

# Determinant Factors Of Tax Evasion With Tax Morality As A Moderating Variable In Indonesia

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## **Abstract:**

*Tax evasion causes a significant decrease in revenue from the state budget. The view of tax as a burden results in the emergence of taxpayers' desire to minimize the amount of tax payable so as to create cases of fraud such as tax evasion. This tax evasion case will give birth to a taxpayer's perception of tax evasion behavior. The purpose of this study is to obtain empirical evidence of the effect of tax knowledge, tax audits, tax justice, perceptions of corruption, and tax morality as moderating variables on tax evasion. In determining the sample, this study used purposive sampling method. Respondents of this study amounted to 200 Individual Employee Taxpayers located in Jabodetabek, with the data collection method using a questionnaire. This study uses multiple linear analysis techniques. The results of this study indicate that tax morality is less significant in moderating tax knowledge, tax audits, tax justice, and perceptions of corruption on tax evasion.*

**Keywords:** tax evasion, tax knowledge, tax audit, tax justice, perceived corruption, morality Tax.

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## **I. Introduction**

Taxation has become an important subject discussed in every country in the world. Tax is the largest source in the State Revenue and Expenditure Budget (APBN) which plays an important role for national development. There are three types of tax collection systems in Indonesia, namely, *Self-Assessment System*, *Official Assessment System*, and *Withholding Assessment System*. One system that is very important for the government in tax collection by Individual Taxpayers is the *Self-Assessment System*. *Self-Assessment System* is a tax collection system that authorizes and trusts taxpayers to independently manage their tax obligations. A low understanding of taxation will result in taxpayer non-compliance such as unintentionally not carrying out tax obligations or not properly performing their tax obligations (not on time paying and reporting taxes).

Tax evasion is a very detrimental thing, having an impact on state budget revenues so that it hampers national development. Tax *Evasion* is a negligent act against the legislation by hiding part of the amount of income in order to avoid and release the responsibility to pay taxes. To reduce *Tax Evasion* the government must pay attention to tax justice, so that people think that paying taxes is not a burden. One of the tax enforcement activities is tax audit. The tax authorities will conduct an audit of the taxpayer if the tax authorities feel that there is tax evasion. The higher the frequency of tax audits will minimize the occurrence of tax evasion. Compliance and avoidance can also be motivated by perceptions of corruption.

Tax evasion exists in every country. Each country individually establishes control systems aimed at detecting tax evasion. In practice, each country specifies the control system in tax legislation and laws. It is impossible to eliminate tax evasion; it is possible to maximize the fight against tax evasion. The following authors provide information about this fact: Natalizi (2020); Sacer & Zyznarska-Dworczak, (2020); Silva, Jorge & Rodrigues (2021); Tawiah & Gyapong (2021); Stewart & Connolly (2021); [1].

Various cases of tax evasion have occurred in Indonesia, including the case of Angin Prayitno (2021), the former Director of Audit and Collection at the Directorate General of Taxes (DGT) in 2016-2019, finally became a suspect after being found involved in the criminal act of corruption of receiving gifts or promises related to tax audits in 2016-2017. Angin allegedly received bribes and gratuities totaling IDR 50 billion from three companies, namely PT Jhonlin Baratama, PT Gunung Madu Plantations, and PT Bank Pan Indonesia (Panin).

Then Andri Tan (2022) is an oil boss in Jambi City in a tax evasion case worth IDR 3.5 billion. Andri Tan deliberately used tax invoices to make it appear as if the oil company had made state tax payments. He said the defendant deliberately used tax invoices to make it appear as if the oil company had made state tax payments.

Then the case of the tax mafia committed by the tax authorities, namely Gayus Tambunan (2009). Gayus, whose rank at that time was still class IIIA, had a wealth of around IDR 100 billion. Even though his salary at that time was only IDR 12.1 million per month. Of course, with a case like that, it will make people

reduce their trust in tax officials, because the money spent by taxpayers is misused. With the many cases that occur, it is normal for taxpayers to feel lazy and do illegal tax avoidance, besides that these cases affect the morale of taxpayers in fulfilling their tax obligations. If state awareness is high, it also means that tax morality is also high. Taxpayers with high tax morality tend to be obedient and will not commit tax evasion, otherwise taxpayers with low tax morality will try to commit tax evasion. The novelty of this research is the existence of tax morality as a moderating variable, where this variable has a positive or negative effect on the independent variable, namely tax evasion.

Based on the background description, the problem can be formulated as follows:

1. Does tax knowledge affect tax evasion?
2. Does tax audit affect tax evasion?
3. Does tax justice affect tax evasion?
4. Does the perception of corruption affect tax evasion?
5. Does tax knowledge moderated by tax morality affect tax evasion?
6. Does tax audit moderated by tax morality affect tax evasion?
7. Does tax justice moderated by tax morality affect tax evasion?
8. Does the perception of corruption moderated by tax morality affect tax evasion?

## **II. Literature Review**

### **Attribution Theory**

Attribution theory studies the process of how a person interprets an event, reason or cause of his behavior. This theory refers to how a person can explain the cause of individual behavior (himself or others) which is determined whether it comes from internal causes such as nature, character, attitude, etc. or external such as the pressure of certain situations or circumstances that will have an influence on individual behavior.

Attribution theory is considered relevant to explain this research. The relationship is that the compliance or non-compliance of taxpayers in carrying out their tax obligations is influenced by internal factors and external factors. Tax evasion can arise from one's own behavior due to certain pressures or situations that make the person commit fraud. This study uses the concept of attribution theory from the internal aspect in the form of perceptions of tax corruption.

### **Tax evasion**

*Tax Evasion* is an effort made to pay as little tax as possible, and tends to do tax evasion, which certainly violates tax laws and regulations. Taxpayers who report the Annual Tax Return (SPT) with the amount of income lower than the actual (*understatement of income*) on the one hand and or report costs greater than the actual (*overstatement of the deductions*) on the other hand.

Basically, tax evasion and tax avoidance have the same goal of reducing the tax burden, but the way it is done is illegal behavior. Transfer pricing strategy that aims to conduct *tax avoidance* by utilizing the difference in tax rates between countries will be very detrimental to countries that are *high tax countries* because they will lose their potential tax revenue. The country will lose more if the transfer pricing strategy is intended to conduct *tax evasion*. Therefore, international companies that commit tax evasion will be considered as a criminal act. In terms of law, tax evasion due to transfer pricing is not in accordance with the applicable tax provisions so that it will be subject to criminal tax sanctions.

### **Tax Morality**

The theory of stages of moral development (*Theory of Moral Reasoning*) is the basis of theories related to morality. This theory was proposed by Kohlberg in 1958 which explains the stages of moral development is a measure of the high or low morals of individuals based on the development of moral reasoning. The theory holds that moral reasoning is the basis of ethical behavior and has six stages of development. Kohlberg's six stages of moral development are grouped into three levels namely pre-conventional, conventional and post-conventional. At the pre-conventional level, individuals judge morality based on an action that has direct consequences. At the conventional level, individuals judge the morality of an action by comparing it to the views and expectations of society. At the last level, namely post-conventional, each individual has principles to support their basic things and values.

Taxpayers who have tax morality will be more compliant than taxpayers who do not have tax morality. Tax morality is also used as a moral obligation to pay taxes or beliefs about the contribution that can be made to the social environment by paying taxes or in other words how people's attitudes towards their tax obligations. Tax morality can be said to be the basic motivation of individuals to pay taxes or it can also be called the desire of individuals to pay taxes.

### **Tax Knowledge**

Taxpayer knowledge includes knowledge of the concept of general provisions in the field of taxation, types of taxes applicable in Indonesia ranging from tax subjects, tax objects, tax rates, calculation of taxes payable, recording taxes payable, to how to fill out tax reporting. Tax compliance can be fostered by knowing the basic knowledge of taxation in connection with obligations on personal income tax. Tax knowledge of taxpayers and prospective taxpayers will minimize the occurrence of *tax evasion*. The level of tax education and tax knowledge plays an important role in ensuring that tax administration runs well. So one of the most appropriate ways to reduce tax evasion is to provide more tax knowledge to taxpayers to improve their tax morality.

### **Tax Audit**

*Theory of Taxation* states that higher levels of tax audits result in higher levels of compliance. [2] stated that tax audit is one of the actions taken throughout the world, both by developing and developed countries to maximize a country's tax revenue. The Association of Chartered Certified Accountants defines audit as an exercise that provides assurance to shareholders and other stakeholders of a company on financial statements because it is independent and impartial. This strengthens the actions taken by the Directorate General of Taxes to conduct tax audits as a form of fulfilling its obligations based on tax law. Existing literature shows that the effectiveness of tax audits is a function of a number of factors, including information systems, tax laws, taxpayer capabilities, attitudes and cooperation, placement of tax audit units, types of businesses that pay taxes, quality of audits, top management support. [3].

Audit is a series of activities to search, collect, process data and or other information to test compliance with the fulfillment of tax obligations in accordance with the provisions of tax laws and regulations and reduce tax evasion.

### **Tax Fairness**

Justice is the morally ideal state of truth about a matter, whether it concerns objects or people. This means that justice is an equality that must be applied to anyone, whether it relates to objects or humans themselves. Meanwhile, justice in taxation is a statement that every citizen should participate in government financing, as far as possible in balance according to their respective abilities, namely comparing the income earned with the protection they enjoy from the state.

Fair tax collection is the same treatment for persons or entities in the same economic situation (for example, having the same annual income) and provides different treatment for persons or entities in different economic circumstances (Zain, in [4]). [4]. In the field of taxation, justice here is an equality that must be felt by every taxpayer where someone with a high economy must get a high tax, and vice versa.

### **Corruption Perception**

Perception of tax corruption is the taxpayer's observation of tax money embezzlement or abuse of position in an effort to benefit individuals and burden other parties. In the world of taxation, tax corruption is a violation of the law on the embezzlement of tax proceeds committed by someone for their own benefit. Corruption and tax evasion are two different activities, both of which can stand alone but can correlate and reinforce each other. Corruption within tax authorities remains a significant problem in many countries, as bribery and extortion directly affect tax revenues, tax compliance and the weakness of the tax system itself. Extortion is the unauthorized use of one's position to demand payment by force in return for the provision of an undue economic advantage (OECD, 2013). [5] explains the various ways in which tax officials threaten to tax more than they should, such as denying deductible expenses, taxing tax- free income, or deceiving taxpayers about the characteristics of their income.

Research results in the former Soviet Union countries show that taxpayers tend to evade when corruption occurs and the quality of public services is low (Uslaner, 2010). Corruption involving tax authorities is a significant determinant of a company's decision to engage in tax avoidance. [6]. IMF (2015) states that corruption by tax authorities in various countries is still a significant concern, both bribery and extortion cases.

Bribery involves knowingly promising or giving any advantage to a government official, with the intention that the official will act or not act in connection with his or her duties (OECD, 2013). In an attempt to bribe tax officials, taxpayers must provide a certain amount of funds hidden in financial statements, which often come from tax avoidance practices. The possibility of bribery is when tax evasion begins to be detected, namely during a tax audit.

### **The Effect of Tax Knowledge on Tax Evasion**

Taxation knowledge is knowledge of the concept of general provisions in the field of taxation, types of taxes that apply in Indonesia ranging from tax subjects, tax objects, tax rates, calculation of taxes payable,

recording taxes payable, to how to fill in tax reporting.

The higher the tax knowledge possessed by the taxpayer, the taxpayer will obey and comply. Conversely, the lower the tax knowledge possessed by taxpayers, the more tax evasion practices will occur. Sanusi (2019) and Riahi- Belkaoui (2004) found that lack of tax knowledge among taxpayers can lead to bad behavior and unintentional tax evasion in the end.

[7] identified taxation knowledge as a factor that will affect citizen taxpayer compliance. In the implementation of rights and obligations, a taxpayer is still not on time in carrying out his rights and obligations. This is due to the incomprehension of a taxpayer. The incomprehension of a taxpayer of tax knowledge makes it easier for the taxpayer to practice tax evasion.

Taxpayer knowledge has a partially negative effect on the ethics of tax evasion (Hasibuan, 2014). The higher the taxpayer's knowledge of taxation, the more taxpayers will avoid tax evasion.

**H.1** : Tax knowledge has a negative influence on tax evasion

### **The Effect of Tax Audit on Tax Evasion**

Audit is a series of activities carried out to search, collect, and process information needed to examine and test taxpayer compliance in implementing tax provisions in accordance with tax laws and regulations. Tax audits that are carried out intensively and regularly will minimize the occurrence of tax evasion.

Based on research conducted [8] that the intensity of tax audits in this study proved to have no significant effect on tax avoidance activities. This is also supported by Prielly (2017) who states that tax audits have a negative effect on tax evasion. However, previous research conducted by [9] shows that tax audits have a positive and significant effect on tax evasion.

**H.2** : Tax audit has a negative influence on tax evasion

### **The Effect of Tax Justice on Tax Evasion**

The tax collection system in Indonesia uses a *self-assessment system*, the principle of justice is needed in this system so as not to cause tax resistance such as tax *avoidance* and *tax evasion*. Fairness in legislation is the imposition of taxes evenly and adjusted to their respective abilities. While fair in its implementation, namely giving taxpayers the right to file objections, delay payments, and file appeals to the Tax Advisory Panel.

Tax justice refers to the fair payment of taxes (and accompanying penalties) to the tax authority, with the incidental amount equal to the amount of tax recorded. Fairness, in its most basic form, refers to a standard of action that must be absolutely fair, or at the very least, acceptable and reasonable. Justice, on the other hand, has many different aspects and, thus, many understandings of the concept [10]. Tax avoidance is most likely to occur among taxpayers who perceive the tax system as unfair, causing them to show non-compliance with tax obligations (Sing and Bidin 2020).

Tax justice is categorized as a non-economic determinant of tax avoidance and an important factor driving taxpayer behavior. [11](Alm et al. 2017; Farrar et al. 2019). [12] stated that tax justice is described as the fairness of tax collection procedures, principles, and implementation. Due to unfairness in tax collection procedures, immoral practices may occur. Tax justice can positively motivate taxpayers to be compliant in paying taxes.

**H.3:** tax justice has a negative effect on tax evasion

### **The Effect of Corruption Perceptions on Tax Evasion**

Corruption within tax authorities remains a significant problem in many countries, as bribery and extortion directly affect tax revenues, tax compliance and the weakness of the tax system itself. In previous studies from Hindriks et al. (1999), Chander and Wilde (1992), Acconcia et al. (2003), Uslaner (2010), and Alm et al. (2016), which state that corruption increases tax avoidance. Corrupt acts in the form of extortion and fraud, especially those committed by unscrupulous tax officials, make internal and external controls useless. This condition causes an increase in tax avoidance, especially when tax knowledge and willingness to report from the taxpayer itself are low.

Hindriks et al. (1999) describe various ways in which tax officials threaten to tax more than they should, such as denying deductible expenses, taxing tax-free income, or deceiving taxpayers about the characteristics of their income. Bribery involves knowingly promising or providing any advantage to a government official, with the intention that the official will act or refrain from acting in relation to his or her duties (OECD, 2013). In order to bribe tax officials, taxpayers must provide a certain amount of funds hidden in financial statements, which often comes from tax avoidance practices (Acconcia et al., 2003).

The perception of corrupt officials increases tax evasion activities because corrupt officials will seek additional income through bribes (Alm et al., 2016). In other words, tax evasion encourages corruption by allowing tax officials to bribe. Countries with high levels of trust and low levels of corruption tend to have better governance, economic growth, spending, and rule of law (Uslaner, 2004). Uslaner (2010) found evidence

that in former Soviet colonies, high levels of bribery to tax officials led to higher levels of tax evasion. The correlation between corruption and tax evasion is crucial as it can reinforce each other and adversely affect the trust of honest taxpayers.

Alm et al. (2016) using the Business Environment and Enterprise Performance Survey (BEEPS) survey data from the World Bank provide similar results to Uslaner (2010), which states that the perception of tax officials who are vulnerable to bribery will increase the incentive to avoid.

**H.4** : Perceptions of corruption have a positive effect on tax evasion

**H.5** The Effect of Tax Knowledge Moderated by Tax Morality on Tax Evasion

Tax Moral plays an important role for taxpayers to apply applicable tax rules, this will shorten time and avoid unnecessary costs. High tax morale will encourage an increase in the amount of tax revenue in the state treasury so that it can maximize spending on public purposes. The higher the tax knowledge possessed by the taxpayer, the taxpayer will obey and obey, and have good morals in tax reporting, it will reduce the level of tax evasion. Conversely, the lower the tax knowledge possessed by taxpayers, the more tax evasion practices will occur.

**H.6** : Tax knowledge has a negative effect on tax evasion through tax morality

#### **The Effect of Tax Audit Moderated by Tax Morality on Tax Evasion**

Taxpayer morale is a factor that can affect the level of tax evasion. The number of tax evasion cases forms bad taxpayer morale. The worse the morale of taxpayers, the taxpayer tends not to follow existing regulations, this causes taxpayers to perceive that tax evasion is an ethical thing to do. Taxpayers who have good morals will view tax evasion as an illegal and unlawful act, in addition, taxpayers will also feel guilty if they commit tax evasion, so taxpayers will not take this action.

Tax audits are carried out to supervise taxpayers for their compliance in fulfilling their tax obligations. Routine tax audits have the effect of deterring taxpayers from committing tax evasion. So, if the level of morality is high, then the treatment of tax audits is more routine, so the taxpayer's perception of tax evasion is increasingly unethical to do.

**H.7** : Tax audit has a negative effect on tax evasion through tax morality

#### **The Effect of Tax Justice Moderated by Tax Morality on Tax Evasion**

According to [13] Justice has a positive effect on taxpayers' perceptions of the ethics of tax evasion. Tax evasion can be considered an ethical or unethical thing depending on how taxpayers view the fairness of tax implementation. In this case, it is related to the high and low tax rates that apply and how the government manages funds sourced from taxes.

While research conducted by [14] Tax justice has a negative effect on taxpayer perceptions of tax evasion. If the level of justice carried out by the government is higher, the taxpayer's perception of tax evasion will be considered bad to do. So in this case the higher the justice, the lower the tax evasion will be.

The application of applicable tax rules is influenced by Tax Morale so that tax morale has an important role for taxpayers. High Tax Morale will encourage an increase in the amount of tax received by the state treasury which will maximize spending for public purposes.

Even though tax justice is high enough, it has no effect on reducing tax evasion. This is because there is a possibility that justice only exists in the law, but not in its implementation. A low level of morality can increase tax evasion. If the level of tax justice and tax morality is high, the level of tax evasion will decrease.

**H.8** : Tax justice has a negative effect on tax evasion through tax morality

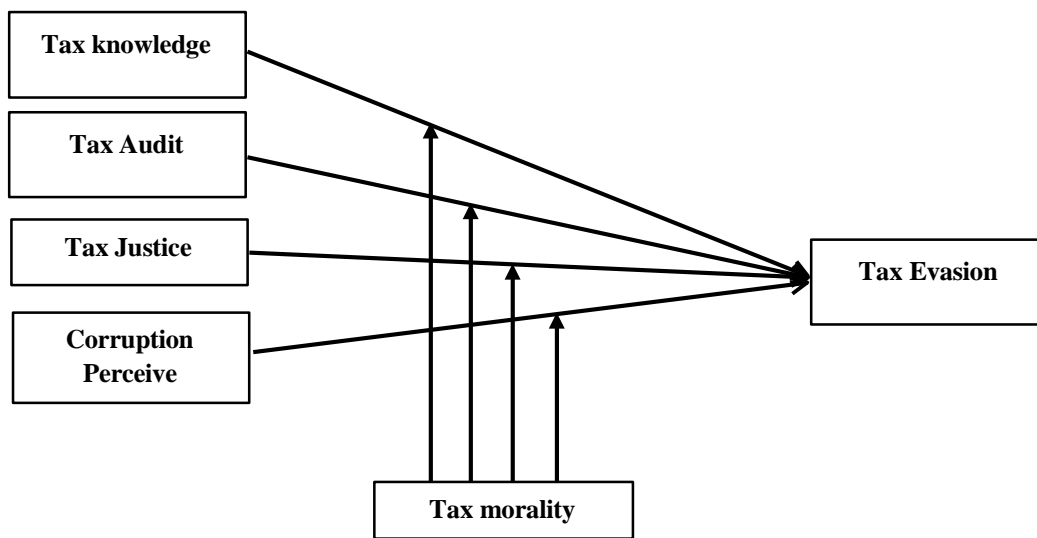
#### **The Effect of Corruption Perceptions Moderated by Tax Morality on Tax Evasion**

Tax evasion is described as an illegal act that violates the law and deviates from social norms that stipulate that citizens must pay taxes (Korndörfer et al., 2014). Exploring ways to make citizens compliant with their tax obligations and minimize the occurrence of tax evasion has been recognized as an important function of the tax structure. [15]

Corruption and tax evasion are two different activities, both of which can stand alone but can be correlated and reinforced (Alm et al., 2016). Corruption within tax authorities remains a significant problem in many countries, as bribery and extortion directly affect tax revenues, tax compliance and the weakness of the tax system itself (IMF, 2015). Extortion is the unauthorized use of one's position to demand payment by force in return for the provision of an undue economic advantage (OECD, 2013). Hindriks et al. (1999) describe various ways in which tax officials threaten to tax more than they should, such as denying deductible expenses, taxing tax-free income, or deceiving taxpayers about the characteristics of their income. The relationship between perceived corruption and morality is that if the higher the act of corruption, it will reduce the level of tax morality and will make tax evasion behavior increase.

**H.9** : Perceived corruption has a positive effect on tax evasion through tax morality The framework in this study is as described below:

**Figure 1: Framework of Thought**



Source: Processed by the author

### III. Research Methodology

The research methodology used is descriptive research with primary data obtained from distributing and filling out questionnaires to taxpayers. The questionnaire was made electronically using the help of Google Form. The questionnaire in this study was distributed to respondents who were WPOP Employees. Sampling using *random sampling* method based on ease of obtaining data, using multiple linear regression analysis. The sample in this study took the number of samples used as many as 200 taxpayers. This study uses indicator measurements using the Likert Scale by providing 1-5 points ranging from a scale of Strongly agree (SS), Agree (Agree), Have no opinion (TP), Disagree (TS), Strongly disagree (STS).

#### Independent Variable Tax Knowledge

Statements in the Tax Knowledge variable are measured by 9 statement items adapted from research (Yusuf; 2022), as follows:

**Table 1 Tax Knowledge Variable Statement Items**

| No. | Statement   |
|-----|---|
|     | <b>Knowledge of Tax Law</b>   |
| 1   | Law No. 9 of 1994 is a formal law that defines taxpayers as individuals or entities to perform tax obligations, including tax collectors. |
| 2   | Tax rates on PKP for WPOP (5%, 15%, 25% and 30%)  |
| 3   | Government treasurers who pay salaries, wages, honorariums, allowances and other payments are tax deductors.                              |
|     |   |
|     | <b>Knowledge of the taxation system in Indonesia</b>  |
| 4   | I understand the current tax system (calculate, account, pay and report myself).  |
| 5   | I feel that the current tax rate is appropriate.  |
| 6   | I don't understand the tax system in Indonesia  |
|     |   |
|     | <b>Knowledge of taxation function</b>   |
| 7   | NPWP serves as a taxpayer's identity and every taxpayer must have one.  |
| 8   | I know that taxes serve as the largest source of state revenue.   |
| 9   | I feel that the tax paid can be used for financing by the government.   |

#### Tax Audit

Statements in the Tax Audit variable are measured by 5 statement items adapted from research [3] as follows:

**Table 2 Tax Audit Variable Statement Items**

| No. | Statement   |
|-----|---|
|     | <b>Tax Audit Effectiveness</b>  |
| 1   | There is a transparent tax audit procedure that minimizes the number of complaints from taxpayers |
| 2   | The tax audit system is sufficient to encourage taxpayers to comply voluntarily                   |
| 3   | Good documentation of tax audit findings  |
| 4   | The number of tax evaders is decreasing along with the increase in tax audits                     |
| 5   | The tax audit report is clear, concise and well presented   |

**Tax Fairness**

Statements in the Tax Justice variable are measured by 9 statement items adapted from research [16] as follows:

**Table 3 Tax Justice Variable Statement Items**

| No. | Statement   |
|-----|---|
|     | <b>Fairness in Legislation</b>  |
| 1   | I feel that the current tax law is fair   |
| 2   | I feel that taxation in general has been evenly distributed                             |
| 3   | Taxation is fair according to my ability  |
|     | <b>Fairness in Implementation</b>   |
| 4   | I have the right to file a tax debt objection   |
| 5   | I have the right to defer tax payments  |
| 6   | I have the right to appeal my tax debt to a tribunal.                                   |
|     | <b>Principle of Equality, Principle of Certainty, Principle of Convenience</b>          |
| 7   | I feel that the tax service office does not discriminate among fellow taxpayers.        |
| 8   | The tax that I pay to ensure legal certainty regarding the object, subject and payment. |
| 9   | I feel that the cost of tax collection is kept to a minimum.                            |

**Corruption Perception**

Statements in the Corruption Perception variable are measured by 4 statement items adapted from research (Stefanie & Sandra; 2020) as follows:

**Table 4 Corruption Perception Variable Statement Items**

| No. | Statement   |
|-----|---|
|     | <b>Understanding Corruption</b>   |
| 1   | I feel that the taxes I have paid will be embezzled by the state apparatus.   |
| 2   | I feel that the state apparatus is abusing its position in terms of taxes for the benefit of certain parties.   |
| 3   | With so many cases of corruption by state officials, I don't want to pay taxes.   |
| 4   | In my opinion, tax corruption committed by state officials is very detrimental to the state and taxpayers, considering that state revenue from the tax sector is the largest part of revenue. |

**Moderating Variable Tax Morality**

Statements in the Corruption Perception variable are measured by 5 statement items adapted from research as follows:

**Table 5 Corruption Perception Variable Statement Items**

| No. | Statement   |
|-----|---|
|     | <b>Tax Morality Level</b>   |
| 1   | It is fine if taxpayers overstate their business expenses to reduce the personal tax payable. |
| 2   | It is fine if taxpayers take advantage of loopholes in the tax law to minimize their taxes.   |
| 3   | It does not matter if the taxpayer only reports part of his income to reduce the tax payable  |
| 4   | In difficult economic situations, it does not matter if taxpayers do not pay their taxes      |
| 5   | Tax evasion is a serious crime  |

**Dependent Variable Tax evasion**

Statements in the Corruption Perception variable are measured by 5 statement items adapted from research as follows:

**Table 6 Tax Evasion Variable Statement Items**

| No                              | Statement   |
|---------------------------------|---|
| <b>Submission of tax return</b> |   |
| 1                               | Not submitting tax returns on time.                       |
| 2                               | Filing tax returns incorrectly.                           |
| <b>Use of NPWP</b>              |   |
| 3                               | Not registering or misusing the NPWP                      |
| <b>Tax deposit</b>              |   |
| 4                               | Not depositing taxes that have been collected or withheld |
| 5                               | Reporting less income than they should                    |

**Data Analysis Method**

The data is processed using SPSS by making a Hypothesis Test which uses the Moderation Regression Analysis Test. Then the regression equation model used in hypothesis testing is:

$$PIP_j = \alpha + \beta PgP_j + \beta PmP_j + \beta_{123} KP + \beta_4 PK + \beta_5 PgP_j.MP + \beta_6 PmP_j.MP + \beta_7 KP.MP + \beta_8 PK.MP +$$

Description:

- Plpj : Tax Evasion
- $\alpha$  : Constant
- PgPj : Tax Knowledge
- PmPj : Tax Audit
- KP : Tax Justice
- PK : Corruption Perception
- MP : Tax Morality
- $\beta_1 - \beta_9$  : Regression coefficient
- e : Error / Residual
- PgPj<sub>1</sub>.M : Tax Knowledge on Morality
- PmPj.M : Tax Audit with Tax Morality
- KP.M : Tax Justice with Tax Morality
- PK.M : Corruption Perception with Tax Morality

**Respondent Data and Description**

This descriptive data describes the various conditions of respondents who are displayed statistically and provides simple information on the state of the respondents who are the object of research can be seen in table 7 below:

**Table 7. Description of Respondent Characteristics**

| No. | Demographic Factors    | Frequency | %   |
|-----|------------------------|-----------|-----|
| 1.  | <b>Gender</b>          |           |     |
|     | Men                    | 63        | 31% |
|     | Women                  | 137       | 69% |
| 2.  | <b>Age</b>             |           |     |
|     | ≤ 25 years             | 61        | 31% |
|     | 26-35 years old        | 137       | 68% |
|     | 35-45 years old        | 2         | 1%  |
|     | > 45 years             | -         | -   |
| 3.  | <b>Type of Work</b>    |           |     |
|     | PNS                    | 9         | 5%  |
|     | Private Employee       | 159       | 79% |
|     | SOE employee(D)        | 9         | 4%  |
|     | Entrepreneurship More  | 22        | 11% |
|     |                        | 1         | 1%  |
| 4.  | <b>Education Level</b> |           |     |



|    |                              |     |     |
|----|------------------------------|-----|-----|
|    | HIGH SCHOOL                  | 5   | 3%  |
|    | D3                           | 3   | 1%  |
|    | S1                           | 180 | 90% |
|    | S2                           | 12  | 6%  |
| 5. | <b>Registered Tax Office</b> |     |     |
|    | DKI Jakarta                  | 108 | 54% |
|    | Non-DKI Jakarta              | 92  | 46% |

**Descriptive Analysis**

Table 8 shows the results of descriptive analysis for all respondents regarding Tax Knowledge, Tax Audit, Tax Justice, Corruption Perception, Tax Morality as a moderating variable on Tax Evasion.

**Table 8. Descriptive Analysis Results**

| N                     | Minimum |      | Maximum | Mean | Std. Deviation |
|-----------------------|---------|------|---------|------|----------------|
|                       |         |      |         |      |                |
| Tax Knowledge         | 200     | 1.00 | 5.00    | 3,89 | 0,84           |
| Tax Audit             | 200     | 1.00 | 5.00    | 3,41 | 0,73           |
| Tax Fairness          | 200     | 1.00 | 5.00    | 3,57 | 0,82           |
| Corruption Perception | 200     | 1.00 | 5.00    | 2,92 | 0,96           |
| Tax Morality          | 200     | 1.00 | 5.00    | 2,43 | 0,59           |
| Tax evasion           | 200     | 1.00 | 5.00    | 2,36 | 0,48           |
| Valid N (listwise)    | 200     |      |         |      |                |

Source: SPSS processed data

Table 8 shows that there are 200 respondents. Tax evasion has an average value of 2.36 (the lowest value). This shows that compared to other variables, tax evasion has the lowest preference among respondents. Tax knowledge has an average value of 3.89 (highest value).

**Table 9. Frequency**

| Tax Knowledge | Response |    |    |    |     |
|---------------|----------|----|----|----|-----|
|               | 1        | 2  | 3  | 4  | 5   |
| Indicator 1   | 3        | 11 | 48 | 68 | 70  |
| Indicator 2   | 6        | 5  | 50 | 73 | 66  |
| Indicator 3   | 4        | 15 | 60 | 71 | 49  |
| Indicator 4   | 2        | 20 | 60 | 72 | 46  |
| Indicator 5   | 10       | 39 | 62 | 62 | 27  |
| Indicator 6   | 25       | 50 | 64 | 41 | 20  |
| Indicator 7   | 0        | 7  | 34 | 68 | 91  |
| Indicator 8   | 0        | 3  | 25 | 71 | 101 |
| Indicator 9   | 2        | 22 | 40 | 65 | 71  |

Respondents on the tax knowledge statement argue that the statements on this variable have the most results on a scale of 5, namely strongly agree.

| Tax Audit   | Response |   |    |    |    |
|-------------|----------|---|----|----|----|
|             | 1        | 2 | 3  | 4  | 5  |
| Indicator 1 | 0        | 7 | 23 | 93 | 77 |
| Indicator 2 | 0        | 3 | 33 | 68 | 96 |
| Indicator 3 | 0        | 8 | 40 | 61 | 91 |
| Indicator 4 | 1        | 4 | 27 | 85 | 83 |
| Indicator 5 | 5        | 4 | 51 | 69 | 71 |

Respondents on the tax audit statement thought that the statements on this variable had the most results on a scale of 5, namely strongly agree.

| Tax Fairness | Response |    |    |    |    |
|--------------|----------|----|----|----|----|
|              | 1        | 2  | 3  | 4  | 5  |
| Indicator 1  | 12       | 29 | 84 | 47 | 28 |
| Indicator 2  | 26       | 33 | 72 | 50 | 19 |
| Indicator 3  | 7        | 27 | 73 | 59 | 34 |
| Indicator 4  | 3        | 11 | 45 | 77 | 64 |
| Indicator 5  | 6        | 31 | 58 | 74 | 31 |
| Indicator 6  | 4        | 8  | 55 | 82 | 51 |
| Indicator 7  | 5        | 21 | 87 | 55 | 32 |
| Indicator 8  | 2        | 4  | 76 | 75 | 43 |
| Indicator 9  | 4        | 12 | 87 | 57 | 40 |

Respondents on the tax justice statement argue that the statements on this variable have the most results on scale 3, namely Neutral.

| Corruption Perception | Response |    |    |    |     |
|-----------------------|----------|----|----|----|-----|
|                       | 1        | 2  | 3  | 4  | 5   |
| Indicator 1           | 14       | 40 | 66 | 40 | 40  |
| Indicator 2           | 7        | 18 | 46 | 69 | 60  |
| Indicator 3           | 15       | 32 | 76 | 31 | 46  |
| Indicator 4           | 0        | 7  | 20 | 58 | 115 |

Respondents on the perception of corruption statement argue that the statements on this variable have the most results on a scale of 5, namely strongly agree.

| Tax Morality | Response |    |    |    |    |
|--------------|----------|----|----|----|----|
|              | 1        | 2  | 3  | 4  | 5  |
| Indicator 1  | 97       | 80 | 22 | 1  | 0  |
| Indicator 2  | 91       | 92 | 17 | 0  | 0  |
| Indicator 3  | 112      | 68 | 17 | 3  | 0  |
| Indicator 4  | 41       | 61 | 38 | 44 | 16 |
| Indicator 5  | 27       | 26 | 14 | 50 | 83 |

Respondents on the perception of corruption statement argue that the statements on this variable have the most results on scale 1, namely strongly disagree.

| Tax evasion | Response |    |    |   |   |
|-------------|----------|----|----|---|---|
|             | 1        | 2  | 3  | 4 | 5 |
| Indicator 1 | 130      | 61 | 9  | 0 | 0 |
| Indicator 2 | 127      | 65 | 8  | 0 | 0 |
| Indicator 3 | 130      | 65 | 5  | 0 | 0 |
| Indicator 4 | 104      | 68 | 27 | 0 | 1 |
| Indicator 5 | 122      | 73 | 5  | 0 | 0 |

Respondents on the perception of corruption statement argue that the statements on this variable have the most results on scale 1, namely strongly disagree.

**Regression Analysis**

Table 9 shows the results of the multiple linear regression analysis model in this study.

Table 9. Multiple Linear Regression Analysis

| Unstandardized Coefficients |                               |            | Standardized Coefficients |       |        |      |
|-----------------------------|-------------------------------|------------|---------------------------|-------|--------|------|
| Model                       | B                             | Std. Error |                           | Beta  | t      | Sig. |
| 1                           | (Constant)                    | 14.308     | 1.203                     |       | 11.897 | .000 |
|                             | Tax Knowledge (X1)            | -.086      | .028                      | -.222 | -3.053 | .003 |
|                             | Tax Audit (X2)                | -.152      | .041                      | -.252 | -3.682 | .000 |
|                             | Tax Justice (X3)              | -.050      | .022                      | -.158 | -2.273 | .024 |
|                             | Perception of Corruption (X4) | .001       | .036                      | .001  | .015   | .988 |
|                             | PgPj.MP                       | .396       | .150                      | .200  | 2.644  | .009 |
|                             | PmPj.MP                       | .216       | .151                      | .109  | 1.428  | .155 |
|                             | KP.MP                         | .089       | .138                      | .049  | .644   | .521 |
|                             | PK.MP                         | -.243      | .134                      | -.128 | -1.814 | .071 |

Source: SPSS output version 22

The purpose of testing multiple linear regression analysis is to determine the direction of the relationship between the independent variable and the dependent variable whether the relationship is positive or negative, and also to determine the predicted value of the dependent variable if the value of the independent variable increases or decreases. The research regression equation obtained is as follows:

$$PIP_j = 14.308 - 0.086PgP_j - 0.152PmP_j - 0.050KP + 0.001PK + 0.396PgP_j.MP + 0.216PmP_j.MP + 0.089KP.MP - 0.243PK.MP + e$$

The linear regression equation above shows that the constant coefficient value is 14.308, which means that if the value of X1 - X8 in the research object is equal to 0, then Y (tax evasion) is 14.308. The regression coefficient value  $\beta_1 - \beta_8$  shows the change in tax evasion as the dependent variable if the value of the independent variable is tax knowledge, tax audit, tax justice, perceived tax corruption with the moderating variable, namely tax morality, has increased or decreased by 1 unit.

**Statistical Test t**

The purpose of the t test is to determine whether the independent variable partially affects the dependent variable. If  $t\text{-count} > t\text{-table}$  and  $\text{sig} < 0.05$  then there is a significant influence between the independent variable on the dependent variable. Using a 2-way test where  $\alpha = 0.05$ .

The description of the t-test results in this study is as follows:

1. The tax knowledge variable has a t-count of -3.053 with a significance of 0.003, it can be said that tax knowledge has a significant negative effect on tax evasion.
2. The tax audit variable has a t-count of -3.682 with a significance of 0.000, it can be said that tax audits have a significant negative effect on tax evasion.
3. The tax justice variable has a t-count of -2.273 with a significance of 0.024, it can be said that tax justice has a significant negative effect on tax evasion.
4. The corruption perception variable has a t-count of 0.015 with a significance of 0.988, it can be said that the perception of corruption has a significant positive effect on tax evasion.
5. The moderating variable of tax morality on the tax knowledge variable has a t-count of 2.644 with a significance of 0.009, it can be said that tax morality on tax knowledge has a significant negative effect on tax evasion.
6. The moderating variable of tax morality on the tax audit variable has a t-count of 1.428 with a significance of 0.155, it can be said that tax knowledge has a significant positive effect on tax evasion.
7. The moderating variable of tax morality on the tax justice variable has a t-count of 0.644 with a significance of 0.521, it can be said that tax knowledge has a significant positive effect on tax evasion.
8. The moderation variable of tax morality on the corruption perception variable has a t-count of -1.814 with a significance of 0.071, it can be said that tax knowledge has a significant negative effect on tax evasion.

**Test Coefficient of Determination (R)<sup>2</sup>**

The purpose of testing the coefficient of determination is to determine the effect of the independent variable on the dependent variable by squaring the correlation. The smaller the Adjusted R Square value, the more limited the ability of the independent variables to explain the dependent variation. If  $\text{Adj.R}^2$  is getting closer to 1, the better the regression model used. Meanwhile, if the  $\text{Adj.R}^2$  value is getting closer to 0, the independent variables cannot explain well the dependent variable contained in the study.

**Table 10. Test Coefficient of Determination**

| Model | R                 | R Square | Adjusted R Square | Std. Error of the Estimate |
|-------|-------------------|----------|-------------------|----------------------------|
| 1     | .567 <sup>a</sup> | .321     | .290              | 1.45323                    |

Source: SPSS output version 22

The Adjusted R value<sup>2</sup> is 0.290 or 29%, meaning that the tax evasion variable can be explained by tax knowledge (X1), tax audits (X2), tax justice (X3), perceptions of tax corruption (X4), tax morality as a moderating variable is 29%, while the remaining 71% is explained by other independent variables outside this study.

**Model Accuracy Test (F Test)**

The F statistical test aims to determine whether all independent variables contained in the regression model have a significant influence together on the dependent variable.

**Table 11. Test Coefficient of Determination**

|   |            | ANO            | VA <sup>a</sup> |             |        |                   |
|---|------------|----------------|-----------------|-------------|--------|-------------------|
|   | Model      | Sum of Squares | df              | Mean Square | F      | Sig.              |
| 1 | Regression | 172.867        | 8               | 21.608      | 10.232 | .000 <sup>b</sup> |
|   | Residuals  | 365.353        | 191             | 2.112       |        |                   |
|   | Total      | 538.220        | 199             |             |        |                   |

Source: SPSS output version 22

Based on table 11 above, it can be seen that the F significance value is 0.000 < 0.05, which means that together there is a significant influence between tax knowledge, tax audits, tax justice, perceptions of tax corruption on tax evasion with moderating tax morality.

**IV. Discussion**

**The Effect of Tax Knowledge on Tax Evasion**

The regression results in Table 9 show a negative relationship between tax knowledge and tax evasion. Theoretically, the better the tax knowledge of taxpayers, the more unethical the perception of taxpayers in their behavior for tax evasion, and vice versa. The perception that arises due to the taxpayer's lack of knowledge about taxation indicates that tax evasion behavior is ethical to do. Taxpayer knowledge is an internal factor from within the taxpayer, where if they have knowledge about taxes and the consequences of committing tax evasion then they will not do it.

Knowledge owned by taxpayers has an important role in determining steps regarding tax evasion. Because taxpayers who have a good level of knowledge in the field of taxation can understand the rights and obligations of a taxpayer, so they will not feel disadvantaged by making tax payments.

**The Effect of Tax Audit on Tax Evasion**

Tax audits will positively affect the revenue earned by the government from taxation as a result of reduced levels of tax evasion and avoidance. [19]. Tax audits are essential to keep taxpayers on their toes. This is especially true for taxpayers who are marginally compliant and can be easily moved into tax evasion. Tax audits and investigations are also a means of protecting government resources and ensuring that evaders do not get away with their offenses.

Internal mechanisms to check and monitor the staff of the tax audit department should be put in place to minimize the level of corruption and improve the effectiveness of tax audits. The regression results in Table 9 show a negative relationship between tax audit and tax evasion.

Tax audits are used as a control tool to discipline taxpayers so that they are more compliant to pay taxes. A strong tax audit will prevent taxpayers who try to manipulate data to commit tax evasion, because when the intensity of tax audits carried out by the tax authorities is higher, all assets owned by taxpayers will be known by the tax authorities so that taxpayers will tend to avoid actions that violate the law.

**The Effect of Tax Justice on Tax Evasion**

The results prove that tax justice has a negative effect on tax evasion. Collection in taxation must be fair, namely the tax imposed on individuals must be proportional to the ability of the taxpayer to pay taxes (ability to pay) and in accordance with the benefits received. If taxpayers get proper justice, then tax evasion behavior will decrease, so tax evasion is unethical to do.

### **The Effect of Corruption Perceptions on Tax Evasion**

Our findings confirm previous research from Hindriks et al. (1999), Chander and Wilde (1992), Acconcia et al. (2003), Uslaner (2010), and Alm et al. (2016), which state that corruption increases tax avoidance. Corrupt acts in the form of extortion and fraud, especially those committed by unscrupulous tax officials, make internal and external controls useless. This condition causes an increase in tax avoidance, especially when tax knowledge and willingness to report from the taxpayer itself are low. The motivation to enrich one's own wealth by tax officials can also be indicated to influence the high level of tax avoidance activities.

Taxpayers who may perceive tax officials to be vulnerable to bribery will prefer to underreport their taxes. This can occur because activities that can detect tax evasion, such as tax audits, can be easily manipulated by providing bribes. Therefore, it can be concluded that the influence of acts of corruption greatly influences the decision of taxpayers to commit tax evasion. Alm et al. (2016) even stated that tax evasion would not occur at all if there were no corrupt officials.

Conversely, a low level of corruption will reduce tax evasion. A low perception of corruption means that taxpayers perceive that tax audits are carried out with high integrity and professionalism in accordance with applicable regulations so that the possibility of tax evasion can be detected effectively. Corruption can affect tax evasion by affecting trust. Tax officials who are considered clean from corruption will increase trust in the tax authorities. High trust will increase the legitimacy of the tax authority, where tax audits will be seen as constitutional and fair actions so as to create tax-obedient social norms.

### **The Effect of Tax Knowledge Moderated by Tax Morality on Tax Evasion**

The results of the study are in line with the results of research revealed by (Devi Cyntia Amelia Rahmayanti, Amir Hidayatulloh, S.E., 2021), Puspasari & Suwardi, (2012), (Ariani & Kautsar, 2016), (Fernandhytia & Muslichah, 2020) stating that the higher the tax morale of employees, the tendency for tax evasion to be carried out will also decrease. Moral means a value and norm that guides a person or group in regulating their behavior. Morality as a whole principle and value relating to good or bad human nature. The research above shows that the level of moral reasoning of individuals will affect their ethical behavior. When facing ethical dilemmas, there must be differences between people with low levels of moral reasoning and people who have high levels of moral reasoning. People with a high level of moral reasoning will tend to act according to the rules. Taxpayer knowledge has a partial negative effect on the ethics of tax evasion (Hasibuan, 2014). The higher the taxpayer's knowledge of taxation, the more taxpayers will avoid tax evasion.

In the results of this study, tax knowledge that uses tax morality as a moderating variable on tax evasion has a negative effect. So it can be said that if the higher the tax knowledge possessed by the taxpayer, the taxpayer will obey and obey, and have good morals in tax reporting, it will reduce the level of tax evasion.

### **The Effect of Tax Audit Moderated by Tax Morality on Tax Evasion**

The intensity of tax audits in this study proved to have no significant effect on tax avoidance activities. These results are consistent even though the test model is changed according to criteria that can disrupt the robustness of the research model. Previous research that supports the results of this study are Kleven et al. (2011) and Ariel (2012) which state that audit activities have an insignificant effect on tax avoidance. Increasing audit activity is not necessarily better. Taxpayers tend to be less responsive to information on audit activities carried out by the tax authorities. Rational taxpayers tend to realize that the intensity of audits by the tax authorities is unlikely to reach 100%.

Maximizing tax audit results requires complex strategies, in addition to resource constraints. Biber (2010) argues that a focus on high-risk areas, appropriate sanctions, and publication of annual audit themes, plans, and results of tax audit programs play an important role in managing tax compliance. Risk analysis, sanctions, and publication are important to reassure taxpayers that tax audits are conducted fairly and target taxpayers appropriately. Therefore, the high intensity of audit as a tax enforcement activity does not affect the optimization of tax policy to reduce tax evasion. Optimal policy can come from changing routine or mandatory tax audits that tend to be comprehensive audits that consume a lot of time and resources, to focus on issue-oriented audits through risk analysis and publication of audit themes, plans, and results, thereby freeing up resources for other non-enforcement policies that can encourage voluntary compliance.

### **The Effect of Tax Justice Moderated by Tax Morality on Tax Evasion**

Tax justice is one of the important things in making taxpayers compliant in taxation. They want justice that occurs after they feel the existence of justice itself. Attribution theory says an individual will act if influenced by factors that come from internal or external to the individual. Its relationship to tax justice is explained in external attribution theory, where in this theory individual actions are caused by external factors. Tax justice is considered to be able to make an influence on the perspective of taxpayers regarding tax evasion

if it does not pay attention to the rights and obligations of taxpayers. Then the level of tax morality will also increase if taxpayers have high state awareness, which can affect the level of compliance and reduce the level of tax evasion.

### **The Effect of Corruption Perceptions Moderated by Tax Morality on Tax Evasion**

Perception is an assumption or information from a person obtained from past experiences felt by that person, a person's desire to make decisions and information provided by others. In the field of taxation, this indicates that when only tax corruption has occurred in the past, it will create an unfavorable perception of taxpayers. The results in this study indicate that the perception of corruption moderated by tax morality has a positive effect on tax evasion, where perhaps the respondents in this study still have a high level of perception of corruption so that it makes their moral level high, but the level of tax evasion is also high. There are also factors that can influence it, namely from external parties, which is in accordance with attribution theory. Factors from external parties that allow tax evasion to remain high, even though the level of perception of corruption is good, namely pressure from outside parties.

### **V. Conclusion**

The results of this study prove that the variables of tax knowledge, tax audit, tax justice have a negative influence on tax evasion. Because when the level of tax knowledge of taxpayers, the level of tax audits carried out, and high tax justice is owned by taxpayers, the level of tax evasion will be low. Conversely, the perception of corruption variable has a positive influence on tax evasion. Because if a high level of perception of corruption is owned by taxpayers, the level of tax evasion will also be high. Then for the moderating variables of tax morality on tax knowledge, tax audits, have a positive influence on tax evasion. Meanwhile, tax morality on tax justice and perceptions of corruption also have a negative influence on tax evasion.

For further research, it is hoped that the government will always make innovations to make it easier for taxpayers to carry out tax obligations. The government is expected to pay attention to maximum service to taxpayers. Taxpayers as taxpayers must be considered comfortable and satisfied with the services provided by the tax authorities. Then the government needs to increase the level of taxpayer compliance so that taxpayers feel aware of the need to pay taxes. The government can conduct counseling about taxes in various regions and also in various media.

Furthermore, adding to the research sample in order to produce better research results. Future research is expected to combine primary type research with questionnaire and interview methods so that respondents' perceptions can be known in more depth and the data obtained can be more representative and further research is recommended to add other variables so that the results obtained are better and can contribute more to research users.

The limitations in this study are that the sample size of only 200 causes the research results not to be better generalized to this population, this study uses data collection techniques in the form of distributing questionnaires so that it allows bias due to differences in perceptions between researchers and respondents to the statements submitted, and the variables used tax knowledge, tax audits, tax justice and perceptions of corruption. When viewed from R square there are still many factors outside these variables that can affect taxpayer compliance.

From the results of hypothesis testing that has been carried out, several implications can be drawn that can be used for future policies, including for taxpayers where compliance with individual taxpayers must always be considered and improved because based on this research it has a positive and negative effect on tax evasion behavior in Indonesia. And for theoretical implications, this research is expected to add references to information and knowledge regarding the influence of tax knowledge, tax audits, tax justice, perceptions of corruption with moderating tax morality on tax evasion. In this study, there are eight hypotheses that affect tax evasion, namely tax knowledge, tax audits, tax justice, perceptions of corruption and 4 hypotheses that have no effect on tax evasion, namely the tax morality variable moderated by tax knowledge, tax audits, tax justice, perceptions of corruption on tax evasion.

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