

Tax Justice Perception and Trust in Government on Tax Compliance

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Abstract-*This study aimed to analyze the effect of trust in the government to tax compliance with the perception of tax justice as a mediating variable. The research method was the Structural Equation Model. The sample from this study was individual taxpayers who located in the Gresik, Bangkalan, Mojokerto, Surabaya, Sidoarjo, Lamongan areas that have a tax ID and pay taxes. The data sources received from the questionnaire report. The results proved that (1) trust in government to tax compliance had positive and significant effect, (2) trust in government to perceptions of tax justice had positive and significant effect, (3) perception of tax justice to tax compliance had positive and significant effect, (4) trust in government to tax compliance mediated with perceptions of tax justice had positive and significant effect.*

Keyword - *Tax Compliance, Trust in Government, Perception of Tax Justice*

I. INTRODUCTION

Compliance can interpreted as an observance in implementing all the rules that have been set. So that tax compliance can be construed as a condition where taxpayers must implement and fulfill all their tax rights and obligations. [1] explains that tax compliance is taxpayer obedience in carrying out the tax provisions that have been required and implemented based on established taxation laws. On the other hand, tax compliance can also interpreted as voluntary behavior of taxpayers in terms of reporting all other income received [1]. In this study, there are two variables determining tax compliance, namely, trust in government or the level of trust in the government and perception of tax justice.

The level of trust in the government and the law is a manifestation of the expectations of taxpayers to the authorities in carrying out the government and legal system to conform to applicable norms and values. Based on the

theory of planned behavior, taxpayer considerations regarding actions must taken according to rational thought. The perception of taxpayers to the government and the law

is one of the things that can affect taxpayer decisions relating to taxpayer compliance in carrying out its tax obligations. research concluded that the level of trust would influence the behavior of taxpayers related to tax compliance in the government and the law. In other words, when taxpayers trust the government and the law, taxpayers will also believe that the contribution given to the state will be appropriately used for the needs of the state so that taxpayers will be obedient in carrying out their tax obligations and this can increase taxpayer compliance.

Generally, the meaning of justice is if the existing tax system has been running as it should following applicable regulations and not deviate. Policies or activities that can lead to the perception, that tax is fair for everyone will be accommodating to encourage the realization of taxpayer compliance [2] Policies or activities that can lead to the perception, that tax is fair for everyone will be accommodating to encourage the realization of taxpayer compliance. Therefore, a treatment that can lead to tax compliance is crucial to be carried out to increase the number of compliant people [3]. The results of the study, according to Giligan, concluded that tax compliance would be influence by global justice and the distribution of tax burden. While research, according to [4] does not prove the influence of the dimensions of global justice and the distribution of the tax burden on tax compliance.

II. LITERATURE REVIEW AND HYPOTHESIS

A. Trust In Government

Trust in government can be understood as something mutual and reciprocal that must be done by both parties, namely the government itself and the population and applies reciprocally. Government trust by the population will arise if the population rationally sees and feels the government's performance for the welfare of the people. The trust of the population will arise due to the relationship between organizations that provide services to the population towards prosperity. [5] states that the government must take the initiative. The government must plan activities that can empower people. [5] states that the workings of the public sector and the way they serve the population will affect people's trust in the government.

In the field of taxation, concludes several reasons regarding taxpayers who live in Chile do not want to pay taxes, three of the eight are related to trust in the government / tax authorities. The three causes are: "because they stole my money; because if they catch me, then I can finish it and even if I do not pay, nothing will happen ". [6] gives confidence to the government to exist if the government believes in the people and vice versa the people trust the government. Trust in the government by the people will emerge if the government proves its performance clearly, where the opposite performance will lead to trust from the people in the government. Public trust in the government will increase the government's ability to handle the nation's economic situation.

B. Tax Justice Perception

Adam Smith revealed that the principle of tax collection is primarily justice in taxation. Tax compliance will increase along with changes in the perception of justice towards a better direction. It can be said simply if the perception of justice, in this case is tax justice, will be accompanied by an increase in tax compliance [7]. In the study according to [8], it was shown that one of the psychological factors which is very important related to tax compliance. One such psychological factor is tax justice. The thoughts or opinions of taxpayers on tax injustice can be implied from how taxpayers feel that the tax they have paid is not directly proportional to the service or facility that should be obtained.. Improved public services affect taxpayers' perceptions of fairness in the taxation system [7] The role of government in upholding the justice system is huge. The application of a transparent and fair taxation system by the government to taxpayers without exception will provide an increase in the insurance budget for taxpayers [8]. Certainty in the country's taxation legal system must be fair so that there is no avoidance of taxes or tax evasion.

C. Tax compliance

Taxpayer Compliance can be defined as a compliant act of taxpayers in carrying out their tax obligations in accordance with applicable tax regulations or regulations.. According to [9] tax compliance is the availability of taxpayers to fulfill their tax obligations following applicable regulations without any actions such as inspection, investigation, warning or threat and the application of sanctions in punishment or administrative fines.

Tax compliance means taxpayers who state all their tax obligations by honestly reporting all their income, assets and debts. The statement is then followed by fulfilling the tax payment obligations that have been calculated using the self-assessment system so that all obligations are met. [12]. [13] describes tax compliance as a taxpayer who prepares the calculation and reporting of tax returns clearly, accurately and on time in accordance with applicable tax laws. Fundamentally or in its purest form, tax compliance is the level of tax compliance with applicable tax laws.. Tax compliance as taxpayer obedience in carrying out the tax provisions that have been required and implemented based on established tax laws. On the other hand, tax compliance can also be interpreted as voluntary behavior of taxpayers in terms of reporting all other income received [1]Tax compliance can be measured based on, firstly, understanding taxpayers in completing tax forms correctly, entirely and clear, secondly, taxpayers can calculate the amount of tax owed correctly, thirdly, taxpayers pay and report tax payable on time..

D. Hypothesis Development

1. *The influence of trust in government on perception of tax justice*

In some previous literature and research it is stated that the taxpayer's perception of tax justice will have an impact on the level of taxpayer confidence in the government. This will have a positive influence on the level of tax compliance [14]. Research conducted by [14] shows that trust in government increases perceptions of fairness of taxpayers and consequently affects tax compliance positively. In this case trust is formed before justice, then taxpayers evaluate whether the system is fair or not through the trust they have in the government. In other words, the taxpayer will assume that the application of the system carried out by the government is fair if the taxpayer puts trust in the government. Other studies prove that perceptions of fair government practices by taxpayers will increase taxpayer trust, perceptions of fairness correlate with trust in government [11]. Based on these arguments, the research hypotheses as follows:

H1: trust in government has an influence on perception of tax justice

2. *The influence of perception of tax justice on tax compliance*

Previous research conducted by [12] shows that there is one thing or one very important aspect in relation to tax compliance by taxpayers, namely tax justice. The existence of a taxation system created and implemented by the government should have an impact on increasing tax compliance for taxpayers. This confirms that the existence of a tax system implemented by the government fairly can improve taxpayer compliance. Understanding taxpayers for the applicable taxation system is very important because a tax system that works well and fairly will affect taxpayer compliance. Any increase in the perception of tax justice leads to an increase in the development of tax compliance. Several previous studies have found a positive influence between tax compliance and tax justice ([13]; [14]; [15]). In addition, research according to [16] states that the perception of tax justice affects tax compliance behavior. The effect of the perception of tax justice on tax compliance has a greater influence than the tax rate. Research ([17]; [18]) states in his study that perceptions of tax justice affect tax compliance. Based on these arguments, the research hypotheses as follows:

H2: perception of tax justice has an influence on tax compliance.

3. *The influence of trust in government on tax compliance mediated by perception of tax justice*

Because the perception of fair government practices by taxpayers will increase taxpayer trust, perceived justice will correlate with trust in government [11]. Governments seek to gain the trust of their citizens by promoting their behavior that is fair and service-oriented ([19]; [20]; [21]). Taxpayer compliance can arise if taxpayers feel that tax officials can carry out their duties professionally, fairly and respectfully. [22]. In some references to tax traditionally it is said that trust is modeled as a consequence of justice. However, recent research on this subject rejects the model or statement that the justice variable precedes the trust variable [23]. In this study it was found that trust shapes perceptions of justice. There is a very essential influence on belief in one's perception of the justice of an event / thing. This results in the majority of investigations carried out in this field not accepting the view that the existence of justice precedes trust. Although most theories and studies exist in the literature ([24]; [25]; [19]; [20]; [21]) have focused on trust as a consequence of fairness, there are also studies that show that trust is an essential variable of perception of justice ([26]; [27]; [28]; [23]). The factor of trust in government performance and the taxpayer's perception of the existence of tax justice has a very important influence on tax compliance taxpayers. The perception of tax justice takes the role of full mediation in the relationship between trust in government and tax compliance [23]. Based on these arguments, the research hypotheses as follows :

H3 : Trust in government affects tax compliance with perception of tax justice as a mediating variable

III. METHODOLOGY

A. *Research Model*

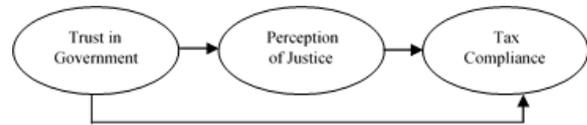


Fig. 1. Research Model

B. *Sample Selection*

The sample of this research are individual taxpayers in the GERBANGKERTASUSILA region who have a TIN and have made tax payments. The opinion of taxpayers related to trust in government and perception of tax justice is very important in this study to see whether the effects of these variables have given a positive and significant relationship to tax compliance. data collection using a questionnaire using a Likert scale. Likert scale is a scale used to measure a person's opinion of an existing statement. This study uses a 5-point Likert scale. The Likert scale used in this study is starting from statements of strongly disagree (1), disagree (2), neutral (3), agree (4), and strongly agree (5).

IV. RESEARCH RESULTS AND ANALYSIS

A. *Descriptive Statistic*

The data collection process in this study used the distribution of questionnaires distributed to 100 individual taxpayer respondents in the GERBANGKERTASUSILA region who had already paid taxes. Questionnaires distributed by distributing directly and indirectly to respondents, while the questionnaires collected were 185 questionnaires and those that did not meet the criteria of the whole questionnaire were 85 questionnaires so that the total questionnaire that could be processed was 100 questionnaires.

B. *Hypothesis testing*

Hypothesis testing is usually referred to as structural model testing in processing using SEM AMOS. Hypothesis testing on AMOS is done by looking at C.R (Critical ratio), alpha (α), and the value of p. A hypothesis will be accepted if the value of C.R. shows a number greater than 1.96 | (c.r.

≥ 1.96) |, an alpha value (α) 0.05 or 5%, and a p value indicates a number less than 0.05 ($p < 0.05$).

TABLE I. STATISTICAL RESULTS OF HYPOTHESIS TESTING

Variabel Relationship	Direct	Indirect	Total	C.R	P Value
TIG - POT	1.270	0.000	1.270	5.226	0.000
TIG - TC	0.545	0.657	1.201	6.855	0.000
POT - TC	0.517	0.000	0.517	2.643	0.008

For Hypothesis testing the significance of structural model was estimated using AMOS. The correlation between independent variable and dependent variables were reviewed during the analysis. The results of the analysis supported all assumptions. The results of the survey are shown in Table 4. Results show that the impact of Trust in government on Perception of Justice has a CR value is 5.226 (≥ 1.96) and P Value is 0.000 ($p < 0.05$). These results are consistent with prior literature who conclude that Trust in government has an influence on Perception of Justice. Trust is a consequence of the development and perception of justice. [28] states that events are not classified relatively or unfairly. However, they are classified as fair or not based on trust. Improvement in public services carried out by the government can increase the perception of taxpayers related to justice in the taxation system [10]. If trust in the government increases, the perception of justice from taxpayers themselves will increase. When governments care about all citizens and work for the benefit of citizens, perceptions of taxpayers related to justice will increase, as taxpayers believe more than the taxes they have paid has been distributed for the benefit of the people, and perceptions of taxpayers regarding the consistent level of their payments towards tax payments.

Taxpayer will obey pay taxes in a timely manner, if that person views the authority (tax authority) treats all individuals in the same way and does not utilize or take advantage of the tax that has been paid by someone and is concerned with having an easy job rather than making an easy way to pay taxes.

The results of this study indicate that trust in government affects the perception of tax justice. The study of [10] supports the results of this study. It is showing that trust in the government increases taxpayers' perceptions about justice and consequently affects tax compliance positively. It is generally accepted in the tax compliance literature that taxpayer perceptions of tax justice increase trust in the government, and this positively influences tax compliance [10]. Trust is a consequence of the development and perception of justice. [28] states that events are not classified relatively or unfairly. However, they are classified as fair or not based on trust. Improvement in public services carried out by the government can increase the perception of taxpayers related to justice in the taxation system [10]. If trust in the government increases, the perception of justice from taxpayers themselves will increase. When

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Our results also show that the impact of Perception of Justice on Tax Compliance has CR value is 2.643 (≥ 1.96) and P Value is 0.008 ($p < 0.05$). Adam Smith revealed that the most crucial principle in the context of tax collection is fairness in taxation. Every increase in the perception of justice leads to an increase in the development of tax compliance [29]. If the taxation system is fair and the tax payment is following the consistent level of taxpayer's income, the taxpayer will be more obedient to complete the tax return according to the rules and not report income that is smaller than the truth. But if the perception of tax justice is low, taxpayers will begin to reduce their level of compliance. General justice is related to the perceptions and feelings of taxpayers, whether they feel that the existing tax system has been running as it should be following applicable regulations and not deviate. The distribution of the tax burden relates to the tax burden imposed on taxpayers with existing income levels, where people assess whether the tax rate charged is fair or not that will affect their tax compliance behavior. Policies or activities that can give rise to the perception that tax is fair for all people will greatly help to realize taxpayers were fulfilling their obligations to pay taxes.

General justice is related to a person's perceptions and feelings. If general justice in the taxation system has shown positive results or received a good response from the public, then the level of tax compliance will increase so that taxpayers do not object to a number of tax burdens that must be paid, then the level of tax compliance will also help more increasing. However, if the opposite happens, this will encourage taxpayers to avoid paying taxes and not paying taxes [30].

The results of this study indicate that the perception of tax justice affects tax compliance. The results of this

study were supported by [31] research that is showing the higher the perception of tax justice, the higher the level of tax compliance will increase. Conversely, if the perception of tax justice is low, then the level of compliance of taxpayers will also decrease.

Table I also shows that the impact of interaction trust in government on tax compliance mediated by perception of tax justice. The relationship between Trust in Government and Tax Compliance has a CR value of 6.855 and p value is 0.000 ($p < 0.05$). The results showed that there was an influence of trust in government affecting tax compliance positively and significantly with the perception of tax justice as a mediator. The value of the results of this hypothesis test shows that the value of the direct variable trust in government for tax compliance is smaller than the indirect value of the trust variable in government for tax compliance, it can be concluded that the results of this mediation test are Partial Mediation. Trust shapes perceptions of justice. There is an essential influence of belief on an individual's perception of the justice of an event/thing. The government is trying to gain the trust of its citizens by increasing justice and service-oriented. The results of this study also explain that with increasing confidence in the government, there will also be an increase in tax compliance and tax perceptions.

Trust in government increases taxpayer perceptions of government justice and influences taxpayer compliance. Trust is formed before justice, and taxpayers evaluate whether this system is fair or not through the trust they have in government. In other words, taxpayers will see the implementation carried out by the government as fairness [10]. People with a low level of trust in the government will be vulnerable to information about how justice tax authorities enforce decision-making procedures in their decisions, whether to voluntarily comply or not. Conversely, people with high trust in authority, who may pay less attention to the exploitation and abuse of power from the authorities, will pay less attention to the fairness of the tax authority implementing decision-making procedures. The results of this study are supported by research [11] the perception of fair government practices by taxpayers will increase taxpayer trust, perceived justice will be correlated with trust in government.

V. CONCLUSION

This research proves that trust in the government and perceptions of tax fairness will affect taxpayer compliance with tax regulations. With increasing trust in the government there will also be an increase in tax compliance and tax perceptions. The perception of fairness of taxpayers will increase when trust in the government increases. If the tax system for payment is fair and the tax payment is in accordance with the consistent level of income of the

taxpayer, the taxpayer will be more compliant to complete the tax return.

Based on the results of this study it can be suggested especially to the government to continue to increase public trust by improving the quality of tax services, developing payment systems for easier tax payments, and improving regulations on applicable tax rates which will ultimately affect the increase in tax compliance.

For further research, it is expected to increase the number of samples and expand the study area so that it can find out the comparison of tax compliance in each region or region. As well as adding other variables that can affect taxpayer trust and taxpayer compliance.

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