ABSTRACT

Long-term development implemented in Indonesia is intended to materialize a just and prosperous society referring to the Trilogy of Development. To meet this purpose, a development in every sector is needed especially a development in the economic sector. One of the objectives to be achieved through the economic development is to obtain an adequately high economic growth. Budget policy is one of the instruments owned by the government to influence the economic growth. Tax plays an important role as one of the government's revenue. The function of tax to finance the government's expenditure is called function of budgeter.

The method used in this research is descriptive method and verifikatif. The influence of inflation, to the Value Added Tax receipts and their implications to government spending in Indonesia by using annual time series data in the period 1982-2011. Test statistic used is the Pearson Product Moment correlation calculations, Goliath analysis, determination coefficient and hypothesis test using SPSS 17 application assistance for Microsoft Windows.

These results indicate that there is a negative relationship between inflation affects the value added tax receipts and government spending. Value Added Tax receipts have a close relationship and have a positive effect on government spending. Then jointly inflation and VAT revenues have a positive effect of government spending where government spending plays a crucial role for the development of a country.

Keywords : Inflation, Value Added Tax Revenue and Government Spending