

COMPARISON OF TAX RATES AND GROSS DOMESTIC PRODUCT (GDP) BETWEEN COUNTRIES

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ABSTRACT

Taxes as the country's main source of financing are an important component for increasing or decreasing value of Gross Domestic Product (GDP) year-on-year (y-o-y). However, the influence of the individual income tax level is thought to have a negative effect on individual spending power. Therefore, the concept of the family office also emerged. This research aims to review whether there is a relationship between the applicable tax rates and economic growth, in terms of GDP.

Testing was carried out through a difference test followed by a test of the influence between the level of individual income tax and GDP (y-on-y). Because the results of the normality test found abnormal data, the test was carried out using non-parametric difference tests and correlation tests. As a result, it was found that an increase in individual income tax rates could have the effect of reducing GDP (y-on-y). This is due to reduced people's purchasing power and reduced circulation of money for shopping/consumption.

The weakness of this research is that it does not involve or exclude other variables such as inflation. Apart from that, this research only focuses on individual income tax rates, and does not use corporate income tax either.

Keywords: "GDP", "Individual Income Tax Rates"

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