

Does Coercive Power Influence The Relationship of Tax Morale on Tax Evasion?

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Abstract—This study aims to examine the effect of tax morale against tax evasion and examine the role of coercive power as a moderating ⁵² variable that can strengthen or weaken the direct relationship of tax morale to tax evasion. The study uses 100 individual taxpayers who earn income from various sources. Methods of data collection ⁸ is done through a survey. This research data analysis using partial least square structural equation models (PLS-SEM) and using WarpPLS software. ³⁵ result of this study indicates that tax morale acts negatively towards tax evasion. The higher the tax morale, the tax evasion ⁵¹ will decrease. The moral of taxpayers in this study provides a positive impact on reduces tax evasion. The results also showed that coercive power as ⁴⁷ moderator variable was not proven to weaken or strengthen the effect of tax morale on tax evasion. Taxpayer in this study realized that the tax obligations should be implemented with its own consciousness without coercion mechanism with sanctions or compliance tests through tax audits. Besides, the tax obligation in this study sees that law enforcement through tax audits and sanctions will lead to high compliance costs. This finding provides important implications that the taxpayer does not want to feel forced to fulfill the tax obligations. Tax compliance that is forced through sanctions and tax audits does not guarantee that tax evasion will decrease. In fact, through the implementation of voluntary ⁴³ compliance, taxpayers with their own awareness can fulfill their tax obligations which can have an impact on increasing tax compliance.

Keywords—tax morale, coercive power, tax evasion, tax compliance

I. INTRODUCTION

The decision to commit tax fraud is not only controlled by economic motivation, namely money. Taxpayers in research [1] consider the maximization of economic utility, namely the cash difference between tax avoidance and the consequences of non-compliance costs accompanied by low tax audit factors. Several empirical studies examine ⁴⁶ tax avoidance decision is not only motivated by extrinsic factors such as tax rates, fines, the probability of audit and enforcement, but also by intrinsic motivation. Intrinsic factor in research [2] is called ⁴⁵ ale. Reference [3] note that the morale control elements of taxpayers to comply or not to comply include taxpayers' involvement in the democratic process, trust in government, great public services and facilities, level of education, guilt, preference for honesty, moral sentiments and cultural factors. The results of experimental research [4] explain that in the conditions of

weak law enforcement, individual taxpayers choose to act as rational human beings by considering ways to maximize the utility of tax fraud. That is, taxpayers pay taxes not based on intrinsic motivation or moral factors, but extrinsic motivation.

Morale is the norm or value that is held highly by the community because it is proven to be true and good. People who base their behavior on moral norms and values that are held highly will stay and continue to live and develop for the better [5]. Morale in the context of taxation is related to the background of why taxpayers behave obediently or not. As a rational person, taxpayers can view the tax collection system as an opportunity to commit fraud because through the Self-Assessment system, taxpayers can calculate and report payable tax not based on actual conditions. Although the provisions of the taxation law regulate administrative and criminal sanctions for taxpayers' fraud, many taxpayers who continue to commit fraud do not seem to be concerned with sanctions if they are detected by the tax officer. For example, the tax au ⁴⁴ tity in Switzerland in research [6] did not base the power of sanctions on establishing taxpayer compliance.

The power of sanctions by the tax authority is not the only factor that influences or enhances the morale of taxpayers to comply. Even coercive forces that tend to be authoritarian are seen as counterproductive in an effort to reduce taxpayer fraud [6]. Taxpayer morale tend to decrease with the presence of coercive power that is considered too strict so that taxpayers feel they do not get the trust of the tax authorities and are considered as criminals who commit tax fraud [7]. Research [4] and [8] also prove that tax sanctions and audits have little impact on taxpayer compliance. They argue that tax fraud through sanctions and tax audits are no longer effective in preventing tax fraud itself and are considered inadequate and can even reduce voluntary tax compliance. The use of coercive power according to [9] and [10] is precisely considered to be able to cause suspicion and distrust of taxpayers. In contrast to the previous explanation, taxpayers in several regions in Indonesia actually see that sanctions are quite effective in controlling their compliance behavior [11] [12] [13]. Taxpayers view tax audits as an attempt done by the government to avoid the possibility of tax fraud, so there is a fear that tax authorities will find evidence of fraud and impose high sanctions and incur large compliance costs.

Based on the background above, the existence of coercive force implemented by the tax authorities in research

can be incentive or disincentive to the taxpayer's moral⁴³ that can influence tax fraud. Several studies above prove that the impact of the tax authorities' coercive⁵⁷ power on taxpayers' fraud is still inconsistent. Coercive power has a positive⁴² effect on taxpayer fraud but in other studies, coercive power has a negative effect on tax fraud. This means that coercive power is part of the oppressing effort to tax⁴¹ authorities so taxpayers will carry out tax obligations. Based on the background above, this study aims to find out whether tax morale can affect¹³ tax fraud and whether coercive forces strengthen the effect of tax morale on tax fraud.

II. LITERATURE REVIEW AND HYPOTHESIS

A. Tax Morale

The issue of tax morale has become more interesting to be the object of research in order to identify the actual taxpayer compliance behavior. Taxpayers in the concept of neoclassical compliance are identified as rational beings who are heavily concerned with maximizing the utility of tax savings through tax fraud. Rational taxpayers will think that every payment is a payment for a benefit. Therefore, the different motivational perspectives of paying taxes indicate that the obligation³⁴ to pay taxes is a decision-making process of whether to pay taxes in accordance with the provisions of tax laws or not.

Tax morale can be defined as³³ motivation arising from within individuals or awareness to pay taxes arising from moral obligations or beliefs to contribute to the state by paying taxes [14] [15]. The morale concept in this research is motivation that triggers taxpayers to commit tax fraud. Several empirical studies have identified that taxpayers' fraudulent behavior is motivated by several factors, such as trust, integrity, professionalism of tax authorities, performance of accountability in managing state finances, rampant corruption cases by public officials, simplicity of the taxation system, ⁵⁰ cause complex tax provisions will open up opportunities for the occurrence of tax avoidance or tax evasion, the level of education of taxpayers, as well as the comparison between paying taxes and the contra-achievement over the related tax payment [16] [17] [2] [18]. In concept [19], tax morale is a part of tax ethics which is a representation of norms of behavior that govern the behavior of citizens⁷ as taxpayers in relation to the government. So that factors such as social norms, personal values, and various cognitive processes that greatly affect one's voluntary compliance with tax laws. A person's morality can be influenced by external factors and internal factors [20]. Tax morale can be associated with taxpayers' feelings of shame or guilt for violating tax provisions. Because morale is used to determine the limits of an individual's actions, attitudes, traits, and actions, whether declared true or false, good or bad, proper or improper, appropriate or inappropriate [21]. Thus, consideration of whether something is included within the regulation or not is a second consideration. If one's tax morale is good, then there is a tendency for that person to comply without the existence of any rules or coercion.

B. Tax Evasion

Many results of the research remain between tax evasion with unsatisfied behavior taxpayer. Reference [22] giving emphasize to morality importance taxpayer in decreasing tax fraud. Tax evasion happens when taxpayers do not pay tax

amount according to the rules and not obey to the applicable tax regulation [23]. Reference [24] added that tax evasion occurred where the taxpayer did not report income in truth which in principle could be taxed. Tax evasion is the importance problem for the government because economy development can very abstracted by tax income from taxpayers [25]. Tax evasion practice is not only limited how to avoid tax payment through tax planning in order to make transactions that will not be taxed, however it can also be done with a scenario where one party submits a lower income amount and another hand report the cost that overstatement of deductions. The special case of tax evasion which is very worst when taxpayer does not report their income in the SPT.

C. Coercive Power

One aspect of power is defined as the coercive force, which is negatively associated with trust. The definition of coercive power from the perspective of the person affected is the hope that the individuals in authority will punish²⁴ non-compliance [26]. Research [27] describes that coercive power is defined as the ability to detect and impose sanctions on unlawful behavior. Coercive power is able to direct someone against their will [28]. Coercive force refers to the efforts made by the authorities to those who do not obey the law using coercive means [29].

Coercion force or "hard" force is actualized through negative and positive approaches such as through the imposition of sanctions and rewards [30]. In an organizational environment, coercive power is used to discipline, punish, and withhold rewards to employees within an organization. Whereas in the context of taxation, coercive force is relevant to the legitimacy of the tax authority to suppress taxpayer compliance behavior through tax audits, ¹¹ impose sanctions and fines, and forced billing. The coercive power represents the power to punish and the power to appreciate, therefore creating positive or negative incentives for taxpayers [31].

D. The Slippery Slope Theory

One theory of tax compliance is the Slippery Slope⁵⁵ Framework from research [28]. This theory explains the determinants of tax compliance⁴⁹ from two sides, namely economic and psychological. Based on the Slippery Slope Framework, the relationship between the tax authority and the taxpayer can be caused by the existence of power and trust. Tax authorities emphasize more power over taxpayers ³⁷ through audits and penalties to improve compliance. Trust between the tax authority and the taxpayer can be built with a more polite and thoughtful approach [29]. In presenting Theory of Slippery Slope, [28] explained that taxpayers⁹ tend to be obedient in carrying out their tax obligations if there is a trust in tax authorities or also the power of tax authorities to regulate and prevent tax evasion. Shortly, it can be stated that the combination of trust in government and law enforcement can ¹⁷ actively reduce tax non-compliance [32]. In where to some extent, explains why people pay taxes with or without law enforcement, namely through trust in the authority²³ that leads to voluntary tax compliance or through the power of tax authority that leads to forced tax compliance. The Slippery Slope theory is relevant to explain the behavior of taxpayers.

E. Hypothesis Development

1) Tax Morale effect towards Tax Evasion

Taxpayers' disappointment can affect the morale of taxpayers to comply with tax provisions. Reference [33] argues that the government should not only ask people to pay taxes voluntarily and honestly as a representation of justice for the government, yet on the other hand taxpayers do not get justice from the government because their rights to the benefits of tax payments in the form of great public facilities and infrastructure have not been fulfilled. Finally, research [34] examines morale factors by observing the intrinsic motivation to pay taxes to build a model of tax compliance. Several factors which later influenced the morale of taxpayers are explained through research [14] and [22] identifying that tax morale negatively affects tax fraud. The more taxpayers feel the morale obligation to pay taxes, the less they show the possibility of practicing tax evasion [35]. That means, tax morale can have a positive effect in reducing taxpayer fraud. The results of this study underline the government's consistency factors in showing positive accountability performance, legal and political stability, and the quality of regulations and corruption control.

H1 : Tax morale has negative effect towards tax evasion.

2) Effect of Coercive Power in relation with Tax Morale towards Tax Evasion

Reference [28] states that the tax climate in a society can create an antagonistic and synergistic climate. In an antagonistic climate, taxpayers and tax authorities work against each other, however in a synergistic climate, they are actually able to work well together. In antagonistic climate, tax authorities are even characterized as police and taxpayers are characterized as robbers who try to evade every time an inspection is carried out. Taxpayers' tax frauds are no longer due to external factors such as high tax rates, the probability of tax audits, and law enforcement, but can also be influenced by intrinsic motivation called morale. So as to improve compliance in carrying out taxpayer obligations, good morale which is driven by legal policies is required. Some empirical studies see law enforcement enforced tax compliance as a factor that affects taxpayers' morale to act obediently [7] [36].

Reference [37] assumes that tax compliance decisions are made by taxpayers under uncertain conditions for fear of the possibility of being arrested and punished. The punishment threats that becomes a forcing tool to inhibit taxpayer's non-compliance behavior consist of tax audits, tax fines and tax rates. This power comes from the tax authority who has the right to make regulations that are coercive in nature for taxpayers. For compliant taxpayers, increased supervision can be offset by tax reductions (e.g. taxation and penalty). Whereas for non-compliant taxpayers, increased supervision can be offset by a higher penalty [38]. In conditions where there is no trust, the rights of the tax authority is needed to enforce tax compliance. Sanctions and audits can be the right policy. Conversely, in conditions where there is sufficient trust, sanctions and high audits can have the opposite effect [39]. Tax audit and tax penalties will be able to improve tax compliance, but the effect is temporary, which is during the inspection period only.

H2 : Coercive power over taxpayer will moderate tax morale's effect towards tax evasion.

III. METHODOLOGY

A. Research Model

The research model as illustrated below is based on the theory and empirical study:

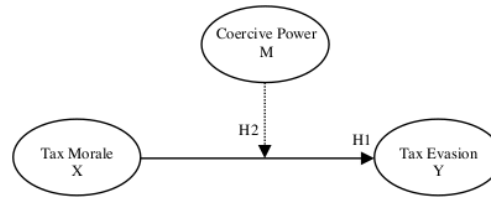


Figure 1. Research Model

B. Sample Selection

This research is a survey-based research. Respondents involved in this research were individual taxpayers who has taxpayer identification number. The sample selection is created as suited with the statement of the problem that would be answered in this study. The sampling technique used was simple random sampling, which is a random sampling technique which does not take into account other criteria. The data collection method was done by using an online questionnaire. A total of 130 respondents filled the online questionnaire, however, only 100 questionnaires were filled completely and met the criteria for data analysis.

C. Variable Measurement

The questionnaire consisted of 8 questions for each variable with using the Linkert scale of 5 points from strongly disagreeing, disagreeing, neutral, agreeing, strongly agreeing. Low score indicates disagreement and high score indicates approval. Variables and measurement indicators can be seen in Table 1.

TABLE I. VARIABLE AND INDICATOR

Variable	Indicator
Tax Morale	TM1 My motivation to pay taxes is because income tax object according to tax provision.
	TM2 Paying taxes is a form of participation in supporting the country's development.
	TM3 I pay taxes despite the weak public finance management systems and despite public facilities financed through tax payments being not great enough.
	TM4 I will still pay taxes although other taxpayers around me do not pay taxes.
	TM5 I pay taxes voluntarily and without coercion from any parties.
	TM6 I will feel guilty and ashamed if I do not pay taxes in accordance with tax provisions.
	TM7 Although I doubt whether my income is included as tax object or not, I choose to keep paying taxes.
	TM8 In case the income I receive is large, then I pay large tax as consequence.
Tax Evasion	TE1 Small amount of tax fraud cannot be tolerated.
	TE2 I report additional income outside the main income even though it can be hidden.
	TE3 I do not take advantage of the weaknesses of

	tax fraud detection.
TE4	I am wrong if I exploit the weaknesses of the tax provisions for private gain.
TE5	I will still pay the proper tax even though I know I will not be punished.
TE6	I report all of my other incomes received.
TE7	I report all the debts that I have.
TE8	I report all the assets I have.
CP1	Tax authorities provide strict sanctions for taxpayers who commit fraud.
CP2	Tax authorities enforce taxpayers' compliance law through inspections and sanctions.
CP3	Tax authorities provide strict sanctions when taxpayers do not comply with tax provisions.
CP4	The tax authority conducts inspection based on the taxpayers' priority which should be examined.
CP5	The tax authorities enforce sanctions fairly for taxpayers who commit fraud.
CP6	I pay taxes because the tax authorities conduct inspection to check taxpayers' compliance.
CP7	I carry out the obligations to count, deposit, and report correctly and on timely manner because the tax authorities conduct an audit to verify compliance.
CP8	I feel that sanctions and tax penalties that are too large can harm compliant taxpayers.

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Data were analyzed using partial least square structural equation modeling (PLS-SEM) method using WarpPLS software. The analysis used WarpPLS to see the relationship of coercive power variables as a moderating variable to the relationship of tax morale and tax evasion.

IV. RESULT AND ANALYSIS

The object of this research is individual taxpayers throughout Indonesia. Data collection was carried out in October 2019 by distributing questionnaires online and the total sample taken was 100 individual taxpayers.

Based on the number of questionnaires that can be analyzed in this study, the majority of respondents were female, as many as 59 people (59%) and the remaining 41 people (41%) were male. Respondents aged 22-30 years, as many as 42 people (42%), aged 31-49 years as many as 43 people (43%), aged 50-64 years as many as 14 people (14%), and the remaining as many as 1 person (1%) aged over 64 years.

A. Convergent and Discriminant Validity

TABLE II. COMBINED LOADING AND CROSS-LOADINGS

Indicator	TM	TE	CP	P-value	AVE
TM1	0.809	-0.087	0.082	<0.001	0.598
TM2	0.815	0.033	0.071	<0.001	
TM3	0.641	0.082	-0.028	<0.001	
TM4	0.85	0.099	-0.116	<0.001	
TM5	0.848	0.109	0.036	<0.001	
TM6	0.826	-0.106	-0.024	<0.001	
TM7	0.526	-0.205	-0.004	<0.001	
TM8	0.808	0.012	-0.02	<0.001	

TE1	0.023	0.616	0.283	<0.001	0.6
TE2	-0.264	0.701	-0.276	<0.001	
TE3	-0.011	0.85	0.014	<0.001	
TE4	-0.039	0.779	0.144	<0.001	
TE5	0.171	0.798	-0.093	<0.001	
TE6	-0.102	0.767	-0.009	<0.001	
TE7	0.001	0.832	-0.055	<0.001	
TE8	0.185	0.827	0.025	<0.001	
CP1	-0.064	-0.116	0.872	<0.001	0.547
CP2	-0.144	-0.086	0.883	<0.001	
CP3	-0.177	-0.227	0.89	<0.001	
CP4	0.143	0.307	0.832	<0.001	
CP5	0.143	0.173	0.855	<0.001	
CP6	-0.046	-0.134	0.502	<0.001	
CP7	0.119	0.027	0.509	<0.001	
CP8	0.188	0.089	0.329	<0.001	

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Table II shows that all indicators have a cross loading value greater than 0.3 and a significant p-value with a value smaller than 0.05. And the AVE value for each variable is more than 0.5, namely for the TM variable of 0.598, for the TE variable of 0.6, and for the CP variable of 0.547. These results indicate that all indicators are convergently valid.

TABLE III. AVE ROOT AND COEFFICIENT CORRELATION

Indicator	TM	TE	CP
TM	(0.773)	-0.582	-0.126
TE	-0.582	(0.775)	0.352
CP	-0.126	0.352	(0.739)

Table III shows that all variables have fulfilled discriminant validity. The validity for TM has been fulfilled because the AVE root is 0.773 which is greater than -0.582 and -0.126. The validity for TE has been fulfilled because the AVE root is 0.775 which is greater than -0.582 and 0.352. Validity for CP has been fulfilled because the AVE root is 0.739 which is greater than -0.126 and 0.352.

B. Reliability

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TABLE IV. COMPOSITE RELIABILITY AND CRONBACH'S ALPHA

Variable	Composite Reliability Coefficient	Cronbach's Alpha Coefficient
TM	0.921	0.9
TE	0.922	0.903
CP	0.899	0.867

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Table IV shows that the variable is declared reliable by the reliability value of each variable composite greater than 0.7 and Cronbach's alpha value for each variable is greater than 0.6.

C. Structural Evaluation Model

R-squared testing aims to test the extent to which the independent variables explain the dependent variable. The R-squared (R^2) value of the tax evasion variable in this study was 0.454 which means that the tax evasion variable was influenced by tax morale and moderated by coercive power by 45.4% while the remaining 54.6% was explained by other constructs outside the study.

The Q-squared variable value of tax evasion in this study is greater than zero, that is 0.391, which means the predictive validity is stated as good.

D. Fit Model and Quality Indices

TABLE V. FIT MODEL AND QUALITY INDICES

No	Fit Model and Quality Indices	Fit Criteria	Analysis Result	Indication
1	Average path coefficient (APC)	$p < 0.05$	0.390 ($p < 0.001$)	Acceptable
2	Average R-squared (ARS)	$p < 0.05$	0.454 ($p < 0.001$)	Acceptable
3	Average adjusted R-squared (AARS)	$p < 0.05$	0.443 ($p < 0.001$)	Acceptable
4	Average block VIF (AVIF)	Acceptable if ≤ 5 , ideally ≤ 3.3	1.595	Ideal
5	Average full collinearity VIF (AFVIF)	Acceptable if ≤ 5 , ideally ≤ 3.3	1.370	Ideal
6	Tenenhaus GoF (GoF)	Small ≥ 0.2 , medium ≥ 0.25 , large ≥ 0.36	0.486	Large
7	Sympson's paradox ratio (SPR)	Acceptable if ≥ 0.7 , ideally = 1	1.000	Ideal
8	R-squared contribution ratio (RSCR)	Acceptable if ≥ 0.9 , ideally = 1	1.000	Ideal
9	Statistical suppression ratio (SSR)	Acceptable if ≥ 0.7	1.000	Ideal
10	Nonlinear bivariate causality direction ratio (NLBCDR)	Acceptable if ≥ 0.7	1.000	Ideal

Based on the estimated values of 10 indices for the fit model and quality indices in Table V, it can be concluded that the overall research model has a good fit and is considered appropriate, where the p-value for APC, ARS, and AARS < 0.05 with APC value = 0.390, ARS = 0.454, and AARS = 0.443. Likewise with the AVIF and AFVIF values generated, which is < 3.3 which means that there is no multicollinearity problem between indicators and between exogenous variables. The SPR, RSCR, SSR, and NLBCDR indices also show a fit size, which means there is no causality problem in the research model.

E. Hypothesis Testing

TABLE VI. HYPOTHESIS TESTING RESULT

Hypothesis	Path Coefficient	P-value	Indication
TM > TE	-0.681	< 0.001	Significant
CP*TM > TE	-0.099	0.151	Non-significant

Based on the results in Table VI, the study shows that tax morale has a negative effect on tax evasion with a coefficient of -0.681 and a significance level of < 0.001 . Accordingly, H1 was accepted. These results are consistent with studies [14] and [35], which is that better moral taxes owned by the taxpayer, the higher the rate of tax evasion. Results of this study prove that tax morale of taxpayers plays an important role in controlling the behavior of taxpayers' fraud. Based on the test results in Table II, the highest loading factor generated for the TM indicator is TM4 of 0.85, TM5 of 0.848, and TM6 of 0.826. The highest loading factor results are a marker indicating that the factors considered as moral drivers of taxpayers in this study are environmental factors, feelings of shame, and high awareness. Respondents as taxpayers in this study were not influenced by the existence of free riders, namely the non-cooperative group of taxpayers, who only wants the benefit but do not want to carry out tax obligations. Taxpayers also have a high awareness that taxes must be paid on a voluntary principle and are part of compliance as a citizen [40]. In accordance with the slippery slope theory put forward by [28], taxpayers will more fully comply with their tax obligations voluntarily if the taxpayer trusts the tax authority in making arrangements and preventing tax evasion. In addition, feelings of guilt and shame become an important part in controlling the morale of taxpayers [41]. Table II also shows that the biggest loading factor for the TE indicator is TE3 of 0.85, TE7 of 0.832, and TE8 of 0.827. This result is in line with the TM indicator, which is that taxpayers report all assets and debts owned and do not take advantage of the weaknesses of detection to commit tax fraud because they are influenced by environmental factors and feelings of guilt and shame that make them pay taxes voluntarily. Basically, intrinsic factors become moral reinforcement or non-economic motivation of taxpayers to carry out compliance in accordance with applicable tax provisions. Although taxpayers know that there are weaknesses in the tax authority in detecting tax fraud, such weaknesses are not used to commit tax fraud.

This result is different from previous studies. Some previous research shows that factors such as trust, integrity, professionalism of tax authorities, performance of accountability in managing state finances, environment, frequent cases of corruption by public officials, simplicity of the taxation system, complexity of taxation provisions, level of taxpayers' education, as well as comparison between paying taxes and the counter-achievement of the tax payment can also affect one's morality [16] [17] [2] [18]. In addition, several studies also show that a person's level of religiosity can significantly improve tax morale, and thus motivate taxpayers to comply with applicable tax regulations [42]. National pride or nationalism is also seen as capable of influencing individual behavior in groups, organizations, and society. Pride can result in collective action against tax regulations that will increase intrinsic motivation to pay taxes [43].

In H2 test Table VI shows that coercive power does not moderate the relationship between tax morale and tax evasion with a coefficient of -0.099 and a significance level of 0.151. Therefore, H2 was rejected because it did not meet the significance requirements < 0.05 . Taxpayers with their own awareness without coercion, fulfill tax obligations in accordance with tax provisions. That is, coercive power

cannot affect the relationship between tax morale and tax evasion.

The biggest loading factor for the CP indicator is CP1 of 0.872, CP2 of 0.883, and CP3 of 0.89. That is, strict penalties and sanctions are indicators that influence tax evasion. This is consistent with research [39] which states that sanctions and penalties can be an appropriate policy to reduce tax evasion carried out. However, in this research model, CP as a moderating variable is considered unable to explain the relationship between TM and TE because its value is not significant. Thus, CP cannot strengthen or weaken the relationship between TM and TE.

V. CONCLUSION

This research studied about tax morale effect towards tax evasion as well as the role of coercive power. Overall, one's morale can trigger tax evasion practice. Based on tests conducted in this study, we found that tax morale was significantly negatively involved in the practice of tax evasion. Thus, solely, ethical and the level of morale are already considered sufficient to influence the degree of tax compliance. Taxpayers who already have a high level of ethics do not need to be threatened with inspection to increase their compliance (not doing tax evasion). So that, the role of coercive power does not significantly moderate the relationship of taxpayer morality towards non-compliant behavior.

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