



MODERATION OF RELIGIOSITY ON THE DETERMINANTS OF INDIVIDUAL NON-EMPLOYEE TAXPAYERS' PERCEPTIONS OF TAX AVOIDANCE ETHICS

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Abstract

This research aims to determine whether the religiosity variable can moderate the influence of the taxation system variables, discrimination, tax justice and understanding of taxation on the perception of non-employee individual taxpayers in Denpasar City. The research method used is a quantitative approach with SEM PLS analysis techniques. Data and information were obtained from primary data using questionnaires distributed at Denpasar Timur Tax Office and Denpasar Barat Tax Office. The results of data processing from 100 respondents consisting of non-employee taxpayers show that the tax system, discrimination, tax justice, understanding of taxation and religiosity can explain the variable perception of ethical tax avoidance by 62.5% while the remaining 37.5% is explained by variables outside this research. The results of hypothesis testing show that the variables of the tax system, discrimination, tax fairness and religiosity have a significant positive influence on the perception of the ethics of tax avoidance. Meanwhile, the tax understanding variable does not have a significant influence on tax avoidance ethics. The better the tax system, tax fairness and taxpayer religiosity, the higher the intention to avoid paying taxes. This increase in the intensity of tax evasion can occur due to several factors such as the complexity of regulations, legal permits, effective sanctions for tax violators, and different religious views. On the other hand, high levels of discrimination will make taxpayers think that tax avoidance is one way to fight or overcome the inequality produced by the system. The conclusion of this research is that the religiosity variable cannot moderate the four independent variables because the ethical values that arise related to religiosity cannot always play a role in how individuals deal with taxation.

Keywords: Discrimination, Perception of tax avoidance, Religiosity, Tax justice, Taxation system

INTRODUCTION

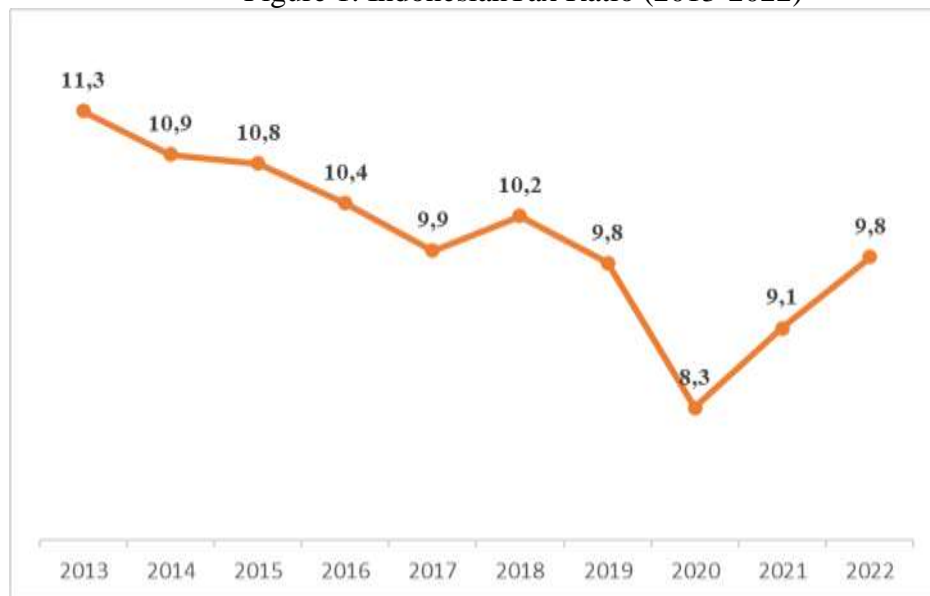
Most countries around the world, including developing countries, face similar challenges related to taxation, namely active tax avoidance schemes consisting of tax avoidance and tax evasion. Tax avoidance schemes involve practices in managing or structuring transactions to obtain tax benefits, wherein taxpayers aim to minimize the amount of tax that must be paid to the state treasury (Muharremi et al., 2022). Although both are methods of avoiding tax payments, the key difference between tax evasion and tax avoidance lies in their legality. Tax avoidance is legal, while tax evasion is illegal. According to a survey on Business Ethics conducted by Ipsos MORI, tax avoidance practices are the second most important issue that needs immediate resolution (Back, 2013). Strategies to prevent tax avoidance and non-compliance in paying taxes are continually evolving. However, these issues remain the biggest challenges for the Directorate General of Taxes (DGT). Tax non-compliance disrupts the management of state revenue, a problem seen in many developing countries, including Indonesia, leading to hindered tax collection performance (Wanarta & Mangoting, 2014). Although it increased by 8.3% from the previous year, the national taxpayer compliance ratio in Indonesia has not yet reached the ideal 100%, standing at only 84.07% in 2021.

One of the indicators for assessing the performance of a country's tax revenue is the tax ratio. The narrow definition of the tax ratio is calculated by comparing total tax revenue (central tax) with nominal GDP (Rinaldi, 2019). The following figure shows that Indonesia's tax ratio over the past decade has been fluctuating. From 2013 to 2017, the tax ratio consistently declined. In 2018, the tax ratio temporarily increased but then experienced a sharp decline in 2020, reaching 8.3%, and gradually increased again in the following year. This fluctuating tax ratio indicates not only the suboptimal performance of the DGT due to its slow growth rate (Wijayanti



& Budi, 2010) but also reflects the low level of public (taxpayer) compliance (Alifia & Siti, 2022).

Figure 1. Indonesian Tax Ratio (2013-2022)



Source: processed by the author based on LKPP and BPS

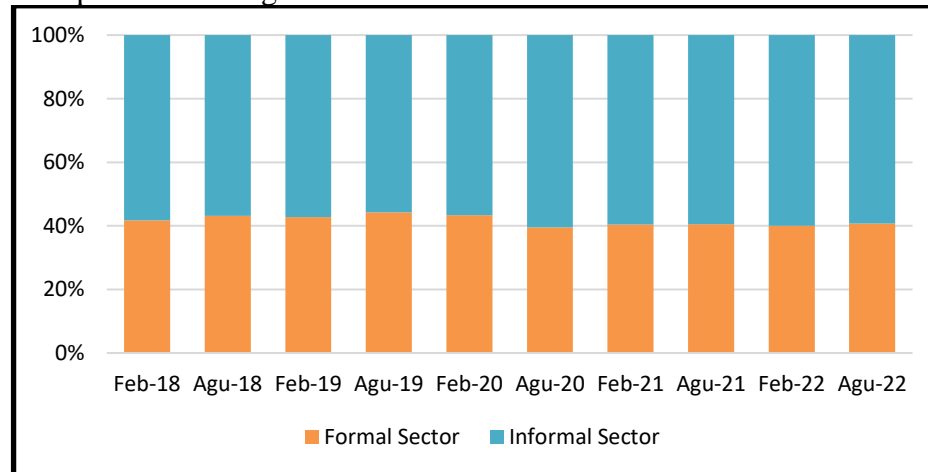
Data obtained from the DGT 2022 Annual Report shows that although the compliance ratio achievement over the past five years is the highest, when analyzed based on taxpayer categories, this figure is primarily supported by the almost ideal compliance ratio of individual employee taxpayers, which stands at 93.71%. Meanwhile, the compliance ratio of corporate taxpayers has not experienced a significant increase. In fact, the national compliance ratio could have been higher if the compliance ratio of non-employee individual taxpayers had increased significantly. Since 2019, the compliance ratio of non-employee individual taxpayers has continuously declined until 2021, with only a slight increase in 2022. Approximately 1.2 million registered non-employee individual taxpayers did not report their taxes through the Annual Income Tax Return. Corresponding to this low level of formal compliance, the realization of income tax payments by individual taxpayers only reached 1% of the total tax revenue realization. At this stage, not only is DGT struggling to detect unreported or underreported income, but more than half of the total non-employee individual taxpayers are not yet aware of their obligation to report their income. These facts support the statement that the Indonesian government has not yet found the most effective measures to achieve the taxpayer compliance ratio, especially for non-employee individual taxpayers (Sani & Sulfan, 2022).

There is a very high percentage of informal economic sectors that tend to avoid tax payments and reporting (Deny et al., n.d.). When the formal sector cannot keep up with the rapid growth of the workforce, the informal sector increasingly penetrates the economies of developing countries. The current informal sector is characterized by small-scale economic activities, simple technology, limited capital, relatively unorganized, and less productive. Nonetheless, the informal sector remains significant and clearly represents the economic status and social norms of most Indonesians. According to projections by the United Nations Conference on Trade and Development (UNCTAD), in 2022, micro, small, and medium enterprises (MSMEs) contributed 60.3% of Indonesia's GDP and employed 97% of the workforce. As of August 2022, there were 80.24 million people working in the informal sector. According to data from the Central Statistics Agency (CSA), this figure represents 59.61% of all employed individuals in the country. The high proportion of informal workers corresponds to the low level of education in the community, and many companies continue to struggle to



grow both economically and in terms of employee skill development. With the characteristics of the informal sector being less organized and the percentage of people working in this sector increasing every year, experts are increasingly concerned about the potential rise in tax avoidance in Indonesia (Haq & Puspita, 2019). The percentage data of formal and informal workers in Indonesia during the period 2018-2022 can be seen in Figure 2 below.

Figure 2. Graph of Percentage of Informal and Formal Sector Workers 2018-2022



Source: the CSA

Most business actors in the informal sector tend not to report their income to the government, especially as this is facilitated by the self-assessment system used in Indonesia's taxation system. In fact, most business actors in the informal sector use cash transaction methods rather than non-cash payment methods. Cash transactions are more difficult to track and report, which can provide opportunities for entrepreneurs to hide their income. Additionally, workers in the informal sector often find it challenging to accurately calculate their income because not many apply record-keeping or bookkeeping practices to their businesses. According to data collected by the Ministry of Cooperatives and SMEs (Kemenkopukm), there were 65 million micro, small, and medium enterprises (MSMEs) in Indonesia as of May 2022. Given this vast number, the challenge of limited human resources in supervising the informal sector arises, complicating efforts to detect potential tax avoidance. If taxpayer motivation in conducting a transaction or scheme is not driven by personal or corporate motives, it can be considered tax avoidance (Sartono, 2020). One tax avoidance scheme that business actors might employ is the misuse of tax facilities that should not be obtained by taxpayers (Kemme et al., 2020). The tax facilities outlined in Government Regulation No. 23 of 2018 regarding final income tax for MSMEs at 0.5% are intended for MSMEs with a turnover not exceeding IDR 4.8 billion per year. When the turnover exceeds IDR 4.8 billion per year, business actors might split financial reports and shift transactions to new companies so that the business circulation remains subject to a final tax rate of 0.5% (Wijaya et al., 2022).

Undeniably, MSMEs contribute significantly to GDP, particularly in Indonesia, where a larger percentage of the population works in the informal sector. Based on GDP distribution, micro enterprises contributed 37.4% of GDP in 2019. This amount is nearly equivalent to the contribution of large companies at 39.5% in the same year. According to the latest data from the Ministry of Cooperatives and SMEs, MSMEs contribute 60.5% of the country's GDP. Based on this information, MSMEs in Indonesia have ample room to grow and develop to contribute even more to the economy. This aligns with the fact that micro-scale businesses, which are predominantly in the informal sector, still dominate the Indonesian economy. The greater the contribution of a sector to GDP, the greater the potential for tax revenue extraction by the state (Nizar & Purnomo, 2011). Therefore, if there is potential tax avoidance in a large-scale sector,



it could lead to substantial state revenue losses. Tax avoidance practices not only have a significant impact on state revenue losses but also hinder the improvement of public service quality in Indonesia (Ganinda et al., 2020). If a country experiences substantial state losses due to tax avoidance activities, there is no doubt that other government expenditures, such as social program spending and government investment spending, will not receive the allocated funding.

According to research conducted by the Tax Justice Network, tax avoidance is estimated to cost Indonesia US\$4.86 billion per year, equivalent to IDR 68.7 trillion (Fatimah, 2020). Corporate taxpayers in Indonesia engage in tax avoidance amounting to US\$4.78 billion or IDR 67.6 trillion, causing these losses. The remainder comes from individual taxpayers amounting to US\$78.83 million or IDR 1.1 trillion. Meanwhile, the Ministry of Finance firmly stated a tax revenue target of IDR 1,198.82 trillion for the same year. This estimated tax avoidance amounts to 5.7% of the year-end target for 2020. Moreover, Indonesia's stance on tax avoidance is crucial because, according to *The State of Tax Justice 2020: Tax Justice in the Time of COVID-19* report, Indonesia ranks fourth in Asia for the highest incidence of tax avoidance, after China, India, and Japan. According to Pinto et al. (2015), unsystematic wages and salaries, small company sizes, unhealthy competition, and unjust income tax rates are reasons for the growth of the informal economy, resulting in the loss of potential state revenue that the government urgently needs.

Essentially, economic actors and the government have different interests, leading to tax avoidance. Taxes levied on money earned or received might be viewed by economic actors as burdens or expenses related to the operation of a business (Suandy, 2011). However, taxes are a vital source of state revenue for the government. Economic and behavioral approaches are two main theoretical perspectives on the degree of tax compliance. Through the economic approach, the lack of a planned economic system, high corruption levels, and constraints in tax administration contribute to tax avoidance practices. Meanwhile, several previous studies have found that through the behavioral approach, taxpayer compliance levels are influenced by both internal and external factors of the taxpayers. Some studies have been conducted to analyze the factors that can influence taxpayer perceptions. One such study by Sudiro et al. (2020) analyzed how the tax system, tax fairness, technology and information, and discrimination affect taxpayer perceptions of tax avoidance. In line with this research, Andrayuga (2017) also stated that taxpayers' perceptions regarding tax avoidance ethics are influenced by the tax system, compliance costs, and the likelihood of detecting fraud. Government policies in the tax system are strongly correlated with taxpayer non-compliance behavior, and higher tax rates are key factors influencing tax avoidance (Sale, 2021).

Taxpayer perceptions are also influenced by tax technology and information, the existence of discrimination against taxpayers, tax fairness, and taxpayers' tax knowledge (Hasanah & Mutmainah, 2020). Discrimination in the context of taxation refers to situations where the tax authorities treat taxpayers differently (Fatimah, 2017). When certain parties benefit from government policies while others are disadvantaged, it is considered discriminatory. In other words, taxpayers will disagree with the applicable policies and consider tax avoidance unethical if the government fails to provide fair notification. Meanwhile, tax fairness significantly influences tax avoidance perceptions (Amin & Mispa, 2020). When the tax system is perceived as fair, taxpayers are motivated to comply with their tax obligations. Conversely, when there is inequality in tax imposition, especially when certain groups or large companies are perceived to receive special treatment and exploit tax loopholes, taxpayers may feel that tax avoidance is the only way to maintain fairness in the tax system. This statement aligns with the findings of Hasanah & Mutmainah (2020), which stated that fairness negatively influences taxpayers' views on tax avoidance. When taxpayers feel that the tax system is unfair



or there is inequality in tax imposition, it can affect taxpayer behavior and encourage tax avoidance.

Circle et al. (2013) found that religiosity also affects taxpayer compliance in a study titled *Taxpayer Perceptions of Tax Knowledge and Tax Education on the Level of Tax Compliance: Study of the Influence of Religiosity*. According to the study, there is a positive relationship between religiosity and taxpayer compliance. This research supports a 2013 study by Boone et al. that found a negative correlation between religion and tax avoidance techniques as a form of non-compliance. Religion promotes strong ethical and moral values. Taxpayers with strong religious beliefs tend to view tax avoidance practices as behavior contrary to moral and religious principles. Thus, from the taxpayer's perspective, several factors such as the tax system, discrimination, fairness, tax knowledge, and religiosity can influence the intention to avoid taxes. The topic of taxpayer attitudes towards tax avoidance presents an interesting area for further research due to the variations in socio-economic and demographic characteristics of individual taxpayers across Indonesia.

The reason the author is interested in studying Denpasar City is that 78.61% of its population works in the service industry (Sani & Sulfan, 2022). Additionally, the MSME sector in Denpasar City is one of the largest contributors to foreign exchange in the tourism sector. As a metropolitan city, the growth of MSMEs in Denpasar City is remarkably rapid, evidenced by a growth of 175.52% in 2020, from a total of 11,500 units to 31,685 units (Priyatna, 2023). This will result in the growth of the number of registered non-employee taxpayers at tax service offices. Meanwhile, the continuously declining compliance ratio indirectly reflects tax avoidance by non-employee individual taxpayers, whether intentional or unintentional. Therefore, this study aims to contribute to the literature on how religiosity as a moderating variable affects the determinants of non-employee individual taxpayer perceptions of tax avoidance ethics, with the research subjects consisting of taxpayers registered at the East Denpasar Primary Tax Office and the West Denpasar Primary Tax Office. Research on the religiosity variable is still limited, making it worthy of exploration.

LITERATURE REVIEW

Theory of Planned Behaviour

Human behavior is a highly complex aspect and challenging to explain, requiring multiple approaches to study it. Concepts related to social attitudes and personality traits play a crucial role in predicting and explaining human behavior (Ajzen, 1988). However, the concept of personality traits alone is still unable to fully explain how humans will act, as predictions can only be considered valid in specific situations. Therefore, a theory designed to predict and explain human behavior in particular contexts and situations was developed, namely the Theory of Planned Behavior (Ajzen & Fishbein, 1980). According to Ajzen (2006), the Theory of Planned Behavior comprises three basic components believed to be the main factors causing an individual's intention to behave as follows.

- 1) Behavioral beliefs, which are personal ideas that arise from actions and assessments of their outcomes
- 2) Normative beliefs, which are views regarding the normative standards of others and the urge to fulfill them
- 3) Control beliefs, which are beliefs about the factors that facilitate or hinder the intended behavior and assessments of the strength of these factors.

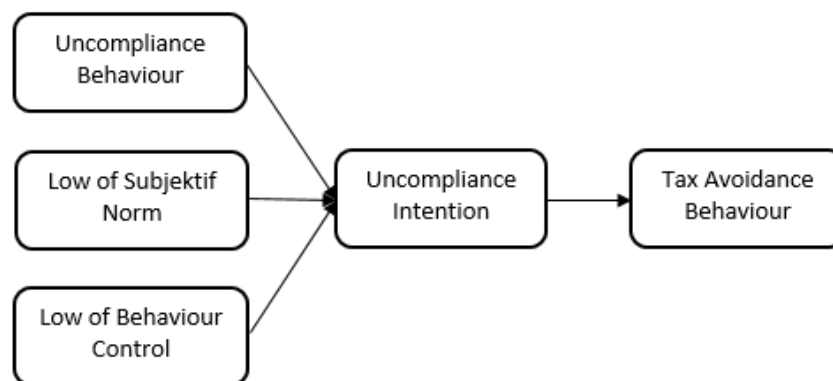
Behavioral beliefs or Attitude Toward the Behavior (ATB) state that the primary reason for the emergence of behavior is the degree of goodness or badness of behavior based on individual evaluations. Logically, individuals will automatically assess a behavior as good or bad based on the negative or positive consequences it brings (Wahyuni et al., 2018). The second



element consists of normative views, also called Subjective Norms (SN), which are external forces related to the social pressure someone experiences to engage in or refrain from a behavior. Subjective norms refer to an individual's belief about the acceptance of those close to them or those they believe play a significant role in the behavior they perform (Benk et al., 2011). Perceived Behavioral Control (PBC), also known as control beliefs, is the third component and describes how easy or difficult a behavior is. This element includes the possession of tools, skills, time, and opportunities needed to engage in a particular action.

Beberapa penelitian menggunakan pendekatan *Theory of Planned Behavior* sebagai teori yang menjelaskan wajib pajak yang melakukan penghindaran pajak merupakan akibat dari perilaku yang berasal dari intensi masyarakat. Intensi atau niat tersebut merupakan hasil dari *Attitude Toward the Behavior*, *Subjective Norm*, dan *Perceived Behavioral Control* (Wanarta & Mangoting, 2014). Hubungan antara komponen *Theory of Planned Behavior* dan perilaku penghindaran pajak dapat digambarkan pada bagan berikut.

Several studies use the Theory of Planned Behavior approach to explain that taxpayers who engage in tax avoidance do so as a result of behavior stemming from public intentions. These intentions or intentions are the result of Attitude Toward the Behavior, Subjective Norm, and Perceived Behavioral Control (Wanarta & Mangoting, 2014). The relationship between the components of the Theory of Planned Behavior and tax avoidance behavior can be illustrated in the following chart.



Theory of Attribution

All attribution theories originate from the assumption that humans strive to understand their experiences related to the causes of events they witness (Kelley, 1971). Research by Kelley (1967) states that, in many cases, an event can be caused by more than one factor. In the three-factor attribution process model, these causes can be grouped into "person," "entity," and "modality," including the interactions among them (Spilka et al., 1985). Most approaches to attribution theory focus on two aspects of the attribution process that are related but conceptually distinct. These aspects are the general desire to understand and find meaning in the world and the effort to control and predict events. Greenwald (1980) stated that, in addition to these factors, attributions are created to maintain and/or enhance self-esteem.

In relation to taxation, attribution theory can be used to map the factors that may cause high or low levels of taxpayer compliance. Research by Kaplan et al. (1988) used attribution theory to demonstrate that tax avoidance behavior can be caused by factors external to the taxpayer (situational). These external factors trigger taxpayers' intentions to avoid taxes. Meanwhile, according to Syafaat (2019), attribution theory is used to map the relationship between tax compliance and determinant factors originating from both within and outside the taxpayer. Internal taxpayer factors may include tax awareness, tax understanding, and religiosity. On the other hand, external factors may include the tax system, discrimination, and tax fairness.



Tax Morale

Tax morale is closely related to tax compliance. According to Schwartz & Orleans (1967), tax morale as a motivation to pay taxes can explain high tax compliance levels. Unlike tax avoidance, tax morale does not measure behavior but attitude. Therefore, the output of tax morale can be seen as a moral obligation to pay taxes, a belief in contributing to society by paying taxes (Torgler, 2004). In line with Torgler (2004), Mahmudah & Iskandar (2018) also defined tax morale as a basic non-economic motivation that influences tax compliance levels. Luttmer & Singhal (2014) divided this basic motivation into several components:

1. Intrinsic motivation and satisfaction, particularly personal satisfaction such as pride in being a law-abiding taxpayer or, conversely, regret and shame if not.
2. A mutually beneficial relationship between society and the government, demonstrated by society's willingness to pay taxes and provide public services.
3. The impact of social environment and peers, particularly how others' opinions (social environment) influence tax-paying behavior.
4. Long-term cultural elements, such as ideals embedded in the environment for several generations.
5. Incomplete data, such as those related to the likelihood of an audit.

Based on a public psychology approach, Suryadi (2016) viewed that there is an implicit reciprocal relationship between society and the government. Intrinsic motivation's role here is to encourage society in fulfilling their obligations to the government, one of which is tax payment. Therefore, tax morale can be used as a measure of taxpayers' commitment level as good citizens. On the other hand, Kirchgässner (2010) stated that a low level of tax morale does not always reflect rampant tax avoidance behavior. The impact of tax morale on tax compliance still needs further research along with other factors.

Tax Compliance

The term compliance with rules was first published by Stanley Milgram in 1963 (Windari et al., 2022). Based on his research, compliance refers to the drive of a person, group, or entity to perform or not perform something according to applicable regulations. Studies in social sciences, particularly psychology and sociology, which concentrate on the impact of socialization processes on individual compliance behavior, have shifted their focus to the idea of compliance. Based on the same definition, tax compliance is defined as the voluntary fulfillment of tax responsibilities by taxpayers who bear the responsibility of timely tax reporting and payment (Wulantari & Putra, n.d.). Tax compliance can also be defined as a state where taxpayers fulfill their tax obligations, register, deposit, calculate, and pay taxes in full, including paying tax penalties when overdue.

According to Pangestie & Satyawan (2019), one of the simplest forms of tax compliance is based on the extent to which taxpayers obey tax laws. However, like most concepts, the meaning of compliance can be seen as a range of definitions. Formal and material compliance are two elements of tax compliance according to Kurnia (2013). If a taxpayer complies with tax obligations according to official provisions laid down in tax laws, it is called formal compliance. Meanwhile, material obligations are fulfilled if all relevant material features are met by the taxpayer within the framework of formal compliance. Furthermore, literature on tax compliance theory has identified several overlapping categories of factors explaining tax compliance behavior (James et al., 2009). These factors consist of:

- 1) Tax enforcement effectiveness factors, including the complexity of the tax system, the likelihood of fraud detection, and the scheme of sanctions and fines.
- 2) Economic variables, and elements related to fiscal policy and structure, such as tax ratios and public spending increases.



- 3) Governance and constitutional aspects, such as the influence of interest groups and the transparency of policy decision-making.
- 4) Taxpayer perceptions and attitudes towards the other three influences. Individual taxpayer characteristics, such as income level, occupation, respect for the tax authorities, risk aversion, social class, fiscal awareness, and economic well-being, also fall into the category of taxpayer perceptions and attitudes.

The government and society believe that increasing dissatisfaction with the fairness of the tax system is the main cause of rising tax non-compliance levels (Datulong & Susanto, 2021). Tax non-compliance can reduce state revenue, distort the labor market, and weaken state stability by reinforcing perceptions of fraud and deceit (Ahmed & Kedir, 2015).

Tax Avoidance

One of the causes of the low tax ratio, along with the inability to realize tax revenue, is tax avoidance practices (Hidayat & Wijaya, 2022). Mardiasmo defines tax avoidance as an effort to reduce tax liability by using strategies that remain within the parameters of related tax regulations (Wijaya et al., 2022). This plan reduces the amount of tax to be paid by exploiting legal loopholes or weaknesses in tax legislation. Essentially, there are three basic principles of tax avoidance in income tax (Blaufus et al., n.d.). The first principle is tax deferral. The deferred tax amount is much smaller than the paid tax. The second principle is tax disputes between individuals facing different tax groups or the same individual facing different marginal tax rates at different times. The third principle is tax disputes between income streams facing different tax treatments.

Tax avoidance strategies often involve using companies operating in countries or jurisdictions with low tax rates (Gravelle, 2015). Even if companies do not have business activities in those jurisdictions, they try to channel most of their income through such entities to benefit from lower tax rates. Additionally, Gravelle (2015) revealed that the use of tax treaties between countries is often utilized to prevent double taxation on income derived from international transactions. Although tax avoidance is not illegal in many cases, these schemes are controversial because they can still harm a country's tax revenue (Kenno, 2020). When large entities or individuals exploit legal loopholes to reduce their tax liabilities, this can result in a lack of funds for public services, infrastructure, and programs funded by taxes. Therefore, tax avoidance remains a serious concern for governments and policymakers to address legal loopholes used in these practices.

When tax avoidance practices are declared legal from a legal perspective, a new question arises for researchers. How are these tax avoidance practices viewed from a moral perspective, and what role does ethics play in influencing taxpayer compliance decisions? For instance, numerous studies support the idea that tax compliance is a social norm (Alm & Torgler, 2011). Although difficult to describe precisely, one way to identify a social norm is to focus on the process rather than individual reasons. Consequently, social norms are behavioral patterns reinforced by societal acceptance or disapproval. Therefore, individuals will be considered to behave according to prevailing social norms if others behave in a way also deemed acceptable by society. Broadly defined taxpayer ethics by Hall (2014) indicate that individuals will comply as long as they believe compliance is the right thing to do. Conversely, if non-compliance becomes more prevalent, the morality of compliance will disappear. This perspective also suggests that if the government can influence views on the ethical dimension of taxpayer compliance, such policies can be powerful tools against tax avoiders. Several surveys worldwide also show that compliant taxpayers view tax avoidance as immoral (Frey & Torgler, 2007).



Taxpayer Perceptions

Perception is the process of interpreting, identifying, and interpreting sensory information to understand the surrounding environment (Robbins, 2015). Perception refers to how individuals interpret and understand the world around us through past experiences, emotions, cultural background, and various cognitive biases. Taxpayer perception is the collective assessment process of individuals regarding various aspects of the tax system (Amin & Mispa, 2020). Several studies use the Theory of Planned Behavior to assess tax compliance levels. Arum (2012) stated that before someone does something, they will have beliefs about the results they will obtain from that behavior. This relates to the perceptions held by taxpayers.

High taxpayer awareness is when individuals believe that paying taxes is essential to support the nation's progress (behavioral beliefs). Conversely, providing adequate tax services, a well-functioning tax system, and tax education aimed at inspiring the public to comply with the law will inspire confidence and decisions to comply with taxes based on normative beliefs. Meanwhile, law enforcement and tax penalties relate to control beliefs. Based on this theory, taxpayer compliance levels will be greatly determined by taxpayers' perceptions of these tax aspects (Sakurai & Braithwaite, 2003).

Perception also acts as a lens with many aspects that society can use to evaluate fairness, transparency, and the overall impact of taxes on life and well-being (Salé et al., 2021). Fairness serves as the foundation for taxpayers to measure the equitable distribution of the tax burden across different income levels. When this system is considered fair and balanced, it will gain more support. As previously explained, transparency in tax policy and clear use of tax revenue also play an important role in shaping perception. Positive taxpayer perceptions will foster trust and internal motivation to contribute to the country. Therefore, based on the theoretical foundation presented, this study proposes the following hypotheses:

- H_1 : The tax system negatively influences non-employee individual taxpayers' perceptions of the ethics of tax avoidance.
- H_2 : Discrimination positively influences non-employee individual taxpayers' perceptions of the ethics of tax avoidance.
- H_3 : Tax fairness negatively influences non-employee individual taxpayers' perceptions of the ethics of tax avoidance.
- H_4 : Tax understanding negatively influences non-employee individual taxpayers' perceptions of the ethics of tax avoidance.
- H_5 : Religiosity negatively influences non-employee individual taxpayers' perceptions of the ethics of tax avoidance.
- H_6 : Religiosity strengthens the influence of the tax system on non-employee individual taxpayers' perceptions of the ethics of tax avoidance.
- H_7 : Religiosity strengthens the influence of discrimination on non-employee individual taxpayers' perceptions of the ethics of tax avoidance.
- H_8 : Religiosity strengthens the influence of tax fairness on non-employee individual taxpayers' perceptions of the ethics of tax avoidance.
- H_9 : Religiosity strengthens the influence of tax understanding on non-employee individual taxpayers' perceptions of the ethics of tax avoidance.

METHODS

The study was conducted using quantitative methods by measuring, analyzing, and generalizing data on a large scale, focusing on numbers and statistics. Data were obtained directly from the researched subjects, thus being more relevant. The researcher used primary data collected through the distribution of physical questionnaires to non-employee individual taxpayers registered at the East Denpasar Primary Tax Office and the West Denpasar Primary



Tax Office. The researcher used a 5-point Likert scale to measure the dependent variable, independent variables, and moderating variables as described in the operational definition of variables above. According to Hair (2007), the reason for choosing a 5-point Likert scale is to facilitate respondents in distinguishing scale points and processing information from statements for approval. The 5-point Likert scale consists of the following statements:

- 1 = Strongly Disagree (SD)
- 2 = Disagree (D)
- 3 = Neutral (N)
- 4 = Agree (A)
- 5 = Strongly Agree (SA)

The researcher then used a sample calculated based on the Slovin formula. The Slovin formula, commonly referred to as a limited population survey, is a formula to determine the minimum sample size for a finite population survey.

$$n = \frac{N}{1 + Ne^2}$$

Explanation:

n : number of samples

N : population size

e : sample error percentage, a = 0.1 (10%)

if N = 70.761 taxpayers, then the calculation is as follows: $n = \frac{70.761}{1+70.761(0.1)^2}$

Based on the Slovin formula calculation with a population of 70,761 non-employee individual taxpayers and a tolerance error limit of 10%, a value of 99.8 samples was obtained. Therefore, the sample size for this study can be rounded up to 100 respondents. The author chose the sample using convenience sampling, involving data collection from individuals in the population who could provide the required data. The researcher distributed questionnaires conventionally by approaching each taxpayer at the Tax Service Office (TSO) during working hours. Before handing over the questionnaire, the researcher introduced themselves, explained the purpose of the questionnaire distribution, and asked for the taxpayer's willingness to become a respondent in this study. The researcher also explained that the collected data would only be used for research purposes. Additionally, the researcher conveyed that the presentation of the questionnaire data would be anonymous to ensure the confidentiality and privacy of the taxpayers as respondents.

Furthermore, this study used partial least squares statistical analysis for structural equation modeling (SEM PLS). Herman Wold first developed Partial Least Squares (PLS) analysis in 1982. PLS Regression (PLS-R) and PLS Path Modeling (PLS-PM) are two of the many PLS-related techniques developed. As an alternative to Structural Equation Modelling (SEM), which has a weak theoretical foundation, PLS Path Modeling was created (Sihombing & Arsani, 2022). Structural Equation Modeling (SEM) is a statistical method used to test and measure complex relationships between variables in a model. SEM not only analyzes the direct relationships between variables but also considers the indirect relationships between variables. SEM consists of two main components, namely measurement (outer model connecting indicators with their latent variables) and structural (inner model connecting latent variables). The test criteria for these two models include validity tests (convergent validity and discriminant validity) and reliability tests (Hair et al., 2016).



RESULTS AND DISCUSSION
Inner and Outer Model Testing

The data processing process began with data validity testing, involving a series of steps to ensure that the collected data accurately measure the intended variables or constructs. In this study, validity testing consisted of convergent validity and discriminant validity. According to Hair et al. (2017), the general guideline for evaluating convergent validity is an outer loading > 0.70 and $AVE > 0.50$. However, according to Ghozali (2014), 0.60 is considered an adequate loading factor value to meet the requirements of convergent validity. Therefore, if there is a variable statement item with an outer loading value below 0.6 , the statement item must be eliminated from the model.

Table 1. *Outer Loading* (after adjustment)

| | Outer Loading | | Outer Loading | | Outer Loading |
|------------|----------------------|------------|----------------------|---------------|----------------------|
| TS1 | 0.813 | TU2 | 0.769 | PTAE1 | 0.629 |
| TS2 | 0.791 | TU3 | 0.849 | PTAE2 | 0.819 |
| TS3 | 0.817 | TU4 | 0.815 | PTAE3 | 0.757 |
| TS4 | 0.783 | R1 | 0.714 | PTAE4 | 0.841 |
| TS5 | 0.802 | R2 | 0.806 | PTAE5 | 0.877 |
| D1 | 0.830 | R3 | 0.801 | PTAE6 | 0.840 |
| D2 | 0.664 | R4 | 0.733 | PTAE7 | 0.657 |
| D3 | 0.875 | R5 | 0.875 | R x TS | 1.000 |
| D4 | 0.753 | R6 | 0.791 | R x D | 1.000 |
| TF1 | 0.856 | R7 | 0.855 | R x TF | 1.000 |
| TF2 | 0.873 | | | R x TU | 1.000 |
| TF3 | 0.618 | | | | |
| TF4 | 0.660 | | | | |
| TF5 | 0.800 | | | | |
| TF6 | 0.874 | | | | |

Source: processed by the author

The higher the outer loading value, the more important the role of the loading in interpreting the factor matrix (Abdillah, 2018). After model adjustments were made during the pilot test phase, it can be seen that all statement items met the criteria of outer loading > 0.6 , as shown in Table 1. Furthermore, Table 2 shows that all variables have an AVE value greater than 0.5 . Therefore, based on the outer loading and AVE data, it can be concluded that all items from this research instrument passed the convergent validity test.

Table 2. AVE Variabel Value

| | <i>AVE</i> | | <i>AVE</i> |
|-----------|------------|-------------|------------|
| TS | 0.642 | TU | 0.659 |
| D | 0.616 | R | 0.637 |
| TF | 0.619 | PTAE | 0.608 |

Source: processed by the author

The next validity test was the discriminant validity test. The discriminant validity test evaluates the extent to which constructs are truly distinct from one another. This process involves comparing the correlations among indicators within a construct with correlations between constructs, which can be measured using cross-loading values. The standard value



used for cross-loading should be greater than 0.7. Additionally, this test can also be measured using the HTMT (Heterotrait-Monotrait Ratio) value. The standard value used for HTMT is < 0.90. When the HTMT value is < 0.90, the data indicate that discriminant validity is adequate, and the constructs can be considered distinct from one another (Henseler et al., 2015).

Table 3. HTMT Value

| | HTMT | | HTMT |
|-------------------------|-------|-------------------------|-------|
| TS <> D | 0.777 | D <> R | 0.178 |
| TS <> TF | 0.458 | D <> PTAE | 0.738 |
| TS <> TU | 0.218 | KP <> TU | 0.545 |
| TS <> R | 0.149 | TF <> R | 0.228 |
| TS <> PEPP | 0.754 | TF <> PEPP | 0.669 |
| D <> TF | 0.479 | TU <> R | 0.554 |
| D <> TU | 0.437 | TU <> PTAE | 0.360 |
| | | R <> PTAE | 0.245 |

Source: processed by the author

Reliability Testing

Reliability testing was conducted using two methods: Cronbach's Alpha and Composite Reliability. Reliability testing is conducted to prove the accuracy, consistency, and precision of the instrument in measuring constructs (Chin, 1998). Cronbach's Alpha measures the extent to which a group of questions or items in a measurement instrument consistently measures the same construct. Meanwhile, composite reliability is used to evaluate the extent to which a construct is measured by a consistent series of indicators or items. The Cronbach's alpha and composite reliability values for this study are shown in Table 4.

Table 4. Cronbach's Alpha dan Composite Reliability

| | Cronbach's Alpha | Composite Reliability (rho_a) | Composite Reliability (rho_c) |
|---|------------------|-------------------------------|-------------------------------|
| Tax System (TS) | 0.861 | 0.862 | 0.900 |
| Discrimination (D) | 0.792 | 0.827 | 0.864 |
| Tax Fairness (TF) | 0.875 | 0.902 | 0.906 |
| Tax Understanding (TU) | 0.743 | 0.755 | 0.853 |
| Religiosity (R) | 0.917 | 0.992 | 0.924 |
| Perception of Tax Avoidance Ethics (PTAE) | 0.890 | 0.906 | 0.915 |

Source: processed by the author

Based on Table 4, it can be seen that the Cronbach's alpha and composite reliability values for all variables are greater than 0.70, thus indicating reliability. Therefore, it can be concluded that all instruments used in this study passed the validity and reliability tests. The data processing stage can continue to test the structural model.

R-square Test

One of the structural model measurements in PLS is evaluated using the R-square or coefficient of determination. R-square is used to measure how well the model can explain the variation of the latent variables in the model. R-square depicts the proportion of variability of the latent variable explained by other latent variables in the model. The higher the R-square value, the better the prediction model of a research model. Based on Table 5, the adjusted R-square value for the Perception of Tax Avoidance Ethics (PTAE) variable is 0.625. In PLS



research models with more than one independent variable, the adjusted R-square value is usually used. This value can be interpreted as the confidence level that the Tax System (TS), Discrimination (D), Tax Fairness (TF), Tax Understanding (TU), and Religiosity (R) variables can explain the PEPP variable by 62.5%, while the remaining 37.5% is explained by other variables outside this research.

Table 5. R-square Value

| Overview | R-square | R-squared Adjusted |
|------------------------------------|----------|--------------------|
| Perception of Tax Avoidance Ethics | 0.659 | 0.625 |

Source: processed by the author

Hypothesis Testing

After all research instruments meet the criteria for evaluating the measurement and structural models, the next stage is hypothesis testing using the bootstrapping procedure. Bootstrapping allows researchers to obtain more information about parameter uncertainty and reduce the risk of error (Bollen & Stine, 1992). This hypothesis testing is also referred to as path coefficient estimation. The significance of the p-value and t-statistic values determines whether a hypothesis is accepted or rejected in the PLS method. Furthermore, Hair et al. (2016) stated that the acceptance or rejection criteria for a one-tailed hypothesis are if the t-statistic significance value is > 1.64 and/or the p-value is < 0.05 at a 5% significance level ($\alpha = 5\%$).

Table 6. Path Coefficient Test Results

| | Original Sample (O) | Sample Mean (M) | Standard Deviation (STDEV) | T Statistics (O/STDEV) | P values |
|---------------|---------------------|-----------------|----------------------------|--------------------------|----------|
| TS | 0.349 | 0.359 | 0.104 | 3.367 | 0.000 |
| D | 0.285 | 0.281 | 0.105 | 2.722 | 0.003 |
| TF | 0.396 | 0.379 | 0.108 | 3.671 | 0.000 |
| TU | -0.102 | -0.081 | 0.118 | 0.858 | 0.196 |
| R | 0.176 | 0.181 | 0.097 | 1.812 | 0.035 |
| R x TS | -0.125 | -0.130 | 0.126 | 0.993 | 0.161 |
| R x D | 0.069 | 0.063 | 0.125 | 0.552 | 0.291 |
| R x TF | -0.093 | -0.083 | 0.141 | 0.661 | 0.254 |
| R x TU | 0.036 | 0.046 | 0.088 | 0.412 | 0.340 |

Source: processed by the author

Based on the test results in Table 6, it can be concluded that only H_2 is accepted because it has a p-value of less than 0.05 and a positive coefficient. Meanwhile, H_1 , H_3 , and H_5 are also rejected even though they have p-values lower than 0.05 because their coefficients are positive. On the other hand, H_4 , H_6 , H_7 , H_8 , and H_9 are rejected because they have t-statistic values less than 1.64 and p-values greater than 0.05.

Effect of the Tax System on the Perception of Tax Avoidance Ethics

Bootstrapping results show a t-statistic value of 3.367, which is greater than the parameter stated by Hair et al. (2016) of 1.64. The p-value is 0.000, which is smaller than the 5% significance level, so it can be concluded that the effect of the tax system on the perception of tax avoidance ethics is significant. Meanwhile, the coefficient value (original sample) is 0.349, which can be interpreted as the tax system having a significant positive effect on taxpayers' perceptions of the ethics of tax avoidance. In other words, in this study, H_0 is accepted, and H_1 is rejected. This study's results are contrary to the research conducted by



Andrayuga et al. (2017) at KPP Pratama Singaraja on 87 taxpayers with Taxable Entrepreneur status. The tax system has an inverse effect on the perception of tax avoidance ethics, meaning the better the quality of the tax system in Indonesia, the more likely taxpayers will view tax avoidance as unethical.

However, similar research results by Haq & Puspita (2019) state that the tax system positively influences the perception of tax avoidance ethics. Indonesia's tax system, which adheres to the self-assessment system, can provide opportunities for taxpayers to engage in tax avoidance. In this case, taxpayers are given the authority to calculate and report their own tax obligations. At this stage, it is very likely that gaps can be created for taxpayers to reduce the amount of income that should be taxed (Zuliyanti, 2017). In addition, Marlina (2018) also obtained results consistent with this study, where the tax system has a significant positive effect on the perception of tax avoidance. The challenge for tax authorities in each country is to create a practical, effective, and efficient tax system for taxpayers (Permita, 2012). The fact is that a good quality tax system does not always correlate with taxpayer compliance levels.

This study's results show that when the tax system becomes more advanced, tax avoidance behavior is deemed ethical by taxpayers, which will align with an increase in tax avoidance practices. The tax system can be reviewed from the perspective of regulation quality. Improving the tax system's quality should reduce opportunities for tax avoidance because of clearer rules, stricter law enforcement, and fewer legal loopholes that individuals can exploit to avoid tax obligations. However, increased tax avoidance can occur due to factors such as rule complexity, imbalance, and legal uncertainty (Wicaksono, 2014). When tax regulations become more complex, it can confuse and provide opportunities for individuals or companies to try to exploit complex legal loopholes to avoid paying taxes (Putri, 2017).

Effect of Discrimination on the Perception of Tax Avoidance Ethics

The second hypothesis (H_2) in this study is that discrimination positively influences non-employee individual taxpayers' perceptions of the ethics of tax avoidance. The t-statistic value shows a result of 2.722, which is greater than the parameter of 1.64 and a p-value of 0.003, which is smaller than the 5% significance level, indicating that discrimination significantly influences the perception of tax avoidance. In addition, the path coefficient value is 0.285, so it can be concluded that H_0 is rejected, and H_2 is accepted; discrimination has a significant positive influence on taxpayers' perceptions of the ethics of tax avoidance. The acceptance of H_2 in this study is consistent with the research conducted by Silaen (2015) on 110 individual taxpayers registered at KPP Pratama Batam. The higher the perceived level of discrimination, the more ethical tax avoidance is considered. Discrimination is seen as unequal treatment received by individuals in taxation. When taxpayers feel that tax-related rules tend to be discriminatory, they will view tax avoidance as a way to counter or address the inequality produced by the system (Rachmadeka & Andayani, 2021).

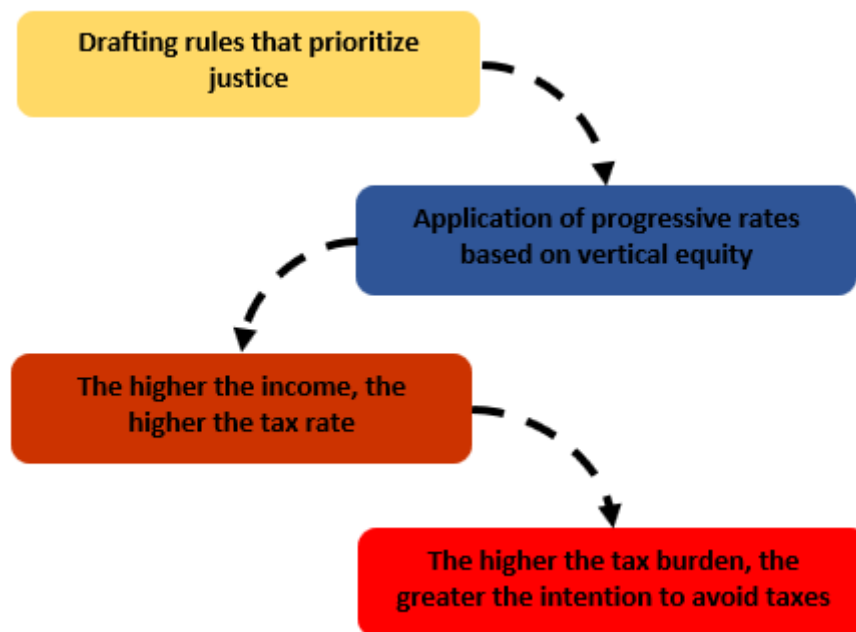
This statement is also supported by research conducted by Marlina (2018) at KPP Pratama Lubuk Pakam. According to Hasibuan (2014), discriminatory treatment is not only seen from the perspective of applicable laws and regulations but also from the perspective of the services received by taxpayers. If tax discrimination is carried out by tax officials based on differences in ethnicity, race, or religion, negative perceptions of the tax authority will arise. This perception will drive taxpayers to engage in tax avoidance as they consider it ethical (Karlina, 2020). In line with Attribution Theory, which states that an event occurs due to external or internal factors, discrimination experienced by taxpayers is an external factor influencing tax avoidance behavior. Furthermore, using the Theory of Planned Behavior approach, discrimination will foster taxpayers' intention to avoid taxes. The perception that tax avoidance is ethical arises from taxpayer dissatisfaction.



Effect of Tax Fairness on the Perception of Tax Avoidance Ethics

Data processing results show a t-statistic value of 3.671, which is greater than the parameter of 1.64, and a p-value of 0.000, which is smaller than the 0.05 significance level, indicating that tax fairness has a significant influence on the perception of tax avoidance. With a path coefficient value of 0.396, H_0 is accepted, and H_3 is rejected. The tax fairness variable can be interpreted as having a significant positive influence on taxpayers' perceptions of the ethics of tax avoidance. This study's results state that the higher the level of tax fairness, the higher the tax avoidance practices. These results align with research by Margaretha et al. (2021), which states that tax fairness positively influences the perception of tax avoidance ethics. There are several possible reasons why increased tax fairness can have the opposite effect. Even though tax rules are designed to be fair and balanced, taxpayers' perceptions of tax fairness can vary (Majid, 2018). The formulation of rules that prioritize fairness refers to the concept of vertical equity, where the higher the income, the higher the tax rate imposed, as explained in Figure 3.

Figure 3. Flow of Thought on the Relationship between Tax Justice and Tax Avoidance



Source: processed by the author

The higher the tax rate, the higher the tax burden borne by taxpayers. When there is an impression that certain taxpayer groups are taxed higher than others, it can cause dissatisfaction and increase motivation for tax avoidance (Tamaela et al., 2023). Consistent with this, increased tax fairness can be interpreted as a factor causing increased tax avoidance (Sari et al., 2021). For instance, the larger the company's size, the higher the applicable tax rate. If higher tax rates are applied without adequate consideration of the taxpayer's ability, it can encourage taxpayers to reduce their tax burden through tax avoidance.

Effect of Tax Understanding on the Perception of Tax Avoidance Ethics

The fourth hypothesis (H_4) in this study is that tax understanding negatively influences non-employee individual taxpayers' perceptions of the ethics of tax avoidance. Like the tax system and tax fairness variables, the higher the level of tax understanding, the more it is expected to foster taxpayer awareness to comply with tax payments. This study's results are consistent with the research conducted by Datulalong & Susanto (2021) on 65 respondents in Jakarta. According to Yezzie (2017), regardless of the level of taxpayer tax understanding, tax



avoidance is still viewed as unethical behavior in society because it can harm the public. Low taxpayer awareness reflects a low level of responsibility. When taxpayers have a better understanding of taxation, including tax audits, tax penalties, tax rates, the tax system, and tax laws, it will not significantly affect their attitudes or behavior in avoiding tax payments (Larasati et al., 2023). This statement is also supported by research conducted by Pendit (2021) at KPP Pratama Tabanan and Margaretha et al. (2021) in Kotawaringin Barat.

A low level of tax understanding will not always affect taxpayers' intention to engage in tax avoidance. However, taxpayers with low levels of understanding may engage in tax avoidance due to unintentional ignorance. On the one hand, this does not mean that they will not engage in tax avoidance if they recognize the potential financial benefits. Ignorance is not an excuse for not complying with tax regulations, but it can be a factor in tax avoidance. Another factor is the involvement of parties outside the taxpayer in fulfilling tax obligations. Taxpayers can use the services of professional tax consultants to manage their tax affairs, so their own level of tax understanding is not very relevant. However, tax consultants who lack tax knowledge or, conversely, understand the rules well enough to find legal loopholes can direct taxpayers to engage in tax avoidance. In addition to tax understanding, other external factors can influence a person's decision to engage in tax avoidance, such as financial motivation, perceptions of legal risk, or social pressure from the surrounding environment.

Effect of Religiosity on the Perception of Tax Avoidance Ethics

Bootstrapping results show a t-statistic value of 1.812, which is greater than 1.64, and a p-value of 0.035, which is smaller than the 5% significance level, indicating that religiosity significantly influences the dependent variable. The path coefficient value is 0.176, so it can be concluded that the higher the level of taxpayer religiosity, the higher the tendency to engage in tax avoidance. In line with this interpretation, H_0 is accepted, and H_5 is rejected. This study's results state that the higher the level of taxpayer religiosity, the higher the tax avoidance practices. Similar results were also obtained by Priskila et al. (2022) on 70 taxpayers in Bogor. These findings support Attribution Theory, which states that individuals tend to seek the causes of behavior, whether their own or that of others or organizations. A person with a high level of intrinsic religiosity will tend to follow their belief values (Atmoko, 2018).

Indonesia, as a religious country, consists of several religious groups. Similarly, the majority of religious people live in Bali. The correlation between religiosity and tax avoidance can be linked to how each religious group views taxes based on their respective religious laws. If certain religious groups view taxes as something contrary to their beliefs, this can lead to higher levels of tax avoidance. For a religious group, the perception of whether an act is ethical tends to be based on the norms and rules of their religion. In Bali, the majority of the population adheres to Hinduism, comprising 86.59% of the total population. Several Hindu scriptures have mentioned knowledge related to taxation, stating that paying taxes is moral as long as the government protects the people (Widyari & Pramanaswari, 2023). This interpretation is found in the Manawa Dharmasastra X scripture, one of whose verses states that "it is the duty of a Kshatriya involved in governance to collect taxes, provided he truly considers the welfare of his people according to their abilities." This view is also consistent with the Arthasastra scripture, which states that the state has the authority to collect taxes from its residents after fulfilling its duties, one of which is providing protection (Sukendri, 2020).

These two scriptures actually reflect that Hindu teachings support the government in collecting taxes from the people. Still, Hindu adherents can interpret that taxes do not have to be paid when the government does not manage tax revenues well for the public interest. This can trigger the belief that tax avoidance is ethical as long as the welfare requirement is considered unmet. This study's results state that the more religious a person is, the higher the level of tax avoidance. However, there are differing opinions on the Hindu approach to



taxation. Several moral arguments discuss tax avoidance based on the caste (Varna) imposed on society in early Hindu times. The obligation to pay taxes is explained more clearly in the Manawa Dharmasastra scripture. Each Varna is legally obligated to pay taxes. However, for various reasons, such as fairness, this obligation does not apply to all groups. The rulers at that time considered the Brahmin caste to be flawless, so the Brahmin caste was exempt from taxes. Conversely, the Vaishya, the third Varna, were identified as the only taxpayers because they were directly involved in trade and economic activities. Therefore, it can be concluded that under Hindu law, tax avoidance can be justified in certain situations (Bose, 2012). This view can be the basis that tax avoidance is ethical for society.

Furthermore, the practice of corruption by religious figures can also be a factor that triggers taxpayers with high levels of religiosity to view tax avoidance as ethical behavior. This practice can erode public trust in the moral values they believe in. Losing trust in religious figures can extend to losing trust in other institutions, including the government. This can also encourage tax avoidance as a form of protest against the misuse of tax funds. In addition, the practice of corruption by religious figures who should serve as role models can provide a precedent for society that unethical actions can be accepted in social life. If corruption is deemed acceptable, society will likely justify tax avoidance.

Effect of the Tax System on the Perception of Tax Avoidance Ethics with Religiosity as a Moderator

Bootstrapping results show that the tax system variable, after being moderated by religiosity, has a t-statistic value of 0.993, which is smaller than 1.64, and a p-value of 0.161, which is greater than the 5% significance level, so it can be concluded that H_0 is accepted, and H_6 is rejected. This conclusion can be interpreted that religiosity cannot strengthen the influence of the tax system on the perception of tax avoidance ethics. This study's results are consistent with the research conducted by Pujiastuti & Indriani (2021) on 33 business owners in Salatiga, where religiosity could not moderate the relationship between the tax system and tax avoidance. A high level of religiosity cannot reduce the likelihood of tax avoidance because this action is more influenced by external factors (Atmoko, 2021). Additionally, religiosity is an internal value embedded in the individual and cannot directly serve as a behavioral guide.

Effect of Discrimination on the Perception of Tax Avoidance Ethics with Religiosity as a Moderator

Data processing results show that the discrimination variable, after being moderated by religiosity, has a t-statistic value of 0.552, which is smaller than 1.64, and a p-value of 0.291, which is greater than the 5% significance level, so it can be concluded that H_0 is accepted, and H_7 is rejected. This conclusion can be interpreted that religiosity cannot moderate the influence of discrimination on the perception of tax avoidance ethics. According to Sabdariani (2017), religiosity is not considered a relevant factor or does not have a significant impact on how individuals perceive the ethics of tax avoidance. There are situations where other factors, such as secular ethical values or social beliefs, are more dominant in influencing ethical perceptions of tax avoidance practices (Sumarsono, 2018). The influence of discrimination on the perception of tax avoidance ethics can be influenced by other more complex factors. Meanwhile, religiosity is one of many variables that play a role in determining an individual's view of the ethics of tax avoidance. Therefore, the moderating effect is not visible due to the variability and interaction of these factors.

Effect of Tax Fairness on the Perception of Tax Avoidance Ethics with Religiosity as a Moderator

Data show that the tax fairness variable, after being moderated by religiosity, produces a t-statistic value of 0.552, which is smaller than 1.64, and a p-value of 0.254, which is greater than the 5% significance level, so it can be concluded that H_0 is accepted, and H_8 is rejected.



This conclusion can be interpreted that religiosity cannot strengthen the influence of tax fairness on the perception of tax avoidance ethics. This study's results are because each individual can have different subjective perceptions of tax fairness and how their belief values do not always influence these perceptions (Oktaviana et al., 2022). Ethical values related to religiosity do not always play a role in how individuals evaluate fairness in the tax field. The high or low level of taxpayer religiosity does not necessarily change how taxpayers view and evaluate fairness in the tax system (Seputro & Ratih, 2022). Additionally, the tax fairness variable is an external factor that can influence the perception of tax avoidance ethics, while religiosity is one internal factor that can change depending on the individual (Fitriana, 2023).

Effect of Tax Understanding on the Perception of Tax Avoidance Ethics with Religiosity as a Moderator

Research results show that the tax understanding variable, after being moderated by religiosity, produces a t-statistic value of 0.412, which is smaller than 1.64, and a p-value of 0.340, which is greater than the 5% significance level, so it can be concluded that H_0 is accepted, and H_9 is rejected. This conclusion can be interpreted that religiosity cannot moderate the influence of tax understanding on the perception of tax avoidance ethics. These findings align with research by Febriana & Rahman (2023) on individual taxpayers in Boyolali, which states that religiosity cannot significantly moderate the influence of tax understanding on the perception of tax evasion ethics. The level of low or high religiosity does not significantly influence tax understanding as a moderating variable. Furthermore, research by Sari et al. (2023) also states that there is no influence of tax understanding on the perception of tax evasion ethics when moderated using the religiosity variable. Although the level of religiosity can influence ethical and moral perceptions in taxation, there is no direct correlation between tax understanding and taxpayer religiosity.

CONCLUSION

Tax avoidance practices are viewed as unethical because they impact state revenue losses and society in general. However, some previous studies argue that tax avoidance can be considered ethical in certain situations and conditions. Based on data processing results using the SEM-PLS method, the tax system, discrimination, tax fairness, and religiosity variables significantly positively influence the perception of tax avoidance ethics. Meanwhile, the tax understanding variable does not significantly influence the perception of tax avoidance ethics. Some of these research results contradict the hypotheses formulated based on the theoretical foundation. The test results show that the better the tax system, the more likely taxpayers will avoid taxes. This increase in tax avoidance can occur due to several factors such as complexity and imbalance of rules and legal uncertainty. Consistent with this, this study also shows that the higher the level of tax fairness, the higher the likelihood of taxpayers engaging in tax avoidance.

On the other hand, some previous studies often link religiosity with the concepts of morality and ethics, where taxpayers with high levels of religiosity will always uphold morality and ethics. In the context of taxation, taxpayers with high levels of religiosity will avoid actions that harm the state, so tax avoidance is considered unethical. Based on this data, the author aims to test whether religiosity itself can influence taxpayers' views on the determinants of tax avoidance perception. However, this study presents partial results that contradict, showing that the higher the religiosity, the greater the tendency to engage in tax avoidance. This may be due to differences in religious norms and laws for each religious group. Some religious groups view taxes as contrary to their religious laws, so tax avoidance is considered ethical.

Consistent with testing religiosity as an independent variable, the author also used religiosity as a moderating variable expected to strengthen the influence of the tax system,



discrimination, tax fairness, and tax understanding on the perception of tax avoidance ethics. Test results show that after moderation, the initially significant influence of the tax system, discrimination, and tax fairness became insignificant. Therefore, it can be concluded that religiosity cannot moderate the influence of independent variables. Although the influence of religiosity as an independent variable is strong and significant, when used as moderation, it weakens the influence of independent variables. This may be because religiosity is an internal value embedded in individuals and cannot directly serve as a behavioral guide. Religiosity is just one of many variables that play a role in determining an individual's view of discriminatory treatment in taxation. The moderating effect is not visible due to the variability and more complex interactions between individual belief levels and their views on ethics and morals. Each individual can also have different subjective perceptions of tax fairness. Ethical values related to religiosity do not always play a role in how individuals evaluate fairness in the tax system.

Suggestion

Based on this study's conclusions that, through an individual behavioral approach, the tax system, discrimination, and tax fairness play essential roles in how taxpayers perceive the ethics of tax avoidance, internal factors such as individual religiosity also significantly influence how taxpayers act according to their respective religious norms and laws. In this regard, the Directorate General of Taxes (DGT) should consider fairness and balance in formulating tax policies. DGT must minimize fraud loopholes in the tax system. Referring to the self-assessment system, the tax system should uphold simplicity and reduce complexity so taxpayers do not encounter difficulties at each stage of calculation, payment, and reporting. Additionally, regarding religiosity, the government can develop tax education programs that discuss religious concepts and perspectives on taxation. Using language and approaches sensitive to religious values in tax socialization and counseling programs can help reduce tensions between the principle of tax obligations and certain religious beliefs. All these efforts aim to minimize the potential for tax avoidance practices.

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