

## Determinants of Voluntary Compliance on A Changing Tax Policy

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### Abstract

**Purposes:** This study aims to examine the effect of trust, power, procedural fairness, distributive fairness, tax morale, and tax complexity on voluntary compliance. This study is conducted in an environment where taxpayers have to adopt new practices in tax reporting.

**Methods:** This study applied a survey of staff and lecturers in one of the state universities in Semarang, Central Java. The questionnaires were distributed online. The final sample comprised 165 participants. The regression model will be analyzed using SmartPLS.

**Findings:** The results suggested that procedural fairness, distributive fairness, and tax morale had a significant role to achieve voluntary compliance. However, this study failed to provide empirical evidence about the effect of trust, power, and tax complexity on voluntary compliance.

**Novelty:** The dynamic at the organizational level has brought consequences for the members of the organization. The consequence includes a practical change in tax reporting i.e. from zero payment in tax returns to underpayment in tax returns. Under this background, this study investigates voluntary compliance and its determinants. The investigation is important since the practical changes in tax reporting tend to increase the tax burden, which could promote tax evasion.

**Keywords:** *Voluntary Compliance, Trust, Fairness, Tax Morale, Complexity.*

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## INTRODUCTION

Tax non-compliance issue still becomes an important issue for many countries (Horodnic, 2018). Investigation on tax non-compliance and its determining factors are important to ensure citizens contribute to the common interest (Andreoni et al., 1998). Psychological fiscal literature distinguishes tax compliance based on the motivation underlying individual behavior into 2 types of compliance, namely enforce compliance and voluntary compliance (Kirchler, 2007). Enforce compliance indicates compliance based on fear due to threats of inspections and fines, while voluntary compliance shows citizens' awareness of paying taxes honestly and without coercion (Kirchler et al., 2008). Achieving voluntary compliance is important because enforcement-based supervision costs money (Murphy, 2004; Nguyen, 2022). Therefore, this study focuses on investigating voluntary compliance and its determinants.

The dynamics of regulatory changes, including tax regulations at the organizational level, have an impact on changes in the tax reporting practices of individual taxpayers who are members of the organization. In this case, the publication of Directorate General of Tax issued

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Circular Letter Number 34/PJ/2017 concerning the Affirmation of Tax Treatment for Legal Entity State Universities has changed the tax reporting practices of taxpayers working at Legal Entity State Universities or PTNBH. This circular letter meant that taxpayers must make tax payments through different tax withholders according to the source of income. i.e. (1) Government's Treasurer, as an extension of the Ministry of Education for State Budget funds; (2) Legal Entity State University for nontax income or the PNBP (Hamid & Christine, 2019). In brief, the issuance of the circular letter resulted in an underpayment of the tax return for individual taxpayers or SPT OP. Previously, civil servant taxpayers at state universities were subject to final tax. Furthermore, Hamid & Christine (2019) state that most taxpayers in PTNBH feel forced to this change.

Underpayment taxes must be paid from income that has been received or out-of-the-pocket. Kirchler (2007) states that paying taxes out-of-the-pocket tends to encourage non-compliance. In addition, there is a compulsion of taxpayers to fulfill the tax payments (Hamid & Christine, 2019). To what extent the level of voluntary compliance in these conditions has not been investigated in empirical research. Therefore, this study attempts to fill this research gap by investigating the level of voluntary compliance and its determinants.

This study brings novelty by testing voluntary compliance when a change in tax-paying practices occurs. This change causes taxpayers to pay taxes out-of-the-pocket. Taxpayers also feel forced to comply with this change (Hamid & Christine, 2019). In a self-assessment system, taxpayers must fulfill their tax obligations independently. When paying taxes out-of-the-pocket, voluntary compliance becomes important. Meanwhile, achieving voluntary compliance requires the readiness of individuals as well as entities to comply with tax regulations without coercion (Erich Kirchler, 2007).

Over the past two decades, tax compliance research has increasingly investigated concepts such as trust, power, fairness, taxation systems, and tax morale (Yong et al., 2019). Some theoretical concepts also identified those factors as tax compliance determinants.

The slippery slope theory states that power and trust will result in different motivations to comply. The use of trust will result in voluntary compliance, while the intensive use of power will result in enforced compliance (Batrancea et al., 2022; Kirchler, 2007; Kirchler et al., 2008). Moreover, the use of power may also reduce voluntary compliance (Wahl et al. 2010)

The fairness theory has recognized the important role of distributive and procedural to achieve tax compliance (Wenzel, 2003). The psychological approach to tax compliance also has identified tax morals to explain tax compliance (Devos, 2014; Torgler, 2007). A tax law that cannot be understood because of its complexity will gain a low level of legitimacy and hard to gain voluntary compliance (Kirchler et al., 2006) This study then applies the concept of trust, power, fairness, taxation system, and tax morale to investigate the voluntary compliance. The following paragraphs elaborate on our prediction regarding those determinants of voluntary compliance.

Literature on psychological issues has identified trust as the most relevant factor in social interaction involving conflict of interest (Balliet & Van Lange, 2013). Trust suggests the expectation of others' benevolent motives in situations involving conflicts between self and collective interests. This interdependent perspective suggests a situation of conflict between self-interest, and benevolent motives, so the perception of the other's benevolent motives becomes a crucial determinant of cooperative behavior in this situation. Although the individual has the motivation to be cooperative, the individual does not want to be cooperative unless he feels confident that the other party will not take advantage of the cooperation between the two. Individual perceptions of the authority's benevolent motives in tax management will foster cooperative behavior (Chong et al., 2019; Kirchler, 2007; Tan & Braithwaite, 2018; Wahl et al., 2010)

The slippery slope theory explains that trust indicates the harmony between taxpayers' and tax authorities' relationship, and a synergistic climate emerges (Kirchler, 2007). The appropriate use of tax for the public interest will increase individuals' commitment, willingness, and positive attitude to comply with tax regulations. Kirchler et al. (2008) state that the trust established between taxpayers and the government will lead to a synergistic tax climate. In this climate,

the government believes that taxpayers pay taxes honestly and thus treat them with respect. Conversely, taxpayers also believe that the government will provide good public facilities and therefore taxpayers will pay taxes.

Trust in the government also indicates the existence of a psychological contract in the relationship between the taxpayer and the government. In this contract, each party understands the rights and obligations (Feld & Frey, 2002). These conditions will encourage taxpayers to comply with tax regulations voluntarily. Empirical research has supported that trust plays an important role in fostering voluntary compliance (Batrancea et al., 2019; Dularif & Rustiarini, 2022; Muehlbacher et al., 2011; Wahl et al., 2010).

### **H<sub>1</sub>: Trust increases voluntary compliance.**

Every citizen has tax obligations. The government has the authority to use audits and fines as tax compliance instruments. Power shows the government's ability to detect and punish perpetrators of tax fraud. The slippery slope theory states that the use of power will lead to the compulsion of taxpayers to comply with tax obligations (Kirchler, 2007). This feeling of compulsion will reduce voluntarism in paying taxes (Wahl et al., 2010).

Excessive use of power will lead to distrust in the relationship between the taxpayers and the authorities and this indicates an antagonistic tax climate (Kirchler et al., 2008). The second experiment conducted by Wahl et al. (2010) shows empirical evidence that subjects who perceive that the authorities are more powerless show a higher level of voluntary compliance than those who perceive otherwise. Hence, this study predicts that perceptions of the power of authorities will further reduce voluntary compliance.

### **H<sub>2</sub>: Power decreases voluntary compliance.**

There is an increasing consensus in the tax compliance literature that the fairness aspect of the tax system plays an important role in tax compliance behavior (Kim, 2002). The opportunity to have a voice in the decision-making process by the authorities, the authority's attention to taxpayers, and fairness in the exchange between the sacrificed resources and the public facilities have become individual considerations in paying taxes. Hartner et al. (2008) state that authorities must treat taxpayers fairly and respectfully to foster a commitment to paying taxes. Empirical research has identified that taxpayers consider procedural fairness and distributive fairness to be very important as dimensions of justice (Tan & Braithwaite, 2018; Wenzel, 2003). Therefore, this study applies these two factors to investigate voluntary compliance.

Procedural fairness shows justice in resource allocation, in this case, is the allocation of tax funds. Procedural fairness relates to ways, models, and procedures in decision-making (Wenzel, 2003). Individuals are more committed to paying when they are treated fairly in making decisions on the use of tax funds; for example, the opportunity to discuss with tax authorities, argue about tax regulations, and get the information they need. The perception that the tax authorities do not treat individuals fairly in the taxation system will make individuals reject tax obligations (Tan & Braithwaite, 2018). Tax authorities as executors often cannot change regulations; but they can, wisely, change the treatment of individuals subject to these regulations. It makes procedural fairness important to achieve voluntary compliance (Murphy, 2017).

The empirical research strongly supports the relationship between procedural fairness and tax compliance (Hartner et al., 2008; van Dijke et al., 2019). For example, Verboon & van Dijke (2011) show that severe sanctions will be more effective than light sanctions only when the level of procedural fairness is high enough. This study predicts that procedural fairness will accommodate voluntary compliance.

### **H<sub>3</sub>: Procedural fairness increases voluntary compliance.**

Distributive fairness is fairness in the number of tax payments between individuals or groups (Tan & Braithwaite, 2018). Distributive fairness also refers to the fairness of the outcome

of resource allocation. At the individual level, the taxpayers evaluate the tax burden they bear personally, and the benefits they get from the taxes they pay. Individuals compare their tax burdens and benefits from paying taxes to other individuals based on their economic background or horizontal equity (Wenzel, 2003). Taxpayers care about their right to benefit from paying taxes (Wenzel, 2003).

This distributive fairness construct is a research tradition that has received the most attention in tax compliance research (Wenzel, 2003: 48). Abundant studies show that individuals consider distributive fairness in tax compliance decisions (van Dijke et al., 2019). For example, an experiment conducted by Alm, McClelland, & Schulze (1992) shows that tax compliance increases when the return on tax payments is greater. Moser, Evans, & Kim (1995) show that exchange equity affects the amount of income reported by individuals. Therefore, this study hypothesizes that the perception of distributive fairness will increase voluntary compliance.

#### **H<sub>4</sub>: Distributive fairness increases voluntary compliance.**

The concept of tax morale is an alternative concept to the traditional model to investigate the tax compliance puzzle. Tax morale indicates an individual's intrinsic motivation to pay taxes (Torgler, 2007). It shows individual acceptance of social norms of tax compliance to not committing tax fraud. Tax morale becomes one of the factors to accommodate compliance because it is an instrument for preventing tax fraud (Molero & Pujol, 2012). This study argues that tax payment from gross income requires commitment and individual awareness to pay honestly, and these attitudes are more likely to increase when the individual has good tax morale.

Some individuals pay taxes because they believe that paying taxes is right, regardless of tax penalties (Alm, 1991). An individual's morale belief plays an important role in tax compliance decisions (Devos, 2014). Many researchers have suggested that tax morale (i.e., intrinsic motivation in paying taxes) is a strong determinant to explain higher levels of compliance than economic theory predicts (e.g. Alm et al., 1992; Andreoni et al., 1998; Schwarts & Orleans, 1967). Torgler (2007) concludes that tax morale is one of the factors that is consistently associated with tax compliance.

Alm & Torgler (2011) state that individuals do not always behave selfishly, egotistically, and rationally. Individual behavior is also driven by ethical factors such as morality, altruism, and fairness. Tan & Braithwaite (2018) have shown empirical evidence that tax morale plays a pivotal role in raising awareness to pay taxes voluntarily. Hence, this study predicts that the willingness to pay tax honestly will increase voluntary compliance.

#### **H<sub>5</sub>: Tax morale increases voluntary compliance.**

There are several aspects of tax complexity which include complexity in calculating taxes and reporting tax returns (Saad, 2014). Changes in income tax rates add to the complexity of filling out individual annual tax returns at a legal state entity university. The higher the complexity of the tax system, the higher the cost of compliance. Individuals even need help from external parties for reporting tax reports (Musimenta, 2020). Tax rules are too complex to be understood by laypeople (Kirchler, 2007). The literature states that complexity also determines the tendency to commit tax fraud (Kirchler et al., 2006; Saad, 2014), and therefore this study investigates the impact of tax system complexity on voluntary compliance.

Tax law comprises complex regulations, and sometimes there is ambiguity in tax administration due to unclear rules (Kirchler et al., 2006). The word "tax" tends to conjure up thoughts of complexity and burden (Kamleitner et al., 2012). The self-assessment system implemented in Indonesia requires taxpayers' awareness to calculate, pay, and report tax payments themselves. In this process, procedurally, individuals must fill out a tax return.

Tax regulations can be complex for most taxpayers and even most taxpayers do not understand tax regulations properly. Misunderstanding regarding the taxation system will lead to distrust (Hofmann et al., 2008). Tax system complexity is one of the factors that drives tax

compliance (Kirchler et al., 2006). Taxpayers who feel the complexity of tax regulations can use this as an excuse for disobedience (Mitu, 2020). Based on the literature, this study argues that the tax system complexity will be more burdensome, thereby reducing voluntary compliance.

**H<sub>6</sub>: The complexity of the tax system decreases voluntary compliance.**

## METHODS

This study applied a regression model to examine the hypotheses. The dependent variable is voluntary compliance, while the independent variables comprise trust, power, procedural fairness, distributive fairness, tax morale, and tax complexity.

Table 1 below depicts the definitions and measurements of variables in this study. This study applied convenient sampling method and conducted an online survey of lecturers and staff at one of the state universities in Semarang. The study initially conducted a pilot test on the questionnaire. It was then improved based on feedback. Respondents filled out the questionnaires on a 5 Likert scale (1=strongly disagree, 5=strongly agree) for about 10 minutes anonymously to minimize bias.

The questionnaires were distributed to the lecturers and staff of the university through social media groups. One hundred and sixty-three respondents (163) responded from June 18 until June 30, 2021. The questionnaires were distributed again on June 30, 2021, to increase the amount of data. There were twelve respondents from June 30 until July 19, 2021. Therefore, we collected a total of one hundred seventy-five (175) respondents during the two survey periods.

Respondents were first asked whether or not they work at the university to ensure the targeted respondent. Ten respondents responded that they did not work at the university. Finally, our final sample consisted of one hundred sixty-five respondents (165). They were then randomly selected by using their phone number for digital money rewards.

**Table 1.** Variable: Definition and Measurement

Variable	Definition	Measurement
Voluntary Compliance (VolCom)	Commitment or beliefs about the desirability of tax systems and feelings of moral obligation to act in the interest of the collective and pay one's tax with goodwill (Braithwaite, 2003:18).	8 questions developed by Braithwaite (2003:18).
Trust (Trust)	Individual perception of the benevolent motive of tax authorities.	3 questions adapted from Kogler et al. (2015) and Tan & Braithwaite (2018).
Power (Power)	Perception of the authority's capacity to detect and punish tax evaders.	3 questions adapted from Tan & Braithwaite (2018).
Procedural Fairness (Proc Fair)	Personal feelings toward tax authorities regarding the opportunity to participate in the decision process in the tax system.	4 questions adapted from Kogler et al. (2015).
Distributive Fairness (Distri Fair)	Individual perception of fairness in tax fund allocation.	4 questions adapted from (Kogler et al., 2015).
Tax Morale (Morale)	Intrinsic motivation to pay tax.	2 questions adapted from Tan & Braithwaite (2018).
Tax Complexity (Complex)	Individual perception towards the complexity of tax forms and tax regulations.	5 questions adapted from Abadan & Baridwan (2014).

**Table 2.** Descriptive Statistics

Variable	Min	Max	Mean	Standard Deviation
Trust	1	5	4.09	0.850
Power	1	5	4.04	0.987
Proc Fair	1.75	5	3.852	0.801
Distri Fair	1	5	3.842	0.938
Morale	1	5	3.71	1.189
Complex	1	5	3.012	1.078
VolCom	2.143	5	4.399	0.657

## RESULTS AND DISCUSSION

Non-response bias testing was carried out to examine whether the sample represented the population or not. We compare the average score of each variable for respondents who responded before June 30, 2021 and after June 30, 2021. The result of t-test indicates no significant difference in the mean score of respondents who answered before and after June 30, 2021. We conclude that the sample represents the population.

Our respondents consisted of 59 lecturers (35.8%) and 106 members of staff (64.2%). Of the respondents, 88 were male (53.3%) and 77 were female (46.7%). Respondents were, on average, 42 years old. The youngest respondent was 24 years old and the oldest was 65 years old. Most of the respondents were in the range of 31 to 50 years or 68.5% of the total respondents. Two respondents did not provide their age data.

Table 2 depicts that the average score of voluntary compliance level is quite high (mean=4.399). This indicates that respondents have high awareness and commitment to comply with tax regulations. The self-assessment system requires taxpayer awareness and honesty in calculating, paying, and reporting tax returns. Compared to final withholding taxes, paying taxes from earned income or out-of-the-pocket tends to motivate individuals to commit tax evasion. Changes in tax calculation schemes that resulted in an increase in tax burden also led to compulsion to pay taxes. However, this study finds a relatively high voluntary compliance. This finding confirms the notion that, in general, taxpayers have good intentions and are committed to paying taxes (Valerie Braithwaite, 2003).

The mean (standard deviation) of trust was 4.09 (0.850), indicating that respondents placed a high level of trust in authorities regarding tax issues (see Table 2). The mean (standard deviation) of procedural fairness was 3.852 (0.801), suggesting that respondents have an overall favorable impression of the tax authorities in Indonesia in delivering procedural fairness. The mean (standard deviation) for distributive fairness was just above the midpoint, 3.842 (0.938) (see Table 2), indicating that respondents appeared to view distributive fairness almost the same as procedural fairness.

The mean of tax morale was 3.71 (1.189) (see Table 2). It was just above the midpoint, indicating that most respondents agreed to support honest income tax reporting as ethical behavior. The complexity's mean (standard deviation) was 3.012 (1.078) (see Table 2). This value is slightly above the midpoint, indicating moderate consideration regarding tax complexity.

The partial least square-structural equation modeling (PLS-SEM) is employed to analyze the data since it allows path modeling with latent variables. PLS is suitable for complex path models which consist of multiple-item constructs. PLS is applicable for small sample sizes and it is also tolerant to deviation from normality assumption (Sayal & Singh, 2020). PLS analysis comprises two stages.

### *Step 1: Measurement Model Analysis*

To achieve convergent validity, the loading value for each variable indicator must be at

**Table 3.** Factor Loadings

Items	Loading Factor
<b>Voluntary Compliance</b>	
Paying tax is the right thing to do.	0.937
Paying taxes is a responsibility that should be willingly accepted by all Indonesians.	0.846
I feel a moral obligation to pay my tax.	0.922
Paying my tax ultimately advantages everyone.	0.840
I think of tax-paying as helping the government do worthwhile things.	0.809
Overall, I pay my tax with goodwill.	0.838
I accept responsibility for paying my fair share of tax.	0.831
<b>Trust</b>	
The DJP has acted in the best interests of all Indonesian taxpayers.	0.911
The DJP is trusted by you to manage the tax system fairly.	0.897
The DJP is open and honest when dealing with citizens.	0.925
<b>Procedural Fairness</b>	
The DJP pays attention to taxpayer's position.	0.833
The DJP tries to be fair when making tax policy decisions.	0.893
The DJP considers the concerns of most citizens when making decisions.	0.917
The DJP gives equal consideration to the opinion of all citizens (neutrality).	0.832
<b>Distributive Fairness</b>	
The amount of taxes I have to pay is fair.	0.804
The extent of benefits I get from the state is just compared to others	0.889
Related to the amount of taxes I have to pay, the government of the Republic of Indonesia provides me equivalent benefits in return	0.920
<b>Complexity</b>	
Fulfilling tax returns is complicated.	0.820
Tax regulation is difficult to understand.	0.885
Tax regulation changes frequently.	0.783

least 0.6. Therefore, indicators with a loading value below 0.6 are not used in the analysis. Here, the power and tax morale variables were only represented by 1 indicator for each. Table 3 shows that the factor loading of each indicator was above 0.6. It indicates that the data has met the convergent validity requirement. In addition, there is no cross-loading to other constructs. This result concludes good discriminant validity for each construct in the regression models.

The next analysis examines the construct reliability. PLS-SEM does not employ the

**Table 4.** AVE and Composite Reliability

Variable	AVE	Composite Reliability
Trust	0.830	0.936
Proc Fair	0.756	0.925
Distri Fair	0.761	0.905
Complex	0.689	0.869
Vol Comp	0.742	0.953

**Table 5.** Discriminant Validity

Variables	Trust	Power	Proc Fair	Distri Fair	Morale	Complex	Vol Comp
Trust	<b>0.911</b>	0.488	0.625	0.583	0.211	-0.334	0.388
Power	0.488	<b>1.000</b>	0.363	0.349	0.165	-0.183	0.431
Proc Fair	0.625	0.363	<b>0.870</b>	0.660	0.196	-0.367	0.411
Distri Fair	0.583	0.349	0.660	<b>0.872</b>	0.281	-0.410	0.628
Morale	0.211	0.165	0.196	0.281	<b>1.000</b>	-0.099	0.319
Complex	-0.334	-0.183	-0.367	-0.410	-0.099	<b>0.830</b>	-0.315
Vol Comp	0.388	0.431	0.411	0.628	0.319	-0.315	<b>0.862</b>

Cronbach's alpha to measure construct reliability (Hair et. al., 2013; Sayal & Singh, 2020). In exchange, PLS-SEM employed composite reliability to measure the internal consistency of the construct. Composite reliability is a more precise measurement of internal consistency because it does not assume that every indicator has a similar effect on a latent variable. Table 4 reports that all the composite reliability values have exceeded 0.7.

Convergent validity indicates the correlation between indicators in the same construct. It is represented by the average variance extracted (AVE) value and its value must be above 0.5. Table 4 reports that all the AVE values have met the requirements.

One construct should be different from another and these differences are represented empirically by the discriminant validity (Hair et al., 2013). To achieve the discriminant validity, the value of AVE square root of a construct must be larger than the highest correlation value with other constructs (Hair et al., 2013, p. 122). Table 5 reports that all constructs have met the discriminant validity criteria. The square root AVEs are in bold numbers. Overall, the examination indicates construct validity and reliability.

### Step 2: Structural Model Analysis

We tested our empirical model after examining the construct's reliability and validity. The empirical model must not have any collinearity problem. We analyzed the variance inflation factor (VIF) value to detect any collinearity problem in the model. The VIF value should be greater than 0.20 but less than 5. All the VIF values are well within the threshold range in this study. For the sake of brevity, we did not report the VIF. The results of the PLS regression are reported in Table 6.

Table 6 indicates that trust has no significant effect on voluntary compliance level (path coeff.=-0.01, p=0.43). This finding does not support H<sub>1</sub>. Although respondents indicated a relatively high level of trust in authorities, this level of trust did not determine the level of awareness of paying taxes voluntarily. We argued that the characteristics of sample in this study may also determine the test results. Respondents have shown a relatively high level of voluntary compliance, therefore the perception of whether or not authorities can be trusted does not play a significant role.

**Table 6.** Path Coefficient

Variable	Path Coefficient	Hypothesis
Trust	-0.01	Rejected
Power	0.24***	Rejected
ProcFair	0.11*	Supported
DistriFair	0.52***	Supported
Morale	0.2***	Supported
Complex	-0.04	Rejected

\*\*\* significant at 1%, \*\* significant at 5%, \* significant at 10%



This study shows that perception of the power used by the authorities will foster voluntary compliance (path coeff.=0.24, p=0.000) (Table 6). This result does not support H<sub>2</sub> empirically. This finding suggested that the use of power by authorities will increase voluntary compliance.

Marginally, procedural fairness has a significant positive effect on voluntary compliance (path coeff.=0.11, p=0.08) (Table 6). These results indicate that procedural fairness can raise awareness of paying taxes voluntarily. In a similar vein, distributive fairness has a significant positive effect on voluntary compliance (path coeff.=0.52, p=0.000) (Table 6). These findings support H<sub>3</sub> and H<sub>4</sub> empirically.

The test results indicate that tax morale can increase voluntary compliance significantly (path coeff.=0.20, p=0.000) (Table 6). This result supports H<sub>5</sub> empirically. The results of this study show that complexity has no significant effect on voluntary compliance level (path coeff.=-0.04, p=0.32) (Table 6). This result does not support H<sub>6</sub> empirically. Sample characteristics may contribute to the results of this test. Participants come from environments with relatively easy access to tax literacy. The complexity of changing in tax return reporting practices is unlikely to affect the awareness of paying taxes. By considering the characteristics of sample, this study argues that the attention of the respondents may not be the complexity of changes in tax reporting, but the changes in tax burden which are getting higher.

## Discussion

Trust indicates the existence of a psychological contract between the taxpayer and the government where each party understands the rights and obligations (Feld & Frey, 2002). As predicted by the slippery slope, the existence of trust will lead to voluntary compliance. However, this study fails to support this prediction. The sample characteristic may contribute to this result. The descriptive statistic recognizes that our sample already has a high level of voluntary compliance. A high level of voluntary compliance indicates the commitment to pay tax without enforcement. Therefore, trust may not become a significant predictor of voluntary compliance.

In contrast with our prediction, this study found that the use of power may lead to an increasing level of voluntary compliance. The former version of slippery slope theory did not accommodate the multidimensional nature of power. The extended slippery slope theory specifies the power dimension into legitimate power and coercive power. The use of legitimate power may lead to voluntary compliance (Gangl et al., 2015). We argue that our respondents may perceive power as legitimate power used by the authorities in detecting tax fraud. Appropriate use of power can provide a sense of justice to taxpayers because the enforcement mechanism is really aimed at fraudulent taxpayers. This will give positive feelings towards authorities so that it will increase voluntary compliance. This finding may call for future research since this study did not specify the dimension of power.

This study found that the existence of procedural fairness increases voluntary compliance. When taxpayers feel they are involved by the tax authorities in policy-making, they will feel they are being treated fairly. According to Murphy (2017), fair treatment of taxpayers must include respect, neutrality, trustworthiness, and voice. This fair treatment will further foster individual awareness to commit to fulfilling tax obligations. This study confirms Murphy (2017).

Distributive fairness indicates the taxpayer's perception that the amount they pay is proportional to the benefits they receive from the availability of public facilities. Taxpayers also feel that taxes are imposed fairly per the amount of income. Tan & Braithwaite (2018) state that fairness in the distribution of tax funds will foster commitment and awareness in fulfilling tax obligations voluntarily. Positive feelings that arise from tax policies will foster a willingness to pay taxes. This study provides empirical evidence that the perception of distributive fairness leads to an increasing level of voluntary compliance, and therefore, confirms Tan & Braithwaite (2018).

Internal factors have a great impact on forming attitudes, behavior, and tax decision-making (Torgler, 2007). Morale has been recognized as a motivational factor that determines behavior. Tax morale then indicates the intrinsic motivation to pay taxes. Tax morale is believed

to be an essential guide to honesty in tax reporting practices. The belief in honest tax reporting will make the social distance between taxpayers and authorities shorter than before no tax morale (Tan & Braithwaite, 2018). When the social distance is getting shorter, voluntary compliance will be achieved. This study confirms that tax morale plays a significant role to gain voluntary compliance. This result also confirms the non-economic motivational behavior. Taxpayers are not always act selfishly in the best of their own interest.

Musimenta (2020) states that compliance costs will increase when tax reporting becomes more complex. Taxpayers must take the time to study tax return reporting with the new rules, or if they don't understand, taxpayers have to hire a tax accountant to fill out the tax return. An increase in administrative burden of tax can reduce the commitment and intention to pay taxes. Mitu (2020) also states that the complexity of tax regulations can be used as an excuse for taxpayers not fulfilling their tax obligations. However, this study fails to support this prediction. The sample characteristic possibly explains this result. Our respondents have easy access to tax literacy and supporting infrastructure for tax return reporting for example the existence of a supporting person to help with tax return reporting, therefore, the complexity of tax return reporting may be overcome. Our respondents also did not report a high level of tax complexity in this study. Therefore, we argue, it is possible that our respondents are more likely to be aware of the increase in tax burden rather than the complexity in fulfilling tax returns according to tax law.

## CONCLUSIONS

This study provides empirical evidence that voluntary compliance is determined significantly by distributive fairness, procedural fairness, and tax morale significantly affect voluntary compliance. This study fails to provide empirical evidence regarding the effect of trust, the power of authorities, and the complexity of tax system on voluntary compliance. In contrast with the prediction, this study shows that the use of power actually increases voluntary compliance. This finding is consistent with the extended slippery slope theory that legitimacy in the use of power can foster voluntary compliance (Gangl et al., 2015).

This study suggests that the authorities have to pay attention to the psychological factors of the taxpayers to achieve voluntary compliance. Most individuals have good intentions and awareness of taxes. For taxpayers with these characteristics, tax authorities should intervene as little as possible in fulfilling tax obligations (Valerie Braithwaite, 2003). This study found that most respondents report high level of voluntary compliance, therefore the authorities must treat taxpayers with respect unless the taxpayers show intentional and repeated violation behavior. This implies that tax authorities need to assume that taxpayers are individuals who have a commitment to fulfill their tax obligations independently.

In practice, this study also contributes to tax administration. To realize procedural fairness, tax authorities need to treat taxpayers with respect, neutrality, and trustworthiness, and provide an opportunity to deliver their opinions before the authorities make a decision on the taxpayers (voice) (Murphy, 2017). This treatment is important to shape taxpayers' perceptions regarding procedural fairness. Whereas, to realize distributive fairness, the authorities need to carry out transparency in the use of tax funds. Conveying information that the government has used tax funds for public facilities needs to be done through campaign advertisements (Kirchler & Hoelzl, 2017). This activity builds a norm that the correct behavior is tax-obedient so that it creates intrinsic motivation to pay taxes.

This study has several limitations. First, this study applies only one indicator on the power and tax morale variables. Second, the extended slippery slope theory explains that trust and power are multidimensional constructs (Gangl et al., 2015, 2019). Future research is necessary to investigate other dimensions of trust and power. Hassan et al. (2021) stated that procedural fairness is an exogenous factor. Some factors might affect procedural fairness. This issue brings avenue for future research.

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