

# **Does Religiosity and Morality Undermine Student Perceptions of Money Ethics on Tax Evasion?**

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*Abstract:* This study examined the perceptions of accounting students about money ethics on tax evasion with religiosity and morality as moderating variables. The analytical method used was moderated regression analysis (MRA). This study involved 107 accounting students which were determined using purposive sampling. The results showed that 1) money ethics has a positive and significant effect on tax evasion; 2) religiosity acts as a moderating variable which undermines the positive relationship between money ethics and tax evasion; and 3) morality acts as a moderating variable which weakens the positive relationship between money ethics and tax evasion. Overall, the results of this study showed that with the influence of good religiosity and morality of individuals, it would alleviate tax evasion actions.

*Key-Words:* tax evasion, student perceptions, money ethics, religiosity, morality

## 1. Introduction

Tax is one of the sources of state income that has a considerable impact because most of the country's revenue comes from the taxation sector. Wankhar [1] argues that all government expenditures for national development such as infrastructure or the provision of public facilities come from community contributions through taxes. Infrastructure development is the main focus of the government in facilitating economic activities both domestically and abroad. Oktaviani et al. [2] state that the government must try to control the increasing needs that occur by increasing revenues from various sectors including good tax management.

Data from the Directorate General of Taxes (DGT) of the Ministry of Finance noted that at the end of November 2018, the realization of tax revenues amounted to IDR 1,136.66 T or 79.82% of the state budget target. Growth in tax revenues was influenced by growth in Non-Oil and Gas PPh & VAT PPnBM, Oil and Gas PPh, PBB, and other taxes that continue to grow (finance.detik.com).

One of the factors that greatly influence tax revenue that is not on target. There are still frequent tax fraud actions, whether carried out by taxpayers, individuals, or business entities. Oentoro [3] states that there is a difference of interest between the government and the community for tax contributions. For the government, taxes are the obligation of all layers of society that are obligatory because taxes will be used to finance national funding. As for the community, the tax contribution has a burdensome nature and is considered a burden because almost all activities carried out will be taxed such as buying goods to value-added tax (VAT).

In Indonesia, tax fraud cases belonging to tax evasion actions are quite diverse, one example being the misuse of Liquidity Assistance of Bank Indonesia (BLBI) by PT Bank Central Asia (BCA) which indicated fraudulent income tax during 2001-2008 where the tax rate the deposit is only 20% - 22% while the tax burden rate, if the income reaches IDR 100 million, is 30% or 25% (republika.co.id).

Rosianti & Mangonting [4] state that the tendency of someone to take tax evasion is caused by a factor of money ethics with a high level of love for money and overrides the effects and losses incurred. Wankhar [1] states that the level of tax evasion can also be influenced by the religiosity factor in each student. The higher the level of confidence and religiosity that is owned can form an honest personality and assume that all activities

that are fraudulent and cause harm to others is unethical and violates the religiosity that is owned.

McGee & Guo state that the perception of tax evasion actions is also influenced by morale on oneself. Moral is used as a guide in behaving and distinguishing actions that are classified as good or bad. The better moral that is embedded in oneself makes one will consider the impact of these actions before participating in doing so.

Rosianti & Mangonting [4] support the results of a study conducted by Lau et al. [5] that the behavior of money ethics has an influence on tax evasion actions and the relationship can also be influenced by the role of religiosity as moderating. While the results of different studies are shown by Basri [6] that the level of money ethics cannot influence tax evasion actions but the role of religiosity is able to moderate the relationship. Based on this, the research is very important to be explored.

## 2. Literature Review

### 2.1 Theory of ethics

Ethical theory is used as a guideline for people to behave because they have a close relationship with tradition or habits in a group. There are many ethical theories that explain action from various points of view. In this study there are two ethical theories, namely 1) Egoism Ethics Theory which has two concepts, namely psychological egoism, and ethical egoism. In the theory of psychological egoism, explaining that action is taken has a purpose only beneficial to oneself and ignores the interests of others. In the theory of ethical egoism, assessing an action carried out by someone but does not always harm other people, one of them is the action of tax evasion. Oktaviani et al. [2] assume that someone who performs a tax evasion considers that the action is ethical even though it deliberately violates the prevailing norms and regulations due to the existence of motivation and self-interest. 2) The second egoism theory is the theological egoism theory which explains an action carried out on the moral basis of each individual who is influenced by God's will. Agoes & Ardana [7] state that judging one's morality can be based on rules and orders from God that are taught in each belief through scripture as a legal basis. Someone who follows God's rules and commands are considered to have good morals and vice versa.

## 2.2 Tax

Article 1 of Law No. 28 of 2007 concerning general provisions and taxation procedures that define tax is a community contribution to the state that is coercive with the basis of the state Taxation Law to improve public welfare. Resmi [8] states that taxes are divided into two types, namely as a source of state finance and regulating/implementing government regulations.

## 2.3 Tax evasion

Tax evasion is an action that is done intentionally in violation of tax provisions that are carried out to benefit oneself by reducing the tax burden owed by illegal means and ensuring that an action is a criminal act. Hutami [9] states that tax evasion is a scheme to minimize taxes which are taxpayers' burden by illegal means because they violate applicable tax regulations and these actions are classified as unethical actions.

McGee & Maranjyan [10] state that there are three views on the tax evasion of which the tax evasion is considered never ethical, is seen as always ethical and can be seen as ethical or unethical under certain conditions. Ethical perceptions of whether or not a tax evasion action can be done by the level of tax audits conducted by tax officials. If the level of the examination carried out is low it will make one tend to take tax evasion actions because they assume that whatever tax is paid will not be examined even if they commit fraud so that the perception that this sign is ethical is developed.

## 2.4 Money ethics

Money ethics is a perception of the role of money in each individual in his life. The concept of love for money is used to measure one's perception of money. Tang [11] states that the higher the level of love for money will make a person tend to do tax evasion and put money as the main and very important thing for his life which can affect their ethical perceptions.

The attitude of money ethics can be measured using the money ethics scale (MES) regarding the interests of money which consists of motivator, success, importance, and rich factors.

## 2.5 Religiosity

Choe and Lau [12] state that religiosity is oriented through beliefs based on the religion that each

individual has regarding ethical perceptions or unethical actions. Religion can be used as a guide, foundation, or basis for one's morality to act. Rajagukguk & Sulistianti [13] argue that religion is capable of being a guide or doctrine of goodness which is referred to by everyone to act.

## 2.6 Morality

Moral can be used as a regulator of a person's attitude in action that is formed from internal or external factors. Salam [14] states that one's morality is teaching about actions that are good or bad. Keraf [15] states that the moral role can be used as a human guide in behaving in society. The moral role is also very closely related to ethics which means that one's moral principles can be influenced by factors that come from a tradition in society, groups, and individuals.

## 3. Hypotheses Development

For some people, it is assumed that money has a very important value for life because it can fulfill all the needs of both primary and tertiary nature [1]. Tang [11] states that someone with a high level of money ethics is more likely to carry out tax evasion and has a perception that the action is ethical.

Egoism ethics theory explains that a tax evasion action has a purpose to benefit oneself and harm others by breaking the applicable law and is seen as an unethical act. This statement is consistent with the results of research conducted by Wankhar; Oktaviani et al.; Basri [1][2][6] which states that the perception of money ethics has a positive relationship to tax evasion actions. Thus,  
*H1: Money ethics has a positive effect on tax evasion*

Religiosity is a belief that teaches someone to act and divides the action into two, namely actions taught by religion which are classified as ethical actions and deviant actions from religions belonging to unethical actions. Theonomic ethical theory explains that the actions taken by a person are influenced by God's will through the beliefs that are in that person. Every religion is taught to always be honest and caring for fellow human beings. This shows that the tax evasion action is unethical and illegal because someone intentionally commits tax fraud in order to benefit themselves.

With the existence of a strong religiosity role, it is expected to be able to give rise to unethical perceptions of tax evasion actions and

minimize tax evasion actions. This statement is consistent with the results of research conducted by Wankhar; Oktaviani et al.; Yulinar [1][2][16] that the role of religiosity has a negative influence to weaken the positive relationship between money ethics and tax evasion actions. Thus,

*H2: Religiosity undermines the effect of money ethics on tax evasion*

Moral is a character embedded in a person that is formed from social influences and customs or habits in society. Moral can be used as a guide in acting and differentiating behavior that is considered ethical to do or unethical. This ethical perception arises when the action violates the norms that develop in the community and is contrary to the moral possessions within oneself. The theory of love of money explains that money has a big influence in forming a perception in a person about ethical or unethical actions. Someone with a high level of money ethics is more likely to take tax evasion actions.

With the existence of a moral role in oneself, one is expected to be able to change the ethical perception between money ethics and the tax evasion into an unethical perception because it is clearly evident that this tax evasion act violates the law and is against the moral. This statement is consistent with the results of research conducted by (Mira; Parulian and Estralita; Yurika) [17][18][19] which state that the role of morality has a negative influence to weaken the positive relationship between money ethics and tax evasion actions. Thus,

*H3: Morality undermines the effect of money ethics on tax evasion*

## 4. Research Methods

### 4.1 Population and sample

Population is the object of research with certain characteristics in accordance with the characteristics of the research that is used as a source of information in the form of data that is objective and valid for an ongoing event in order to draw conclusions to find a solution to the problem under study [20].

The city of Semarang has 11 Private Universities consisting of various study programs. The method used in this study was purposive sampling by determining the criteria for the research object to be used as a sample. The population used in this study are accounting

students who have taken taxation courses at the Semarang City Private College with the status of an Accounting Study Program accredited A and B. Based on the results of the survey conducted by researchers, there are only 4 Private Universities that are willing to sample.

**Table 1 Number of Active Accounting Students**

Name of University	Student
Universitas Stikubank	1.418
Universitas Katolik Soegijapranata	918
Universitas 17 Agustus 1945	605
Universitas Wahid Hasyim	518
Total	3.459

Source: PDDIKTI

Based on the population in Table 1, the researcher determines the minimum number of respondents used as research samples to obtain information in the form of data in accordance with the intent and purpose of this research.

### 4.2 Measurement

*Tax evasion* is measured using 3 indicators, namely the taxation system related to tax burden and rates, the possibility of detection of fraudulent actions, and the use of improper taxes and government corruption.

*Money ethics* is measured using 4 indicators, namely a motivator (money can motivate someone to take action to make money), success (someone's success can be described by the amount of money they have), importance (money is used as a measure of one's social status and lifestyle), and rich (someone's wealth can be judged by the amount of money they have).

*Religiosity* is measured using 3 indicators, namely commitment to religion, awareness of God, and belief in God.

*Morality* is measured using 3 indicators, namely one's actions for personal interests, teachings to someone to behave well, and one's responsibility for their actions.

## 5. Result and Discussion

The sample used in this study was 107 respondents who were distributed to several Private Universities in the City of Semarang. Table 2 is the result of descriptive statistics that show responses to questionnaires distributed to respondents.

**Table 2 Results of Descriptive Statistics**

	N	Minimum	Maximum	Mean	Std. Deviation
TaxEvasion	107	1,00	4,00	2,5327	,69115
MoneyEthics	107	1,00	5,00	3,1402	,70642
Religiosity	107	3,00	5,00	4,0748	,57791
Morality	107	3,00	5,00	4,1682	,55772
Valid N (listwise)	107				

Source: Own calculations

The results of data processing above show that money ethics, religiosity, and morality have an average value above 3 and the standard deviation value is lower than the average value so it can be concluded that respondents have a high perception of these variables. While the tax evasion has an average value below 3 with a standard deviation lower than the average value. This can be interpreted that respondents have a low perception of tax evasion.

The level of reliability of a data can be determined by testing reliability using cronbanc's alpha.

**Table 3 Results of Reliability Test**

Variable	Cronbach's Alpha	N of items
Tax evasion	0,868	15
Money ethics	0,863	11
Religiosity	0,781	7
Morality	0,818	6

Source: Own calculations

Table 3 shows that each variable has a value above 0.70 so it can be concluded that the variables used in this study are reliable and feasible to use. Whereas to assess the normality of data, this study uses the one sample test of the Kolmogorov-Smirnov test on all variables.

**Table 4 Results of Normality Test**

	Earnings
Kolmogorov-Smirnov Z	0,512
Asymp. Sig. (Two-tailed)	0,956

Source: Own calculations

Table 4 shows the results of asymp sig (2-tailed) of  $0.956 > 0.05$  so that it can be concluded that the data used is normally distributed. To find out the effect on each hypothesis above, a Moderated Regression Analysis (MRA) test can be carried out with the following models:

$$Y = a + b_1x_1 + b_2x_1x_2 + b_3x_1x_3 + e$$

**Table 5 Results of Descriptive Statistics**

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	2,051	,305		6,723	,000
	Money Ethics	,411	,190	,402	2,167	,033
	Interaksi1	-,105	,051	-,482	-2,075	,041
	Interaksi2	-,172	,047	-,766	-3,631	,000

a. Dependent Variable: Tax Evasion

Source: Own calculations

From the three models in Table 5, it can be seen that all the hypotheses in this study were accepted and the significance values produced met the research criteria which were below 5% or 0.05.

The first hypothesis testing (H1) is between students' perceptions of money ethics towards tax evasion. This hypothesis indicates that the two variables have a positive direction. This can be interpreted that the higher the level of money ethics students has will improve their perception of tax

evasion actions. Someone is more likely to make money as something very important to fulfill all needs.

The second hypothesis testing (H2) is the interaction between money ethics and religiosity towards tax evasion. This hypothesis indicates that the role of strong religiosity in students is expected to be able to weaken tax evasion actions. This can be interpreted that by increasing the belief in religious teachings that lead everyone to do good

and honest, it is expected to reduce the level of money ethics in themselves because of the understanding that money is not the main thing in life so that it can reduce tax evasion actions. Every act classified as cheating will be avoided and they will not place money as something very important in life.

The third hypothesis testing (H3) is the interaction between money ethics and morality towards tax evasion. This hypothesis indicates that a moral or ethical role that is embedded in a person can lead to good and ethical action. Students are taught the importance of paying taxes and good taxation procedures so that through the moral taught they are expected to be embedded in each student and reduce tax evasion actions. The results of the above study indicate that the moral level possessed by accounting students is so strong that it can be used as evidence that the education provided on tax evasion actions is illegal and unethical so it is not appropriate to do so because it is contrary to the morals they have.

## 6. Conclusion

Tax evasion is illegal and violates the law which results in state losses because the tax that should have been received by the state treasury has been reduced and resulted in national development not being carried out optimally. The accounting student's perception of the tax evasion action made feedback on tax education as well as a view for the government regarding efforts to reduce the level of tax evasion in Indonesia. The results of this study can be summarized as follows:

1. There is a significant positive effect of money ethics on tax evasion.
2. There is a significant negative effect between the interaction of money ethics and religiosity on tax evasion.
3. There is a significant negative effect between the interaction of money ethics and morality on tax evasion.

### 6.1 Limitation of the study and suggestion for future research

The data used in this study is still very limited to the perceptions of accounting students in Semarang City Private Universities. The data obtained has not been generalized well and is only able to give an effect of 11.9%.

Suggestions given for further research are:

1. Expand the sample of research to several other universities such as entering a list of State Universities in the City of Semarang.
2. Increasing variables that might affect the perceptions of accounting students such as student intellectuals and student integrity.

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