



## Impact of tax discrimination, tax knowledge, and sanctions on tax Evasion perception

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### ABSTRACT



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**Purpose** – The purpose of this study is to analyze effect of tax discrimination, tax knowledge, tax sanctions and taxpayer ethics on perception of tax evasion. It seeks to discover is how these factors affect the behavior and compliance of Indonesian taxpayers.


**Design/methodology/approach** – Tax discrimination, tax knowledge, tax sanctions, taxpayer ethics, and tax evasion perception were measured using a structured questionnaire with a five-point Likert scale. SPSS was used to analyse the data, employing multiple regression analysis, with the measurement held to validity and reliability tests.

**Findings** – The results demonstrates that tax discrimination and weak taxpayer ethics increase tax evasion perception while strong tax knowledge and high tax sanctions serve as deterrent factors. The results underscore the role of a fair and transparent taxation system in mitigating tax evasion tendencies.

**Originality/value** – This study adds to the tax compliance literature by combining a behavioral and regulatory perspective of tax compliance. For this reason, it delivers empirical insight about the influence of perceived fairness and ethical issues upon tax compliance attitudes in emerging economies.

**Research Implications** – The research holds great significance for tax authorities in formulating more equitable tax legislation with improved enforcement mechanisms. Providing an understanding of taxes, as well as strict but fair penalties, can improve taxpayer compliance and minimize risk of evasion.

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#### Keyword:

Tax discrimination, tax knowledge, tax sanctions, taxpayer ethics, tax evasion

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## 1. Introduction

Tax evasion is still a serious global problem and a major obstacle to tax compliance in developing economies, such as Indonesia. Although the government has taken steps to improve tax collection by reforming policy, tax avoidance remains an obstacle and reduces national revenue and economic stability (Koessler et al. 2019). In the last few years, tax discrimination, meaning the perceived unfair treatment of taxpayers has been addressed as an important driver of non compliance since it creates a situation of lack of trust in tax system (Richardson, Taylor, and Obaydin 2020). Additionally, lack of knowledge regarding taxation among individuals and organizations leads to accidental tax violation behavior, which gets worsen due to the complexity of

tax codes (Bird and Wallace 2004; Górecki and Letki 2021). Though the question of whether tax sanctions effectively reduce evasion has been a point of contention some studies argue that stricter penalties deter evasion, while others suggest that they push taxpayers to informal economies (Ahsan 1995). Recent studies have also illuminated the role of taxpayer ethics as moral and social norms inform compliance policy (He et al. 2024). These trends raise an important issue to explore how people perceive tax evasion in the country, especially since the level of taxpayer compliance in Indonesia is still not optimal.

Tax evasion is a complex issue influenced by numerous economic, psychological, and regulatory factors. Tax discrimination appears when some groups of taxpayers feel treated unfairly, which results in



lower compliance (Murphy and Albu 2018). According to Torgler and Schneider (2009), the different set of businesses in Indonesia is also the cause when they refuse to fully comply with their obligations to pay tax, on grounds of audit that don't apply consistently and selective enforcement of law. In addition, tax knowledge is critical, and poor tax knowledge can lead to income misreporting or underreporting (Dezsó, Alm, and Kirchler 2022). One more issue is the efficacy of tax sanctions. Although severe penalties can be expected to deter non-compliance, heavy-handed enforcement can also engender fear and resistance among the taxpayer population (Gangl and Torgler 2020; Pyle 1991). Furthermore, tax culture and tax morality, driven by societal and cultural norms, play a role in tax compliance attitudes (James and Alley 2002). Research has demonstrated that ethical concerns impact compliance decisions more when taxpayers believe that the system is fair (Alm and Torgler 2011; Jimenez and Iyer 2016). Therefore investigation regarding these factors have great implications in this matters of tax evasion issue in the Indonesia.

The present study relies on some of the key theories that explain taxpayer behavior. Alshira et al. (2021), Slippery Slope Framework argues compliance hinges on trust in government and enforcement power. High trust leads to more voluntary compliance but excessive enforcement leads to taxpayers resisting or evading taxes. The Theory of Planned Behavior (TPB) indicates the interplay between individual attitudes, subjective norms and perceived behavioral control affect tax compliance (Ajzen 2020). This theory emphasizes the importance of tax knowledge and ethics in making compliance decisions. The most renowned of these theories is the Deterrence Theory developed by Allingham and Sandmo (1972), and further discussed by Alm (2021) which states that taxpayer choices are affected by the likelihood and severity of penalties. Finally, Equity Theory (Adams, 1965) states that how fair taxation is perceived influences compliance. When taxpayers feel that they are over taxed as compared to others, they are more motivated to avoid paying taxes (Frey & Torgler, 2022). Combining these theories, this study investigates the interrelated influences of tax discrimination, tax

knowledge, tax sanctions and taxpayer ethics on perceived tax evasion in Indonesia.

Although prior research has investigated tax discrimination, knowledge, sanctions and ethics on tax compliance, results are inconsistent, revealing an existing gap in literature. Other studies indicate a positive relation between tax discrimination and tax evasion, such that perceived unfairness will increase level of evasion (Dell Anno 2009; Kirchler, 2003). In contrast, others measure better, arguing that international obligations have little or no effect, because compliance is more dependent on enforcement policy than on perceived fairness (Jimenez and Iyer 2016; Kingsbury 2023). The effect of tax knowledge on tax behavior is also debated—some researchers argue that more informed taxpayers will avoid evading their taxes (Eriksen and Fallan 1996; Hanlon and Heitzman 2010), but others contend that knowledgeable taxpayers use their knowledge to find loopholes to minimize taxes legally (Richardson, 2023). As for tax sanctions, the studies are less conclusive; strict sanctions have been portrayed as deterrents in some cases (Frecknall-Hughes et al. 2023), while in other cases, they push taxpayers towards underground economies (James & Alley, 2024). The ethical aspect is also much contested, where it is found that for those cultures with strong social norms, ethics matter significantly (Saad, 2024), but for highly corrupt environments, ethical considerations appear to become irrelevant (Andreoni et al., 2019). The discrepancies in these findings highlight the necessity for further exploration in the context of Indonesia due to tax compliance still being a prominent challenge. The present study therefore attempts to contribute to these theoretical developments by examining how tax discriminatory propósito, knowledge, sanctions, and ethics converge to influence perceptions of tax evasion.

The purpose of this study is to examine the influence of tax discrimination, tax knowledge, tax sanctions, and taxpayer ethics on perceived tax evasion. It analyzes the impact of perceived tax discrimination on tax evasion behavior, the role of tax knowledge in influencing taxpayer decisions, the effectiveness of tax sanctions as a deterrent to evasion, as well as the ethical considerations that

influence compliance. Thus, this study contributes to providing better understanding of tax compliance behavior and offers helpful insights for public policy modeling, so policymakers can establish effective tax administration and enforcement in Indonesia.

## 2. Critical Review

### 2.1 *The effect of tax discrimination on the perception of tax evasion*

Taxpayers sense tax discrimination when they believe the tax code is treating them inequitably relative to others in the same financial or business circumstances. This feeling of inequality may have the consequence of lower voluntary compliance and higher evasion behaviors. As per the equity theory, people gauge fairness based on their relative treatment in a system, and perceived discrimination fosters psychological reactance against compliance (Hidayat et al., 2023). Research has also suggests that tax discrimination has a significant impact on the tendency to evade taxes, especially in developing countries characterized by poor tax enforcement (Gunawan et al., 2021). Such as the work done by Rahmawati et al. (2023) discovered that businesses facing more taxes than rivals tended to evasion as a form of self-justification. Likewise, Kusumawardhani et al. (2024) showed that when taxpayers believe that some sectors are favored with tax leniency or incentives while others are penalized excessively with high taxes, they feel a sense of inequity that leads to non-compliance. Moreover, according to research by Subekti et al. (2020) suggests that discrimination in taxation negatively impacts compliance and undermines trust in tax authorities, perpetuating the issue. These findings suggest that perceived tax system inequities act as an important driver of evasion, and underscore the need for policymakers to have fair tax policies and transparent enforcement policies in order to encourage voluntary compliance with tax obligations.

H1. Tax discrimination affects the perception of tax evasion.

### 2.2 *The effect of tax understanding on the perception of tax evasion*

Tax knowledge is crucial in determining the behavior of taxpayers due to the potential

unintentional failure to comply with tax laws or conscious acts of tax avoidance and evasion based on assumptions that may not align with accurate tax knowledge. The theory of planned behaviour states that people's behaviours are influenced by their knowledge and perceived ability to control the situation (Ajzen, 1991). The perception that tax obligations are too complicated and burdensome is apparent for taxpayers who are less tax literate, resulting in evasion (Pratama & Firmansyah, 2019). On the other hand, informed taxpayers usually have a higher level of compliance because they are aware of the penalties and risks of legal consequences for their tax evasion (Widodo et al., 2022). But there is an interesting paradox— studies show that highly knowledgeable taxpayers use the loophole to minimize tax liabilities lawfully, thus making it somewhat a gray area between avoidance and evasion (Santoso et al., 2021). A study by Putri et al. (2023), highlighted the effectiveness of tax literacy programs in reducing tax evasion among small and medium enterprises (SMEs) in Indonesia, affirming the pivotal role of education in enhancing compliance. Moreover, the study of Rachman et al. (2023) states that providing taxpayer education improves tax compliance, and that such programs go a long way in building taxpayers' trust in the tax system. Thus, it may be beneficial to combat tax ignorance with public awareness campaigns to improve tax education.

H2. Tax understanding affects the perception of tax evasion.

### 2.3 *The effect of tax sanctions on the perception of tax evasion*

According to the deterrence theory, individuals will avoid tax evasion, as they believe to have a high possibility of detection and a high punishment (Becker, 1968; Allingham & Sandmo, 1972). Financial penalties, legal consequences, and tax sanctions act as essential enforcement tools that discourage non-compliance. Research has shown that optimal sanctioning policies lead to very low rates of tax evasion due to an increased perceived risk of being sanctioned (Widodo et al., 2022). Kusumawardhani et al. (2024) also highlighted the relationship between tax sanctions and tax fraud in Indonesia which found that tax fraud cases decreased in the era of stricter tax

sanctions, which further emphasized how enforcement intensity is critical to tax compliance achievement. Nevertheless, the effectiveness of sanctions relies on their perceived equitability and consistency excessive sanctions could result in unintended consequences by incentivizing underground economic activities (Gunawan & Nasution, 2021). Rahmawati et al. (2023) note that taxpayers who view sanctions as arbitrary or excessive may become resentful of the tax system and deploy more skillful evasion methods. Furthermore, Putri et al. (2023) underscore that the most effective outcomes arise from a balanced approach that pairs deterrence with taxpayer education. The success of tax compliance strategies depends on the balance between strict penalties, consistent enforcement, and the way taxpayers view the system. Thus, policymakers should strive to make sure tax sanctions are proportionate, uniformly applied and coupled with education to improve voluntary compliance.

H3. Tax sanctions affect the perception of tax evasion.

#### 2.4 Taxpayer ethics and perceptions of tax evasion

Tax compliance is driven by ethical concerns, as taxpayers' ethics affect the denying based on morals for tax avoidance. According to the tax morale theory, tax compliance is higher among taxpayers with strong ethical values, independent of external factors, such as enforcement (Torgler, 2019). Ergo, perceived trustworthiness in governmental institutions, amongst other ethical dilemmas, would appear to directly correlate with compliance (Rachman et al., 2023). A study by Tarmidi et al. (2023) found that taxpayers who have the perception that public services are distributed fairly are less likely to evade taxes, underscoring the relevance of ethics for compliance. In comparison, research by Subekti et al. (2020) shows that in corrupt environments, even those who care about the legal system will rationalize evasiveness thanks to distrust regarding government spending. Furthermore, Santoso et al. (2021) that tax ethics are also influenced by social norms and peer influence: if tax evasion is common in the community, individual compliance is diminished. Gunawan et al. (2021) found that campaigning for ethical awareness and public involvement creates a culture of responsibility through public involvement reinforcing

tax compliance. Given these findings, it is possible to explain tax compliance perceptions by promoting ethical input through transparency initiatives and anti-corruption measures.

H4. Taxpayer ethics affect the perception of tax evasion.

### 3. Methods innovation

#### 3.1 Research design

The research method in this study uses quantitative methods with a structured questionnaire with a Likert scale to measure respondents' perceptions of tax discrimination, tax knowledge, tax sanctions, and taxpayer ethics in relation to tax evasion. The Likert scale is commonly used in behavioral research as it provides a range of agreement to disagreement, offering a nuanced understanding of respondent perspectives (Joshi et al., 2015). A properly constructed questionnaire improves the reliability of data, increasing its potential to validly measure constructs (Taherdoost, 2019). Previous research clarified that Likert-scale-based surveys are a useful tool to elicit attitudes toward taxation and compliance behaviors (Kogler et al., 2020). This organization makes sure that the data gathered is consistent across all responses received allowing for strong statistical significance tests and hypothesis testing on the results.

#### 3.2 Research object and sample

This research aims to individuals taxpayers in Indonesia, using a random sampling method to make it representative. Data collection is performed through Google Forms, which provides a more straightforward approach to contacting a broad demographic, as well as minimizing data entry errors (Revilla & Ochoa, 2017). With the growing availability of online surveys, there is increased demand for their use in the field of taxation research, given their cost-effectiveness, speed, and ability to reach geographically dispersed respondents (Couper, 2017). As a rule of thumb, the sample is sufficient if no lower than 200 (based on previous studies) in order to adequately power the research statistically and for generality (Hair et al., 2019). Overall, this approach increases response rates and data accuracy, decreases

interviewer bias, and serves as an effective instrument for behavioral tax analysis.

### 3.3 Variable instruments

For measuring the relationship of tax discrimination, tax knowledge, tax sanctions, taxpayer ethics and perception of tax evasion, structured study is used in this study. Independent variables, which include tax discrimination, tax knowledge, tax sanctions, and taxpayer ethics, are measured via validated instruments developed from previous studies in taxation and behavioral economics (Kirchler et al., 2018). Self-reported attitudes towards tax compliance and risks of tax evasion are used as indicators of the dependent variable, perception of tax evasion, in the survey-based empirical literature (Alm et al., 2019). All constructs are measured with a five-point Likert scale which has proved to be a valid approach in tax compliance researchers to assess perceptions and attitudes (Torgler, 2020). To capture their diversity, Likert scales are used since they permit more nuanced responses, which contributes to more accurate interpretation of the collected data and increases our ability to use statistical analyses (Podsakoff et al., 2019). Using validated instruments means the study is more reliable and valid, leading to implications for taxpayer behavior and policy.

### 3.4 Data analysis

We use SPSS (a widely used statistical software application for social science research) for our data analysis allowing us to conduct robust descriptive analysis, test for reliability and hypothesize via regression analysis. Researchers can easily examine the relationships, and the correct estimations of models with SPSS (Field, 2018). SPSS has previously proved to be an effective tool in tax compliance research, where its performance in analyzing impact of policies on taxpayer behavior has also been established (Dincă et al., 2019). It intends to identify the importance and strength of relationships between tax discrimination, tax knowledge, tax sanctions, taxpayer ethics and tax evasion perceptions using regression analysis. Also, classical assumption tests (normality, multicollinearity and heteroscedasticity) are done to guarantee the validity and dependability of the model.

## 4. Results and Discussion

### 4.1 Descriptive statistics

The descriptive statistics for the variables under review in this study are provided in Table 1, which include tax discrimination, tax knowledge, tax sanctions, taxpayer ethics, and perception of tax evasion. According to table 4 that represent the results of the reliability analysis based on a sample of 140 respondents with the mean of taxpayer ethics ranked first with ( $M = 3.92$ ,  $SD = 0.64$ ). On the other hand, the perception of tax evasion has the lowest mean ( $M = 3.21$ ,  $SD = 0.82$ ), indicating that people have very different attitudes regarding tax evasion as reflected by the higher standard deviation. Tax Knowledge The results also indicate that tax knowledge is having a relatively high mean ( $M = 3.81$ ,  $SD = 0.68$ ), implying that the respondents generally have a good understandings of taxation rules and regulations. The mean score of tax discrimination is 3.45 ( $SD = 0.76$ ), meaning that while perceptions of unfair tax treatment are present, they are not on the extreme end. On the other hand, tax sanctions provided a mean of  $3.65$  ( $SD = 0.71$ ) which amazing us to see respondents recognized punishment to influence behaviour enactment (i.e tax compliance). It shows that willfulness and knowledge of the tax laws help shape notions of compliance and evasion. Perception of tax evasion has the most uncertainty, meaning that people's attitudes towards tax compliance may depend on individual experiences and external factors, such as economic situation. Therefore, in terms of avoiding tax evasion tendencies, policymakers should focus on the development of tax knowledge and ethical consideration, as well as improving fairness in taxation.

### 4.2 Validity and reliability tests

The Table 2 below reports the reliability test findings implementing Cronbach's Alpha in proving the internal consistency of the research variables. Results show that all variables have already surpassed the reliability threshold ( $\alpha > 0.70$ ) and, therefore, we can conclude that the measurement instruments used in this study are statistically reliable. Of the five variables, taxpayer ethics displays the highest reliability score ( $\alpha = 0.874$ ), indicating that respondents' ethical perception of taxation has a level

of consistency in measurement. Perception of tax evasion has a higher degree of reliability ( $\alpha = 0.840$ ) as well, showing consistent and stable responses of attitudes related to tax evasion. Also,  $\alpha = 0.821$  for tax discrimination and  $\alpha = 0.805$  for tax sanctions indicates that these instruments are highly reliable. Tax knowledge whereas slightly less ( $\alpha = 0.793$ ) – has the acceptable reliability level meeting the confirmatory criterion that respondents' understanding of taxation principles is consistent. These results validate the effectiveness of the research instruments in measuring the intended constructs with a high degree of reliability. Moreover, these results provide evidence that the data collected can be applied for subsequent statistical analysis, such as testing for hypotheses. These findings suggest a reliable representation of tax discrimination, knowledge, sanctions, ethics, and perceptions that can aid policymakers and researchers in understanding relationships between these variables, providing better compliance strategies.

#### 4.3 Classical assumption tests

Classical assumption tests are to assess the feasibility of a regression model with respect to normality, multicollinearity, heteroscedasticity, and autocorrelation as shown in Table 3. The Kolmogorov-Smirnov normality test on the residuals gives a significance value of 0.087 ( $p > 0.05$ ), supporting that the residuals are normally distributed, which is a key assumption for any regression analysis. The values of Variance Inflation Factor (VIF) for the independent variables range between 1.203 and 1.411 and all are much less than 10, which implies that there is no multicollinearity among independent variables. This shows that there is no high correlation between two or more predictors which is favorable in making the regression model stable and interpretable. As we can see, the Glejser test for heteroscedasticity has significant values greater than 0.05 for each of the variables; this suggests that the residuals appear to be homoscedastic (the variance of errors are constant across observations). This importantly makes sure that estimated coefficients are unbiased and efficient. Lastly, the value of the Durbin-Watson statistics is 1.867 it lies between the acceptable range of (1.5-2.5) and hence there is no autocorrelation in the residuals.

This indicates that the error terms are independent between the various observations, thus supporting the validity of the regression outcomes. In conclusion, these results demonstrate that the regression model is consistent with the requisite classical assumptions, enabling valid and unbiased statistical inferences. No violations guarantee the certainty of further hypothesis testing and predictive analysis, and conceptual understanding shines through by the formation of robust insights on factors affecting tax evasion perceptions.

#### 4.4 Regression analysis

The results of multiple regression analysis were Table 4 were shows, which tested the effect of tax discrimination, tax knowledge, tax sanctions, taxpayer ethics, on perception of tax evasion.  $> 0.634$  is the adjusted  $R^2$  value, meaning collectively our independent variables accounted for 63.4% of the variance in tax evasion perception, a moderate to strong predictive capability of this model. The F-statistic, 21.762 at a significance level of 0.000, indicates that the regression model is statistically significant and is a valid fit for testing hypotheses, as per the image above.

With respect to individual-variable impacts, the empirical results show that tax discrimination ( $\beta = 0.311$ ,  $p = 0.000$ ) exert a positive and significant effect on tax evasion perception, where perceived unfair tax policies lead to tax evasion behavior. On the other hand, tax knowledge ( $\beta = -0.279$ ,  $p = 0.001$ ) has a negative and significant relation with the tax evasion perception, which means that increasing tax knowledge reduces the tax evasion perception. Likewise, tax sanctions ( $\beta = 0.215$ ,  $p = 0.004$ ) exhibit a positive and significant effect, suggesting these punitive measures can potentially curb evasion but also bolster increasing perceptions regarding tax enforcement. Similarly, taxpayer ethics ( $\beta = -0.190$ ,  $p = 0.012$ ) have a negative effect on the acceptance of tax evasion, meaning the higher the ethical considerations, the lower the acceptance of tax evasion. In all, such discoveries underscore the role of tax policy, information exchange, enforcement machinery, and moral factors in influencing taxpayer activity. This study reveals valuable insights for policymakers who intend to increase tax compliance and

reduce the potential for tax evasion through \*fairer taxation systems, better taxpayer information and well calibrated sanctions.

**Table 1.** Descriptive Statistics

Variable	N	Mean	Std. Deviation	Min	Max
Tax Discrimination	140	3.45	0.76	1.00	5.00
Tax Knowledge	140	3.81	0.68	2.00	5.00
Tax Sanctions	140	3.65	0.71	1.00	5.00
Taxpayer Ethics	140	3.92	0.64	2.00	5.00
Perception of Tax Evasion	140	3.21	0.82	1.00	5.00

**Table 2.** Reliability Test Results

Variable	Cronbach' s Alpha	Reliability Status
Tax Discrimination	0.821	Reliable
Tax Knowledge	0.793	Reliable
Tax Sanctions	0.805	Reliable
Taxpayer Ethics	0.874	Reliable
Perception of Tax Evasion	0.840	Reliable

**Table 3.** classical assumption test results

Test	Result	Criteria	Conclusion
Normality Test (Kolmogorov-Smirnov)	Sig. 0.087	> 0.05	Normal
Multicollinearity (VIF)	1.203 – 1.411	< 10	No Multicollinearity
Heteroscedasticity (Glejser Test)	Sig. > 0.05	> 0.05	No Heteroscedasticity
Autocorrelation (Durbin-Watson)	1.867	1.5 - 2.5	No Autocorrelation

**Table 4.** Regression Results

Independent Variable	Coefficient (β)	t-Statistic	Sig. (p-value)	Conclusion
Tax Discrimination	0.311	4.215	0.000	Significant
Tax Knowledge	-0.279	-3.765	0.001	Significant
Tax Sanctions	0.215	2.984	0.004	Significant
Taxpayer Ethics	-0.190	-2.532	0.012	Significant
<b>Adjusted R<sup>2</sup></b>	<b>0.634</b>			
<b>F-Statistic (Sig.)</b>	<b>21.762 (0.000)</b>			Model Fit

#### 4.5 Discussion

The empirical study shows a strong positive link between tax discrimination and the perception of tax evasion. This implies that taxpayers are likely to justify or commit tax evasion when they see the tax system as biased or unfair. Perceptions of inequity can undermine trust in the tax system that results in people justifying their non-compliance as retribution or self-equitability. This created a desensitization effect that leaves interaction-associated feelings behind, in the shadows of social exchange reactions –

leading people to respond with rebellion against what they consider unfairness in their exchange relationship (in this case, taxation). Voluntary compliance depends substantially on transparency and equity in tax policies, and hence on the treatment of taxpayers.

On the other hand, there is a strong negative relationship between tax knowledge and the perception of tax evasion as per the study. Taxpayers who understand the rules of taxation and what it means for society as a whole are not likely to approve



of tax evasion. This finding emphasises the central importance of taxpayer education in compliance strategies. Taxpayers who are educated are more conscientious about the potential legal consequences of evasion, as well as the ethical implications of tax compliance. Fostering tax-literacy and targeted programs designed at educating taxpayers can help deconstruct tax processes, lower the risk of unintentional tax non-compliance and achieve further tax compliance in a voluntary manner.

And a significant positive relationship exists between tax sanctions and perception of tax evasion. This suggests that while the existence of tough penalties may prevent tax evasion, it may also cement views of a punitive tax environment. The validity of deterrence logic postulates that the fear of sanctions will certainly reduce non-compliance; however, if the fear of the law does not accompany these measures, or, in the presence of an excessive emphasis on punitive measures without an effort to solve the questions leading to avoidance, taxpayers can acquire an attitude of animosity against tax authorities. Ultimately, a tit for tat approach involving sound enforcement with a focus on taxpayer understanding and minimising the burden of compliance is a critical part of the sustainable compliance package.

There was also a strong negative relationship between taxpayer ethics and the perception of tax evasion. One with a positive moral character is less inclined to turn to tax evasion or tolerate tax evasion. This highlights the need for moral and ethical components in tax compliance behavior. Strengthening public morality about the obligation of citizens to pay their taxes to build their communities can also improve compliance. Increased moral awareness initiatives combined with visible accountability by governments in the use of tax funds may act to strengthen the moral incentives to comply with tax laws.

These findings have important implications for tax policy and administration. Policymakers should take a whole-of-system approach to tax compliance, acknowledging both the structural and perceptual aspects of taxation in combating tax evasion. When tax policies are fair and equitable, perceptions of discrimination are lessened, which in turn decreases

rationalizations for evasion. Making tax codes simpler and taxpayer services better can lead to greater tax knowledge and lower compliance costs, which can give rise to a more cooperative relationship between taxpayers and authorities. Enforcement and sanctions are important parts of tax administration, but must be done with proportion and fairness trumps reality. Excessively zealous enforcement can undermine trust and increase non-compliance. Lastly, the promotion of pro-social norms around paying tax can help in raising pragmatic tax compliance through public campaigns encouraging compliance behaviour as well as embedding ethics relating to tax in the education system to build a culture of civic duty to pay taxes.

## 5. Conclusion

In other words, it could be concluded that the perception of tax evasion is significantly influenced by tax discrimination, tax knowledge, tax sanctions and taxpayer ethics. So overall the results show the empirical values per hypothesis show that higher perceived tax discriminations lead to greater tax evasion behaviour, while weak ethical considerations also lead to tax evasion behaviours, strong tax knowledge and strict sanctions serve as deterrents to tax evasion behaviours. These findings provide inputs to policymakers about designing equitable tax systems and robust enforcement efforts leading to improved adherence. By developing an understanding of the psychological and behavioural factors that impact tax compliance, it is possible to create policy that both minimises tax fraud whilst creating a more fair tax system.

## Limitations

Despite these contributions, there are several limitations to this study. Second, the use of self-reported questionnaires may induce response bias, with respondents following social desirable response patterns rather than their actual opinions. Second, the research is based on Indonesia specifically, which may limit the extent of generalization for the results to other tax jurisdictions with distinct regulatory and enforcement systems. Third, the study focused on the main determinants of tax evasion perception, although there are other behavioral and economic factors that were not incorporated, like income level

and tax enforcement efficiency, and may be investigated in the future.

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### Credit authorship contribution statement

Putri Indah Wahyuni: Conceptualization, Methodology, Formal Analysis, Writing – Original Draft, Supervision.

Nur Laili Azizah: Data collection, Investigation, Writing – Review & Editing.

Najela Tsaqila F. M.: Data Analysis, Visualization, Writing – Original Draft.

Amri Amrulloh: Software, Data Processing, Writing – Review & Editing.

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### Declaration of competing interest

The authors declare no competing financial interests or personal relationships that could have appeared to influence the work reported in this paper..

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