

The Impact of Increase in Value Added Tax and E-Commerce Transactions on Preference Expenditure Generation Z on the Shopee Platform

Pradhita Andira Dianastari¹, Aminah²

^{1,2}Faculty of Economics and Business, University of Bandar Lampung
Jl. Zainal Abidin Pagar Alam No. 26, Labuhan Ratu, Kedaton, 35142, Bandar Lampung,
Indonesia

E-mail: pradhitaandir@gmail.com ¹aminah@ubl.ac.id²

Abstract

This research aims For to determine the impact of the increase in Value Added Tax (VAT) and e-commerce transactions on preference expenditure Generation Z on the e-commerce platform Shopee. In today's digital era, Generation Z demonstrates high dependence on online shopping platforms, even in the midst of policy fiscal such as the increase in VAT. This study uses a quantitative approach with a survey method. Against 100 respondents Generation Z who actively use Shopee. The data analysis technique used was multiple linear regression. Through help device SPSS software version 25. Research results shows that the increase in VAT has an impact positive and significant to preference expenditure, which indicates that the increase taxes do not hinder Generation Z in allocating funds for consumption. In addition, e-commerce transactions also have a positive and significant impact to preference expenditure. Simultaneously, both variables together influence preferences expenditure Generation Z. These findings indicate that comfort, need, and proximity Generation Z with technology become factor main factor that is more dominant than the other factors additional costs such as tax. This research contributes to perpetrator businesses and governments in designing targeted digital marketing and tax strategies.

Keywords: E-Commerce, Generation Z, Spending Preferences, Value Added Tax, Shopee.

INTRODUCTION

Taxes are a key component of state revenue and are inseparable from the national financial system. With increasing global economic growth, international trade has also

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IJEBIR, Volume 05 Issue 01, 2026



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surged across various sectors. This trade activity is closely linked to efforts to meet international needs. To ensure smooth business operations and secure revenue, the government imposes taxes on all goods consumed by both domestic and foreign consumers. Therefore, taxes play a vital role as a source of state revenue and a policy tool to maintain national economic stability (Tambun & Haryati, 2022).

Value Added Tax (VAT) is a tax imposed on the consumption of goods and services within Indonesian customs territory. It is implemented in stages throughout each production and distribution process (General of Customs and Excise, 2022). VAT is charged to consumers when purchasing Taxable Goods (BKP) or Taxable Services (JKP), but the obligation to deposit it into the state treasury is borne by the seller, who is a Taxable Entrepreneur (PKP). VAT is indirect and does not result in recurring charges, as the tax is applied only to the added value at each stage of the supply chain.

Eighty percent of state revenue comes from taxes, including Value Added Tax (VAT), Income Tax (PPH), Luxury Goods Sales Tax (PPnBM), Land and Building Tax (PBB), and Land and Building Acquisition Tax. The increase in the VAT rate from 10% to 11% is part of the tax reform policy (Rita & Astuti, 2023). One of the advantages of the Tax Regulation Harmonization Law is the continuous application of VAT on taxable goods and services, which is expected to be an important source of increasing state foreign exchange. This policy came into effect on April 1, 2022, in accordance with Law Number 7 of 2021. Its implementation will be carried out in stages based on applicable regulations. The increase in the VAT rate is also a factor influencing consumer behavior in shaping spending preferences.

Finance Minister Sri Mulyani stated that Indonesia's VAT rate is still lower than the average rate in other countries, including members of the Organization for Economic Co-operation and Development (OECD), so there is still room for the government to increase it to increase state revenue. She also explained that VAT revenue on imports increased by 36.6% in 2020, while the domestic VAT contribution to state revenue reached 26.8% in 2021. Therefore, the policy of increasing the VAT rate to 11%, as stipulated in the HPP Law, is considered a strategic step to reduce the state budget deficit to a maximum of 3% in the coming years (Tambun & Riandini, 2022).

Based on data from the Jagakarsa Tax Service Office (KPP), the VAT revenue trend over the past four years has shown interesting dynamics. In 2021, VAT revenue was recorded at IDR 362.79 billion. This figure decreased drastically in 2022 to IDR 219.66 billion, strongly suspected to be due to weakened purchasing power and the prolonged impact of the COVID-19 pandemic. However, the positive trend returned in 2023, with a significant increase to IDR 365.45 billion, and continued in 2024 with total revenue of IDR 411.33 billion. This increase indicates that VAT remains a major contributor to state revenue, especially when its collection process is effectively



monitored. In this context, digital taxation policies have also begun to be strengthened, as stipulated in the Minister of Finance Regulation (PMK) Number 210 of 2018. This regulation governs the tax treatment of electronic system-based business transactions (e-commerce), and came into effect on April 1, 2019. This regulation is an important instrument in ensuring taxpayer compliance in the digital era, while also increasing the accuracy of VAT collection from modern trade activities.

Technological advances have significantly boosted economic growth in Indonesia. This development has created extensive business opportunities for various parties, including in the foreign exchange trading system and through electronic commerce (e-commerce). E-commerce encompasses the promotion, purchasing, and marketing of local products to compete in the international market. Online business growth in Indonesia has increased by 33%, from IDR 253 trillion to IDR 337 trillion. This increase is driven by consumers increasingly relying on e-commerce platforms to meet various needs. E-commerce provides consumers with convenience and product variety without the need to visit physical stores (Hidranto, 2021). The increase in public consumption is also influenced by high internet usage. According to the 2020 e-Conomy report cited by Daily (2021), there was a 30% increase in daily internet usage, from an average of 3.6 hours to 4.7 hours per day. This surge is closely related to changes in people's activity patterns during the pandemic, with more online activities taking place.

The growth of e-commerce in Indonesia is increasingly driven by major digital platforms like Shopee, which has become a top choice for Generation Z. Shopee, known for its user-friendly interface and various features such as discount programs, promotions, and flexible payment systems, is very popular among young internet users. Generation Z, who prioritize convenience and speed in shopping, often chooses Shopee for its easy access via mobile apps and interactive shopping experience. According to data from Databoks (2021), around 88.1% of internet users in Indonesia use e-commerce services to shop for various types of products, with Shopee being one of the dominant platforms in this market. Furthermore, a survey conducted by We Are Social in April 2021 showed that this figure is the highest globally, with Shopee playing a significant role in this. Shopee has succeeded in attracting Generation Z thanks to innovative features such as live streaming, gamification, and a reward system that benefits users. Generation Z, who are more likely to shop online and often seek the best deals, sees Shopee as a platform that offers various conveniences, from a diverse product range to fast and secure transactions. This makes Shopee an e-commerce platform that is not only popular, but also has great potential to continue to grow and meet the evolving needs of young consumers.

Spending preferences reflect consumers' tendencies in allocating funds to purchase a product or service. In the process, consumers consider various economic,



psychological, and social factors before deciding to spend money. To support economic recovery and increase state revenue from VAT while creating equity in consumption, the government decided to raise the VAT rate from 10% to 11%. However, several tax benefits, such as VAT exemptions and exemptions, remain available to the public to maintain purchasing power for basic goods and services (Wulandari, 2023). However, this policy still results in price increases for some goods and services. Furthermore, according to Khoziyah & Lubis (2021), digital marketing plays a crucial role in bridging the gap between businesses and consumers, as it effectively conveys information and fosters closer relationships. Digital marketing also influences spending preferences through strong and targeted messaging. E-commerce services also facilitate consumers' access to and ordering of goods from various locations. Furthermore, Ardyanto et al. (2015) stated that customer trust in a company's online services can trigger the rapid spread of information, both via the internet and by word of mouth, thus helping consumers learn more about a product and encouraging the intention to allocate a shopping budget.

Increases in value-added tax (VAT) and e-commerce transaction taxes could impact Generation Z's spending preferences on e-commerce platforms like Shopee. Generation Z, known for their highly online shopping habits, tends to be more sensitive to prices and additional fees. This tax increase could make them more selective in allocating their shopping budget, especially if the additional fees increase the price of the items they purchase. Although Shopee offers various attractive discounts and promotions, the tax increase could reduce the appeal of competitive prices, which are usually a key factor in determining Generation Z's spending preferences. Furthermore, changes in tax policies could also impact Generation Z's perception of price transparency on e-commerce platforms, requiring platforms to be more creative in adapting their pricing and promotional strategies to remain attractive to these young consumers.

Based on several previous studies, there are relevant relationships between variables that can be used as a basis for consideration in developing more accurate and in-depth research. Research by PM Putri and Marlien (2022) shows that digital marketing influences consumer preferences for online shopping, primarily due to its extensive reach. Meanwhile, Khoziyah and Lubis (2021) found a significant influence between digital marketing and spending preferences through linear regression tests. On the other hand, Elfanso and Monica (2023) noted that although the value of e-commerce transactions in Indonesia has surged in the past five years, the contribution of tax revenue from this sector, particularly VAT, has not shown a significant increase and even experienced a significant decline in 2021. This fact reflects the challenges in optimizing VAT revenue from e-commerce activities. Furthermore, according to the results of a regression analysis conducted by Ardyanto and colleagues (2015), increasingly easy



access to e-commerce services has also increased consumers' tendency to allocate funds online.

This study is novel because it simultaneously examines the impact of the Value Added Tax (VAT) increase and e-commerce transactions on spending preferences, particularly among Generation Z as the dominant consumers in the digital ecosystem. Unlike previous studies that tended to examine these variables separately, this study positions e-commerce transactions as an independent variable that stands alongside the VAT increase, rather than merely as context or background. Another novelty lies in the research's focus on the e-commerce platform Shopee, which is one of the marketplaces with the highest transaction rates and number of users among Generation Z in Indonesia. Thus, this study not only examines the direct impact of the VAT rate increase on spending patterns but also examines how the high intensity of e-commerce transactions, characteristic of Generation Z consumption, contributes to the formation of spending preferences, despite the additional tax burden. Furthermore, this study highlights how Generation Z responds to tax policies in the context of evolving digital transactions. This research is expected to complement previous studies and provide new perspectives on the relationship between fiscal policy and today's digital consumer behavior.

LIBRARY REVIEW

Price Sensitivity Theory

Price Sensitivity Theory explains the extent to which consumers will respond to price changes for a product or service. Price-sensitive consumers tend to reduce purchases, seek cheaper alternatives, or delay consumption if a price increases. Conversely, if prices decrease, they tend to increase purchases because they perceive they are getting more value for their money. This price sensitivity is strongly influenced by various factors, such as income level, availability of substitute goods, perceptions of quality, and loyalty to the brand or platform (Monroe, 1990). In the context of research examining the Effect of Value Added Tax (VAT) Increases on Generation Z's Spending Preferences in Shopping on E-Commerce Platforms, this theory is highly relevant to use as a foundation. Generation Z, as digital natives, is known to have a high level of price sensitivity because they are accustomed to comparing prices across e-commerce platforms. VAT increases have the potential to increase the selling price of goods, which can then encourage Generation Z to change their spending preferences, such as switching to lower-priced products, reducing the number of purchases, or choosing platforms that offer discounts and VAT subsidies. Thus, Price Sensitivity Theory can help explain changes in Generation Z consumer behavior in responding to additional price burdens resulting from fiscal policy.



Value Added Tax Increase

Tax is a mandatory contribution paid by the public or taxpayers to the state, which is mandatory without receiving any direct compensation, and is used for state needs and public welfare. The increase in the VAT rate aims to strengthen the Indonesian economy in the long term and support state budget funding (Majid et al., 2023). However, Feb & Dunci (2023) argue that the 11% VAT rate policy has drawn both pros and cons, primarily because it is considered untimely even though the pandemic has begun to subside, as many people still have unstable incomes. Agasie & Zubaedah (2022) also noted that the increase in the VAT rate to 11% as of April 1, 2022, has generated various reactions from the public. The tax rate increase is in line with the provisions of the Harmonization of Tax Regulations. Furthermore, the implemented digitalization of taxation is expected to simplify tax administration (Tambun et al., 2020).

E-Commerce Transactions

E-commerce, or electronic commerce, is the process of buying, selling, and promoting goods and services through electronic systems such as the internet, television, and other computer networks. E-commerce transactions can include a variety of activities such as electronic funds transfer, electronic data interchange, automated inventory management systems, and automated data collection. Businesses related to e-commerce transactions include electronic funds transfer, supply chain management, electronic marketing or online marketing, online transaction processing, and electronic data interchange. According to Bloomenthal (2019), e-commerce is a business model that allows companies and individuals to buy and sell goods over the internet. E-commerce operates in four main market segments: business-to-business, business-to-consumer, consumer-to-consumer, and consumer-to-business.

Spending Preferences

Spending preferences are consumer tendencies or choices in allocating income to various categories of needs and desires, which are influenced by individual preferences, economic conditions, and the utility of the goods or services consumed. These preferences form the basis of consumption behavior because they reflect how consumers prioritize the use of limited resources. According to Alwiyah and Hermiyetti (2021), spending preferences are consumer behavior in selecting goods and services based on the level of satisfaction and needs, taking into account income limitations and the utility of each consumption alternative. Suwarno (2022) states that spending preferences reflect individual consumption patterns shaped by various factors such as income level, prices of goods, tastes, and social and cultural influences. In modern microeconomic studies, spending preferences are influenced not only by rational



economic factors but also by psychological and social factors. This is emphasized by Susanti and Kurniawan (2023) who state that spending preferences involve considerations of subjective benefits, past experiences, and certain lifestyle tendencies in determining consumption decisions. Meanwhile, according to Putri and Anshari (2020), spending preferences are part of consumption behavior that shows the priority of consumer needs for types of goods or services, which play a role in determining the structure of household expenditure.

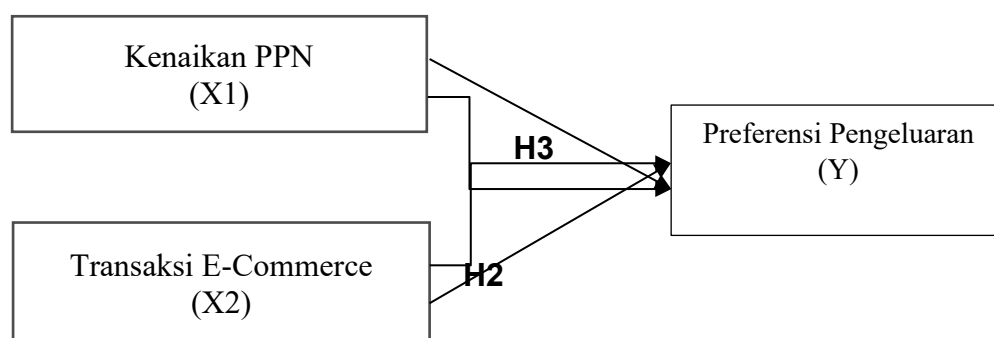


Figure 1 Research Framework Image

Research Hypothesis

1. The Relationship between VAT Increases and Spending Preferences

Effective April 1, 2022, the Law on Harmonization of Tax Regulations stipulates an increase in the Value Added Tax (VAT) rate from 10% to 11%. According to Gerhana & Subandoro (2022), fluctuations in raw material prices and other external factors also affect people's income and expenditure. The remaining period of the 10% rate, which was in effect until the end of March, led to a surge in consumption activity before the new rate took effect. After the increase to 11%, adjustments occurred in the price structure of goods and services, impacting how people allocate their consumption budgets. According to Faisol & Norsain (2023), although the VAT increase policy was accompanied by other measures to maintain purchasing power, the price increase still affected the composition and priorities of people's spending. Consumers tended to adjust their spending preferences by reducing consumption of secondary goods and prioritizing basic necessities. Farina et al. (2021) also stated that the VAT increase significantly affected spending preferences, particularly in terms of reducing the portion of spending on products that experienced drastic price increases. Based on previous research and the arguments above, the first hypothesis that can be established is

H1: VAT Increase Has a Positive Impact on Spending Preferences.

2. **The Relationship Between E-Commerce Transactions and Spending Preferences**
E-commerce is a form of electronic commerce that encompasses the distribution, promotion, purchase, and sale of goods or services through digital platforms such as the internet. E-commerce transactions facilitate consumer access to a variety of products and services, both in terms of time, place, and product information. According to Putri et al. (2023), e-commerce offers high flexibility in managing consumption, thus influencing spending preferences. Consumers can easily compare prices, read product reviews, and take advantage of promotional programs such as discounts, cashback, and shipping discounts. All of these conveniences make consumers more selective and efficient in prioritizing their spending. Rihardiansyah (2020) added that the more user-friendly and user-friendly an e-commerce platform is, the more consumers are likely to allocate their spending through that digital channel. Ardyanto et al. (2015) also stated that clear information displays and easy payment systems encourage consumers to shift their spending preferences toward online shopping. Based on the research and arguments above, the third hypothesis can be concluded, namely
H2: E-Commerce Transactions Have a Positive Influence on Spending Preferences.
3. **The Relationship between VAT Increases and E-Commerce Transactions on Spending Preferences**
The increase in VAT rates has the potential to reduce people's purchasing power by increasing the prices of goods and services. This causes consumers to reconsider their budget allocations, leading to changes in spending preferences. Conversely, the convenience and attractive offers available in e-commerce transactions can encourage consumers to continue shopping in a more planned and efficient manner. E-commerce platforms offer features such as significant discounts, free shipping, cashback, and ease of navigation that can influence how consumers prioritize spending. Amid inflationary pressures caused by the VAT increase, e-commerce is an effective alternative in helping consumers maintain consumption levels while still adjusting their preferences. Thus, it can be concluded that there is a simultaneous influence between the VAT increase and e-commerce transactions on Spending Preferences.
H3: Increase in VAT and E-Commerce Transactions jointly influence Spending Preferences

RESEARCH METHODS

This analysis uses a quantitative approach, known as the numerical method and statistical analysis. According to Sugiyono (2018), quantitative analysis requires the author to explain how one variable affects another variable. This research is included in the experimental category. Sugiyono (2018) also explains that this research method aims to observe the impact of certain variables on other variables. The field survey approach in this study collected data directly from Generation Z customers who use the Shopee e-commerce platform, by sending online questionnaires using Google Forms. The quantitative research methodology was applied to the population, namely Shopee customers, which were then estimated using the Lemeshow formula. This is because the population is unknown. This formula produces a minimum sample of 100 respondents. However, this study used 305 respondents as the research sample. The questionnaire used was based on a Likert scale with a score range of 1 to 5. The collected data were analyzed using SPSS version 25, to identify independent factors, such as the increase in Value Added Tax (VAT) and e-commerce transactions, which influence Spending Preferences. Validity, reliability, multiple linear regression, partial, simultaneous, and coefficient of determination tests were used to evaluate the relationship between elements that influence Spending Preferences and to determine the influence of each factor on Generation Z Spending Preferences on the Shopee e-commerce platform.

Data Analysis and Discussion**Validity Testing on Questionnaires****Table 1. Obtaining Validity Test Results**

Q	X1	X2	Y
1	0.814	0.811	0.850
2	0.910	0.862	0.860
3	0.915	0.834	0.869
4	0.908	0.837	0.770
5	0.919	0.838	0.847

Source: data processed with SPSS25, 2025.

The validity test results showed that all questionnaire items were declared valid, because each variable had a calculated r value greater than the table r , which was 0.197. Therefore, all questionnaire items were considered suitable and valid for use in this study.



Reliability Test**Table 2. Reliability Test**

Variables	Cronbach's Alpha
Spending Preferences	0.894
Value Added Tax Increase	0.937
E-Commerce Transactions	0.893

Source: data processed with SPSS25, 2025.

Reliability testing in this study showed that the questionnaires in this study were proven to be reliable, with all instruments having Cronbach's Alpha values greater than 0.60. This indicates that the research instruments were able to provide consistent and reliable results in measuring the variables studied.

Multiple Linear Regression Testing**Multiple Linear Regression Results**

Coefficients ^a						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	4,943	.615		8,033	.000
	Increase in Value Added Tax (VAT)	.154	.034	.227	4,520	.000
	E-Commerce Transactions	.614	.049	.627	12,481	.000

a. Dependent Variable: Spending Preferences

Source: Data Processed by SPSS25, 2025.

Interpretation

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + e_t$$

$$Y = 4.943 + 0.154X_1 + 0.614X_2 + e_t$$

Interpretation:

1. The constant value (a) of 4.943 means that the value of the expenditure preference will remain 4.943 if all independent variables remain constant.
2. If all variables remain constant, then an increase in Value Added Tax increases the contribution to Spending Preferences by 0.154.
3. If all variables remain constant, then E-Commerce Transactions increase the contribution to Spending Preferences by 0.614.



- The largest contribution to Spending Preferences is made by the E-Commerce Transaction variable.

Testing the Coefficient of Determination

Table 4. Results of the Determination Coefficient

Model Summary				
Model	R	R Square	Adjusted R Square	Standard Error of the Estimate
1	.809 ^a	.655	.653	2,381
a. Predictors: (Constant), E-Commerce Transactions, Increase in Value Added Tax (VAT)				

Source: Data Processed with SPSS 25, 2024.

Based on Table 4, which shows the coefficient of determination, the R-square value is 0.655. This means that 65.5% of the variation in Generation Z's spending preferences on the Shopee e-commerce platform can be explained by two variables: the increase in Value Added Tax (VAT) and e-commerce transactions. Meanwhile, the remaining 34.5% is explained by other factors outside the model.

Hypothesis Testing t

Table 5. t-Test Results

Coefficients ^a						
Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	4,943	.615		8,033	.000
	Increase in Value Added Tax (VAT)	.154	.034	.227	4,520	.000
	E-Commerce Transactions	.614	.049	.627	12,481	.000
a. Dependent Variable: Spending Preferences						

Source: Data Processed by SPSS25, 2025.

- The first hypothesis is accepted, meaning that Generation Z's Spending Preferences on the Shopee E-Commerce Platform are positively and significantly influenced by



the Increase in Value Added Tax, as seen from the $t_{\text{table value}} (1.967) < t_{\text{count}} (4.520)$ and a smaller significant value of 0.05.

2. The second hypothesis is accepted, meaning that Generation Z's Spending Preferences on the Shopee E-Commerce Platform are positively and significantly influenced by E-Commerce Transactions, as seen from the $t_{\text{table value}} (1.967) < t_{\text{count}} (12.481)$, and a smaller significant value of 0.05.

F test

Table 6. F Test Results

ANOVA ^a						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	3249.457	2	1624,728	286,607	.000 ^b
	Residual	1711,986	302	5,669		
	Total	4961.443	304			
a. Dependent Variable: Spending Preferences						
b. Predictors: (Constant), E-Commerce Transactions, Increase in Value Added Tax (VAT)						

Source: data processed by SPSS25, 2025.

The third hypothesis is accepted, meaning that Generation Z's Spending Preferences on the Shopee E-Commerce Platform are influenced by the Increase in Value Added Tax and E-Commerce Transactions through ANOVA, $F_{\text{table}} (3.03) > F_{\text{count}} (286.607)$, and a smaller significant value of 0.05.

DISCUSSION

Value Added Tax Increase on Spending Preferences

Based on the partial regression results (t-test), a significance value of $0.000 < 0.05$ was obtained and a calculated t value of $4.520 > t_{\text{table}} 1.967$, with a coefficient value of 0.154. This indicates that the increase in Value Added Tax (VAT) has a positive and significant effect on Generation Z's spending preferences on the Shopee e-commerce platform. This means that despite the increase in the tax burden through the increase in VAT rates, Generation Z still shows a tendency to allocate their spending actively, especially for consumption through digital platforms. In other words, the increase in VAT does not reduce the portion or frequency of their spending allocation, because the convenience, practicality, and attractiveness of promotions and discounts offered by e-commerce platforms are dominant factors in shaping their spending preferences.



In this context, Price Sensitivity Theory provides a framework for understanding how consumers, particularly Generation Z, respond to price changes resulting from tax increases. While this theory suggests that consumers are sensitive to price increases and tend to reduce purchases, this study shows that Generation Z preferences do not necessarily decline. Instead, they adapt by seeking more affordable alternative products or continuing to transact due to the added value offered by e-commerce platforms. This means that non-price factors such as convenience, accessibility, and promotional incentives can shift this price sensitivity.

These results are in line with the findings of Putri & Nugroho (2021) which show that the younger generation tends to continue making purchases despite price changes due to fiscal policy, due to the convenience and ease of digital transactions.

E-Commerce Transactions on Spending Preferences

The t-test results show that e-commerce transactions have a positive and significant effect on Spending Preferences. This is indicated by a significance value of $0.000 < 0.05$ and a calculated t-value of $12.481 > t\text{-table } 1.967$, as well as a regression coefficient of 0.614. This value indicates that e-commerce transactions have a strong influence on Generation Z's Spending Preferences on the Shopee platform. This means that the higher the activity or intensity of e-commerce transactions carried out by consumers, the higher the likelihood of them making purchases. This is not surprising because Generation Z is very familiar with digital technology and is used to making purchases through e-commerce. Convenience, speed, product variety, and flexible payment systems are the main triggers for high Spending Preferences.

From the perspective of Price Sensitivity Theory, high e-commerce transaction frequency should make consumers more sensitive to price changes. However, Generation Z exhibits a different behavior; they continue to make purchases despite price increases due to VAT. This suggests that the allure of e-commerce, which offers numerous incentives such as discounts, cashback, and vouchers, can neutralize the impact of price sensitivity. In other words, e-commerce platforms successfully manage consumer price perceptions, ensuring that transactions remain high despite increased costs due to taxes.

This research is in line with the findings by Wibowo (2021) and Lestari & Prabowo (2023) which stated that the more intense consumers transact on e-commerce, the higher their tendency to make impulsive purchases.



The Impact of VAT Increase and E-Commerce Transactions on Spending Preferences

The t-test results show that the increase in VAT has a positive and significant effect on Spending Preferences. This is indicated by a significance value of $0.001 < 0.05$ and a calculated t-value of $3.527 > t\text{-table } 1.967$, as well as a regression coefficient of 0.217. This value indicates that the increase in VAT has an influence on Generation Z's Spending Preferences on e-commerce platforms such as Shopee. This means that despite the increase in VAT rates, Generation Z still shows a tendency to spend, especially in online purchases. This reflects that this young age group is relatively less sensitive to price changes due to taxes because they have a strong preference for convenience, efficiency, and speed in shopping.

Price Sensitivity Theory helps explain this dynamic by stating that consumer response to price is highly dependent on perceived value. Despite price increases due to VAT, Generation Z continues to spend because they perceive the benefits of online shopping—such as time savings, a wider selection of products, and promotional incentives—to outweigh the downsides of slightly higher prices. Therefore, price sensitivity in this group does not necessarily lead to a decrease in spending preferences, as their spending preferences are more determined by the functional and emotional value of the online shopping experience itself.

This research is in line with the findings by Fauziah and Hartono (2021) and Nurhadi and Salim (2023) which stated that young consumers, especially Generation Z, tend to maintain their consumption patterns despite fiscal policies.

CONCLUSION

Based on the results of the data analysis, the findings of the analysis results were found which will be described below.

1. Generation Z's spending preferences on the e-commerce platform Shopee are positively and significantly influenced by the Value Added Tax (VAT) increase. Despite the increased tax burden, Generation Z still exhibits a high propensity to spend. This suggests that convenience, efficiency, and the need for online consumption outweigh concerns about price increases due to the tax.
2. Generation Z's spending preferences on the Shopee e-commerce platform are also positively and significantly influenced by the frequency of e-commerce transactions. This means that the more frequently Generation Z transacts on e-commerce platforms, the greater their spending tendencies. Their familiarity with digitalization and easy access to various products makes them more responsive in allocating spending through digital channels.



3. Simultaneously, the VAT Increase and E-Commerce Transactions have a positive and significant effect on Generation Z's Spending Preferences. This shows that Generation Z's shopping preferences are not easily affected by external pressures such as tax increases, because their consumer behavior is more determined by shopping convenience, ease of access, and the appeal of digital platforms such as Shopee.

Suggestion

Here are some suggestions based on research results for Generation Z on the Shopee E-Commerce Platform :

1. For Further Researchers:

This study only used two independent variables: the VAT increase and e-commerce transactions. Future researchers are advised to add other variables that may influence spending preferences, such as price perception, brand awareness, digital promotion strategies, and Generation Z's financial literacy level. The addition of these variables will help provide a more comprehensive and in-depth picture of Generation Z's spending patterns on e-commerce platforms.

2. Location Development and Segmentation:

This study focused on Generation Z in general without distinguishing geographic or demographic backgrounds. Therefore, it is recommended that further research consider segmentation based on geographic location (urban vs. rural), education level, or employment status. This is important because spending preferences can vary depending on each individual's social and economic environment.

3. Other Approach Methods:

To gain a deeper understanding of Generation Z's spending preferences, a mixed methods approach is recommended, combining quantitative and qualitative approaches. This approach can explore psychological factors, motivations, and subjective perceptions that cannot be captured with quantitative data alone.

4. Consideration of Moderating or Mediating Variables:

Future research should consider the use of moderating or mediating variables, such as promotions/discounts, perceived value, or urgency of need, which could strengthen or weaken the relationship between VAT increases and spending preferences. This approach would provide additional insight into how Generation Z prioritizes their spending in the context of changing prices or tax policies.

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