	23	28.0
	26–35 years	31	39.0
	36–45 years	19	23.0
	> 45 years	8	10.0
Last Education	Senior High School	13	16.0
	Diploma/Bachelor's	54	67.0
	Master's/Doctoral	14	17.0
Tax Literacy	Low (score < 3.0)	19	24.0
	Moderate (score 3.0–4.0)	42	51.0
	High (score > 4.0)	20	25.0

Source: Data Processed, 2026

Table 2 show the majority of respondents were female (58.0%), aged 26–35 years (39.0%), and held a Diploma or Bachelor's degree (67.0%). The distribution of tax literacy showed that the moderate group was dominant (51.0%), indicating that most consumers have not yet achieved optimal tax understanding consistent with the DJP (2023) national tax literacy index of 53.4 out of 100. The heterogeneity of tax literacy levels within the sample provides sufficient variation to meaningfully test the moderation effects.

3.2 Measurement Model Evaluation (Outer Model)

Outer model evaluation was conducted to ensure the validity and reliability of all constructs prior to hypothesis testing. The complete results are presented in Table 3.

Table 3 Measurement Model Evaluation Results

Construct	Indicator	Loading Factor	Cronbach's Alpha	CR (rho_a)	CR (rho_c)	AVE
VAT (X1)	Tar1	0.887	0.858	0.863	0.904	0.702
	Tar2	0.852				
	Tar3	0.844				
	Tar4	0.765				
Lifestyle (X2)	Gh1	0.812	0.882	0.895	0.914	0.680
	Gh2	0.853				
	Gh3	0.875				
	Gh4	0.827				

	Gh5	0.751				
Tax Literacy (Z)	lp1	0.900	0.907	0.938	0.930	0.728
	lp2	0.798				
	lp3	0.927				
	lp4	0.883				
	lp5	0.743				
Purchase Decision (Y)	kp1	0.789	0.935	0.943	0.947	0.720
	kp2	0.831				
	kp3	0.880				
	kp4	0.761				
	kp5	0.897				
	kp6	0.870				
	kp7	0.901				

Source: *Data Processed, 2026*

Tabel 3 show that all indicator loadings ranged from 0.743 to 0.927, exceeding the minimum threshold of 0.70 (Hair et al., 2021), confirming that each indicator contributes strongly to its respective construct. Convergent validity was confirmed through AVE values that all exceeded 0.50: VAT Rate = 0.702, Lifestyle = 0.680, Tax Literacy = 0.728, and Purchase Decision = 0.720, meaning each construct explains an average of more than 68% of its indicator variance. Construct reliability was assessed using three simultaneous measures Cronbach's Alpha (0.858–0.935), rho_a (0.863–0.943), and Composite Reliability rho_c (0.904–0.947) all substantially exceeding the 0.70 threshold. The interaction constructs Tax Literacy × Lifestyle and Tax Literacy × VAT Rate each yielded loading factors of 1.000, which is a standard technical characteristic of single-indicator interaction constructs under the product-indicator approach and does not indicate a measurement problem (Henseler & Chin, 2010)

Discriminant validity was assessed using the Fornell-Larcker criterion as presented in Table 4.

Table 4 Fornell-Larcker Matrix

Construct	Lifestyle	Purchase Decision	Tax Literacy	VAT Rate
Lifestyle	0.825			
Purchase Decision	0.766	0.849		
Tax Literacy	0.029	0.113	0.853	
VAT Rate	0.858	0.782	0.097	0.838

Note: Bold diagonal values = square root of AVE

Source: *Data Processed, 2026*

Most construct pairs satisfy the Fornell-Larcker criterion show at table 4. Tax Literacy demonstrates particularly strong discriminant validity, with inter-construct correlations of only 0.029–0.113, well below its AVE root of 0.853. One noted limitation is the correlation between VAT Rate and Lifestyle (0.858), which slightly exceeds both constructs' AVE roots. Cross-loading analysis confirms this is not caused by indicator misplacement all Tar1–Tar4 indicators load highest on VAT Rate and all Gh1–Gh5 indicators load highest on Lifestyle reflecting an empirical reality among consumers in the Malang area where VAT burden perception and consumptive lifestyle orientation co-move structurally, consistent with the Lifestyle Consumer Behavior Framework. This is acknowledged as a study limitation to be addressed in future research through more operationally distinct indicators. Overall, the measurement model is deemed sufficiently valid and reliable to proceed to structural model estimation.

3.3 Hypothesis Testing (Inner Model)

Hypothesis testing was performed using PLS-SEM path analysis with a bootstrapping procedure of 5,000 iterations. The overall model yielded $R^2 = 0.674$, indicating that VAT Rate, Lifestyle, and the two interaction terms collectively explain 67.4% of the variance in Purchase Decision a substantial level for consumer behavior models (Hair et al., 2019). The full hypothesis testing results are presented in Table 5.

Table 5 Hypothesis Testing Results

H	Path	β	p-value	Decision
H1	VAT Rate → Purchase Decision	0.537	0.000	Supported
H2	Lifestyle → Purchase Decision	0.285	0.024	Supported
H3	Tax Literacy × VAT Rate → Purchase Decision	0.309	0.037	Supported
H4	Tax Literacy × Lifestyle → Purchase Decision	-0.337	0.031	Supported

Source: *Data Processed, 2026*

Table 5 show that all four hypotheses received empirical support at $p < 0.05$. VAT Rate is the strongest predictor of Purchase Decision ($\beta = 0.537$; $p = 0.000$), nearly twice the effect of Lifestyle ($\beta = 0.285$; $p = 0.024$). Tax Literacy moderates both paths with opposing directions: positively moderating the VAT Rate–Purchase Decision relationship ($\beta = +0.309$; $p = 0.037$) and negatively moderating the Lifestyle–Purchase Decision relationship ($\beta = -0.337$; $p = 0.031$). Notably, Tax Literacy has no significant direct effect on Purchase Decision ($\beta = 0.066$; $p = 0.465$), confirming its role as a pure moderator rather than a direct predictor.

3.4 Moderation Effect Analysis

The moderating effects of Tax Literacy were interpreted based on the interaction path coefficients obtained through bootstrapping. The moderation output from SmartPLS is

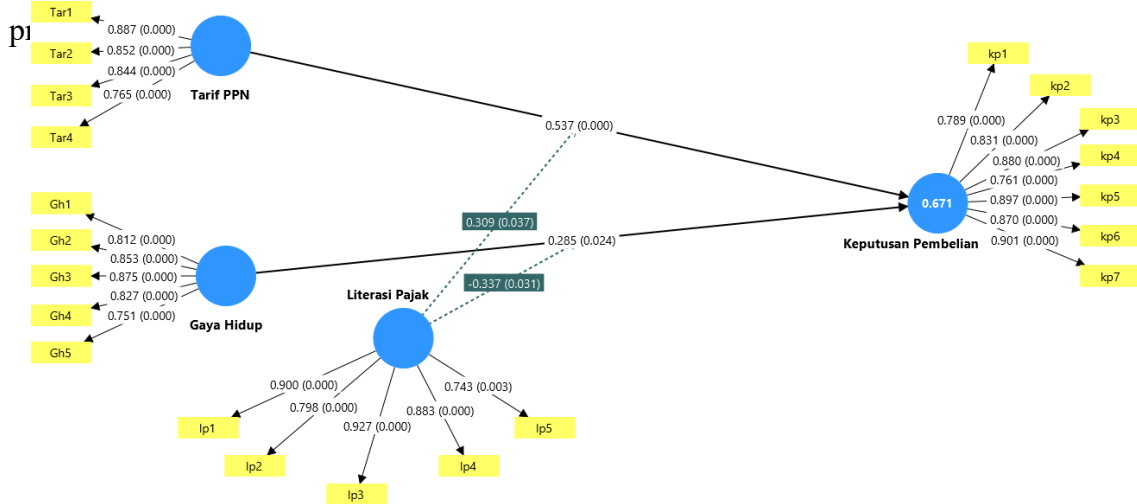


Figure 2 Moderation Effect Output
 Source: Data Processed, 2026

For H3 (β interaction = +0.309; $p = 0.037$), the influence of VAT Rate on Purchase Decision strengthens as Tax Literacy increases. Consumers with low tax literacy are less responsive to VAT changes because they do not fully recognize the fiscal burden they bear PPN calculations do not enter explicitly into their purchase considerations. In contrast, consumers with high tax literacy demonstrate amplified responsiveness because they can accurately compute the VAT burden and incorporate it as an explicit determinant in their buying decision. This pattern is consistent with Fochmann & Weimann (2011) dan Fochmann & Wolf (2019), who argue that low tax literacy creates a money illusion that dulls consumer sensitivity to fiscal policy changes.

For H4 (β interaction = -0.337; $p = 0.031$), the influence of Lifestyle on Purchase Decision weakens as Tax Literacy increases. Consumers with low tax literacy rely more heavily on aspirational and identity-based lifestyle drives, lacking sufficient cognitive mechanisms to counterbalance them with fiscal considerations. Consumers with high tax literacy systematically inhibit emotionally-impulsive lifestyle drives through structured fiscal awareness every purchase decision is evaluated not only from an identity and aspiration perspective, but also from the perspective of tax burden and expenditure efficiency. This is consistent with Bounded Rationality Theory (Simon, 1955), which predicts that expanding an individual's cognitive capacity systematically shifts decision-making from emotional heuristics toward more structured calculation.

The symmetrically opposing direction of these two moderation effects H3 positive ($\beta = +0.309$) and H4 negative ($\beta = -0.337$) with comparable magnitudes suggests that Tax

Literacy does not merely moderate one path partially, but may fundamentally shift the overall decision-making basis of consumers from aspirational-emotional orientation toward a more calculative-fiscal orientation. This mechanism is referred to in the behavioral accounting literature as fiscal cognitive reframing (Blaufus et al., 2019).

4. Discussion

The Fiscal Stimulus Dominates, But Not Unconditionally

A notable finding of this study is that VAT rate increase emerges as the stronger predictor of purchase decision ($\beta = 0.537$) compared to lifestyle ($\beta = 0.285$). This relative dominance of fiscal stimulus over the conventional lifestyle hierarchy may be theoretically interpreted as a salience-driven pattern rather than a permanent structural shift. When consumers are repeatedly exposed to fiscal policy discourse in public media during the first months of PPN 12% implementation, the mental accessibility of tax-related cost considerations may increase, elevating its decision weight in ways that might not persist under normal conditions. This appears consistent with what Chetty et al (2009) demonstrated experimentally: tax salience, not tax magnitude alone, determines behavioral response. The implication is sobering the dominant coefficient of VAT in this study may reflect a temporary psychological state rather than a durable reordering of consumer preferences. Sigiro et al (2025), who examined PPN 11% in a non-implementation-peak period, found lifestyle to be more dominant, lending further support to this contextual interpretation. Future research conducted 12–18 months post-implementation, when media salience has normalized, will be critical in determining whether fiscal effects on purchase decisions are durable or transient.

Lifestyle Persists as a Structural Determinant

The continued significance of lifestyle ($\beta = 0.285$; $p = 0.024$) despite an environment of heightened fiscal salience is theoretically meaningful. This suggests that lifestyle may not be merely a contextual variable that recedes under external pressure, but rather a relatively stable dispositional force embedded in consumer identity. This is consistent with the Lifestyle Consumer Behavior Framework, which argues that consumption patterns tied to identity expression are cognitively insulated from short-term price signals. Wardhana (2021) similarly found that lifestyle remained a significant predictor of Indonesian millennial purchase decisions even across varying economic conditions, and Zeng & Chan (2023) documented analogous resilience in Asian consumer contexts more broadly. What distinguishes this study's finding, however, is the magnitude gap: lifestyle's coefficient is roughly half that of VAT, a compression that has not been documented in prior Indonesian consumer behavior literature. This compression does not mean lifestyle has become less important in absolute terms its significance is intact but rather that fiscal considerations have

been temporarily elevated into the same decision architecture where lifestyle previously operated with less competition. The practical implication is that marketing strategies anchored entirely in price correction during fiscal policy transitions risk abandoning the lifestyle signaling that remains influential for a majority of consumers.

Tax Literacy as a Cognitive Reframing Mechanism: The Core Theoretical Contribution

Theoretically consequential finding is that tax literacy operates exclusively as a pure moderator it carries no direct effect on purchase decision ($\beta = 0.066$; $p = 0.465$) yet it simultaneously reshapes two causal pathways in opposing directions. This dual moderating pattern, where the same variable strengthens one path (H3, $\beta = +0.309$) while weakening another (H4, $\beta = -0.337$) with comparable magnitudes, appears to be underexplored in Indonesian consumer behavior literature. The mechanism is theoretically coherent: tax literacy does not change what consumers want, but it may change how they process competing decision inputs. Consumers with high tax literacy bring an additional evaluative layer explicit fiscal cost accounting into purchase deliberation. This layer may amplify the weight of objective fiscal stimuli (VAT rate) while simultaneously attenuating the weight of subjective aspirational drives (lifestyle). This is consistent with what Bounded Rationality Theory (Simon, 1955) would predict: cognitive capacity expansion systematically reduces reliance on emotional heuristics in favor of structured calculation. Blaufus et al (2019) provided laboratory evidence for this mechanism in German tax contexts, and Fochmann & Weimann (2011) dan Fochmann & Wolf (2019) demonstrated that money illusion the inability to accurately perceive fiscal burden weakens with tax knowledge. This study extends both arguments empirically into a VAT policy context in a developing country, where tax literacy levels are substantially lower (DJP national index = 53.4/100) than in the European settings where those theories were primarily tested. The finding that the mechanism operates even at relatively low average literacy levels suggests its robustness, but also implies that its effect would be considerably stronger in a more tax-literate population a testable prediction for future cross-national comparative research.

The Asymmetric Moderation as a Policy-Relevant Insight

The opposing directionality of H3 and H4 carries a policy implication that goes beyond what either moderation result would suggest in isolation. The findings indicate that tax literacy may influence not only whether consumers are aware of taxes, but also how they weight competing decision inputs. A consumer with higher tax literacy may be less reliant on lifestyle-driven impulse while being more responsive to fiscal signals. This suggests potential implications for tax education program design: the DJP's current literacy programs, which are primarily oriented toward compliance and filing knowledge, may benefit from broader content that addresses the behavioral dimension of everyday consumption decisions. Wolowiec et al (2025) argued that tax knowledge affects not only compliance behavior but

the broader economic psychology of taxpayers, and this study provides empirical evidence supporting that broader scope in a consumption decision context. Hajatina & Hasanah (2024), whose work was identified as part of the research gap, found no moderating mechanism in their aggregate analysis of PPN impacts, precisely because they did not model the cognitive pathway through which individual-level literacy transforms fiscal policy into behavioral response a gap this study directly addresses.

5. CONCLUSION

This study set out to address three interconnected questions left unresolved in the existing literature: whether VAT rate increases directly influence consumer purchase decisions, whether lifestyle remains a relevant predictor under fiscal pressure, and critically, whether tax literacy moderates both relationships simultaneously within a single integrated structural model. All four hypotheses received empirical support, and the findings collectively answer these questions in ways that extend, and in some cases challenge, prior theoretical expectations.

The dominant influence of VAT rate increases on purchase decisions indicates that fiscal policy carries meaningful behavioral weight at the individual consumer level not merely at the macroeconomic aggregate level where most prior Indonesian studies have concentrated. Equally important, lifestyle retains significant explanatory power even under conditions of heightened fiscal salience, suggesting that internal identity-based motivations are not displaced by external policy stimuli but coexist with them in consumer decision architecture. The central theoretical contribution, however, lies in the dual moderating role of tax literacy: it simultaneously strengthens the fiscal pathway and weakens the lifestyle pathway with comparable magnitudes, functioning as a potential fiscal cognitive reframing mechanism that may restructure how consumers weight competing decision inputs rather than simply adding tax awareness as an additional variable. This pattern appears underexplored in the Indonesian consumer behavior literature, and its preliminary confirmation in a developing-country VAT context provides initial support for extending the theoretical arguments of Blaufus et al (2019) and Fochmann & Weimann (2011) dan Fochmann & Wolf (2019) beyond the European settings where they were originally established.

From a policy standpoint, these findings carry a direct implication for the Directorate General of Taxation: tax literacy programs generate a behavioral externality that extends well beyond compliance they produce consumers who make more deliberate, fiscally-grounded economic decisions in everyday life. Current DJP literacy initiatives, which are primarily oriented toward filing knowledge and regulatory compliance, are likely underutilizing this broader behavioral impact. Reorienting program content to explicitly develop consumers' capacity to recognize and calculate VAT burdens in purchase contexts not only in filing contexts would amplify the real-world effect of these programs. For

business practitioners, the finding that high tax literacy consumers evaluate purchases through a more calculative and less lifestyle-driven lens suggests that marketing strategies for this segment should prioritize value proposition and fiscal efficiency arguments over aspirational branding alone.

Several directions for future research follow directly from the limitations of this study. First, the use of purposive sampling in a single city (Malang) limits the generalizability of findings; replicating this model with probability samples across multiple cities or provinces would provide stronger external validity for the moderation mechanism. Second, the cross-sectional design cannot distinguish between durable structural effects and transient salience-driven responses to the implementation-period media environment; a longitudinal study tracking the same consumers at 6, 12, and 24 months post-implementation would determine whether fiscal dominance over lifestyle is a permanent reordering or a contextual artifact. Third, the residual construct overlap between VAT Rate and Lifestyle identified in discriminant validity testing suggests that future instrument development should disaggregate price consciousness as a standalone construct, improving the precision with which the two predictors can be analytically separated. Fourth, extending the model to comparative cross-national settings particularly ASEAN economies with varying VAT rates and literacy levels would allow testing of whether the fiscal cognitive reframing mechanism scales with national tax literacy averages, a theoretically consequential question for both fiscal policy design and consumer behavior theory.

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