

DOES MORAL PRINCIPLES AND ETHICAL BEHAVIOUR INFLUENCE INDONESIAN TAXPAYER PREFERENCE TO PARTICIPATE IN TAX AMNESTY PROGRAMS?

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Abstract

The purpose of this study is to prove the influence of moral principles and ethical perceptions adopted by taxpayers on taxpayers' preferences in the Tax Amnesty (TA) program run by the Government of the Republic Indonesia which ends on March 31, 2017. This study suspects that there is an influence on behavioural values and ethical perceptions that influence taxpayers' decisions to follow or not follow the TA program. Research on the behaviour of taxpayers who study "why taxpayers are compliant" still needs much research, considering research that examines "why taxpayers are not compliant" is becoming mainstream, especially in developing countries like Indonesia. The result is that moral principles affect the taxpayer's preference to join the TA program. The ethical perception of taxpayers on tax evasion has a significant effect also on the taxpayer's decision to join or not to join the TA program. Taxpayers who consider unethical tax evasion have a preference to choose to join the TA program.

Keywords: moral principles, ethical perception, tax amnesty, tax evasion, tax avoidance

1. Introduction

Taxes are one of the most important sources of financing for a country. However, it is difficult to imagine if the tax law in a nation has no influence or relationship to human behaviour. These influences on human behaviour are significant in the taxation system in a country that adopts a self-assessment system. Self-assessment is also a characteristic of tax law, especially income tax in Indonesia. These influences on human behaviour are significant in the taxation system in a country that adopts a self-assessment system. However, for the case of tax avoidance, many ethicists assume that this is a legal action, but is considered unethical or violates ethics. The behaviour of tax avoidance and tax evasion significantly affect the level of tax compliance (Torgler, 2007; Utama 2010; McGee et al., 2011; Alm & Torgler, 2011; Hokamp, 2014; Litina et al., 2016).

Tax evasion and tax avoidance triggered by the practice of aggressive tax planning, and these are growing a lot to find a weakness in the level of tax provisions, both domestic and international.

In tax terms, tax planning is taxpayer efforts to minimize tax payments. However, there is one point of tax planning that is considered intolerable, namely aggressive tax planning. When it reaches that aggressive point, taxpayers try to find weaknesses in country's tax law and system (Chen et al., 2010; Harvey Jr., 2014; Blouin, 2014; Steijvers & Niskanen, 2014; Lennox et al., 2013; Alm et al., 2016; Cyan et al., 2016).

The existence of public dissatisfaction to government and the level of government commitment to corruption eradication makes the society inclined to avoid or even evade taxes. At the same time, tax evasion itself has the effect of "deflecting" the principle of the allocation of perfectly competitive market resources and income returns and can trigger stagnation in economic growth and the far-reaching socio-economic returns (Fagbemi, Uadiale & Noah, 2010; McGee, 2011; Pickhardt and Prinz, 2014; Gangl, Hofmann & Kirchler, 2015).

The government then makes a program called tax amnesty (from now on referred to as TA) targeted the people who previously did tax evasion and avoidance, for the forgiveness of tax penalties to be paid. TA expected to make people return to pay taxes regularly and increase tax compliance. Thus, it is essential to know the behaviour of the society towards tax collection to find out the cause of people doing tax evasion as well as the reluctance of the society to do TA (Le Borgne & Baer, 2008).

Tax evasion is one of the main problems that can hamper development, especially in developing countries, to become a prosperous country so that it has a contribution means for the world economy. This attracted the attention of policymakers, western countries, international bodies, and also academics (Sikka and Hampton, 2005; Fagbemi et al., 2010).

As an effort to meet their financial needs, many governments (both at national and sub-national levels) turn to TA programs. In this case, the primary motivation of almost all TA implementation is to meet the short-term target of state revenue. Several researchers call tax amnesty a "controversial revenue tool". Many people even believe that the benefits generated from this program are no better than the negative impacts that will result in the long term. TA is called a short-term solution with long-term problems and even considered as "hidden costs outweigh benefits" (Alm and Rath, 1998).

According to the OECD (Organization for Economic Co-operation and Development), Economic Surveys in 2018, Indonesia's income from the tax sector is still relatively low compared to other developing economies. Although tax revenues have increased for several years, the tax-GDP (Gross Domestic Product) ratio or tax ratio, which is still less than 12%, remains low if measured by international standards. In general, this reflects the spread of information and tax avoidance. Registration rate has grown, but compliance remains a significant challenge. Strengthening tax administration is a government priority and is very important to improve compliance (OECD, 2018).

Many governments around the world have problems with increasing public deficits after the financial crisis, and they start using TA programs to meet their business needs. TA programs provide an opportunity for taxpayers with tax liability to pay all or part of the tax that has not been paid without being charged and punished. However, not all of these TA programs increase tax revenues significantly. Short-term income is highly dependent on whether a large number of taxpayers decide to take part in TA programs or not (Bayer, Oberhofer & Winner, 2015).

In ensuring that the state's income from the tax sector is sufficient to finance development, it is necessary and essential to know the behaviour of taxpayers or citizens in paying taxes. McGee (2006) mentions three ethical opinions that specifically discuss ethics in tax evasion. These opinions are contradictory and contradictory so that the three opinions become the theory gap in this study. Mainstream research on tax evasion is dominated by these three opinions, as suggested by McGee (2006). These opinions try to describe the perspective and behaviour of taxpayers that closely related to the reasons put forward by taxpayers in carrying out tax evasion and evasion. Opinions of taxpayers are thought to influence or can also be called encouraging taxpayers to use their rights to join the tax amnesty program.

With the end of the TA program in Indonesia as of March 31, 2017, of course at the end of the TA period, taxpayers decide to join or not follow the TA program, with all the consequences, because TA is not an obligation but can be called a facility and become a right from taxpayers to join or not follow the TA program. In ensuring that the income derived by the state from the tax sector is sufficient to finance development, it is necessary and essential to know the behaviour of taxpayers or citizens in paying taxes in terms of moral principles of taxpayers, ethical perceptions of taxpayers, and the use of taxpayer rights to follow TA program. Therefore, this research tries to answer questions like the following:

1. Does the moral principle adopted by the taxpayer affect the taxpayer's participation in the TA program?
2. Does the ethical perception or opinion of taxpayers about tax evasion affect taxpayer participation in the TA program?

2. Literature Review and Hypotheses

Tax Amnesty applied in the tax law of the Republic of Indonesia in 2016 is the elimination of taxes that should be owed that are not subject to tax sanctions or criminal sanctions in the field of taxation by revealing assets and paying ransoms. The assets of Indonesian citizens have been stored in other countries, while Indonesia needs funds for development that is sustainable and inclusive. One of the country's revenues is from taxes. Assets stored abroad should be subject to tax if they are in Indonesia, so taxpayers must bring their assets back to Indonesia through tax amnesty.

Although much research has been done on tax compliance, research on tax compliance, especially from an ethical perspective, has not been much researched. Most research on tax evasion looks at problems from public finance or economic perspectives. The ethical perspective was initially put forward by Crowe (1944), who reviewed the theological and philosophical debates that had taken place, mostly in the Catholic Church, during the previous 500 years. Some debates take place in Latin. Torgler (2003), which discusses tax evasion from a public finance perspective but also touches on several aspects of psychological, philosophical, and ethical.

Block (1989; 1993) sought to find justification for taxation in the financial literature society. Block (1989; 1993) examined some textbooks but found all the justifications for taxation were considered inadequate. Leiker (1998) speculates about how an ethical perspective on ethics in tax evasion. Morales (1998) examined the views of Mexican street immigrants and found that their loyalty to their family outweighed their loyalty to the government. McGraw and Scholz (1991)

examine tax compliance from the perspective of interests. Armstrong and Robison (1998) discussed tax avoidance and tax evasion from the perspective of an accounting practitioner and used Rawls' concept of two types of rules to analyze how accountants see this problem.

Several studies focus on tax evasion in certain countries. An etiology is sometimes discussed; however, the focus of the discussion is on government corruption and the reasons why citizens do not feel any moral obligation to pay taxes to the government. Ballas and Tsoukas (1998) discuss the situation in Greece, and Smatrakalev (1998) discusses the Bulgarian case. Vaguine (1998) discusses Russia, as did Preobragenskaya and McGee (2004) to a lesser extent. A tax evasion study in Armenia (McGee, 1999) found two main reasons to embezzle the lack of mechanisms in place to collect taxes and an opinion that is unfolding is that the government does not deserve a share of workers' income. Several articles have been written from various religious perspectives. Cohn (1998) and Tamari (1998) discuss Jewish literature on tax avoidance and ethics in general. Most of this literature is in Hebrew or other languages besides English. McGee (1999) commented on both articles from a secular perspective.

Several articles have been written about the ethics of tax evasion from various Christian perspectives. Gronbacher (1998) addresses the problem from the perspective of Catholic social thought and classical liberalism. Schansberg (1998) looks at Bible literature for guidance. Pennock (1998) discusses the theory of just war concerning moral obligations only to pay taxes, and not to pay unjust or immoral taxes. Smith and Kimball (1998) provide a Mormon perspective. McGee (1998; 1999) comments on various Christian views from a secular perspective.

The Christian Bible addresses tax evasion and the obligation of citizens to support the government in several places. Schansberg (1998) and McGee (1997) discuss biblical literature on this subject. When Jesus Christ was asked whether people should pay taxes to Caesar, Jesus Christ answered that his people must give Caesar the things they wanted that was following God's wishes. However, Jesus Christ did not specify clearly. He did not say that we are only obliged to give the government 10 per cent or 5 per cent or a certain percentage of our income.

Some views of Islam are also discussed in the literature. Murtuza and Ghazanfar (1998) discuss the ethics of tax avoidance from an Islamic perspective. McGee (1999) commented on their article and also discussed the ethics of tax evasion under Islam, citing the literature of Islamic business ethics (McGee 1997). DeMoville (1998) discusses the Baha'i perspective and cites relevant literature to support his argument. McGee (1999) commented on DeMoville's article (1998).

A similar survey found that some arguments justify tax avoidance more strongly than others, but none of the arguments was powerful, because most respondents who responded to the survey strongly opposed tax evasion. The survey also found that women were significantly more opposed to tax evasion than men (McGee, 2005). A survey of business and law students in Guatemala achieved similar results. However, law students find it less powerful to condemn tax avoidance on ethical grounds than business students, and female students are more resistant to tax evasion than male students (McGee & Lingle, 2005).

A survey of Romanian business students (McGee, 2005) found that respondents often felt tax avoidance was ethically justified. Men who are slightly more against tax evasion than women. A

survey of German business students also found that respondents strongly opposed tax avoidance, although some arguments were more reliable than others. A comparison of male to female responses is inconclusive, in the sense that it cannot be determined which group of respondents is more opposed to tax avoidance (McGee, Nickerson & Fees, 2005).

The availability of funds is an essential aspect of running a country. Several options, according to Asher (2001) and Soyode & Kajola (2006) are available for the government to raise funds for supply sources from other economic sectors and from other claimants to carry out their activities. These options include taxes, non-tax revenues such as fees, fees, recovery costs and user fees, and property and investment revenues, domestic and foreign loans including loans from multilateral institutions and domestic and foreign grants. Thus, the primary source of funds for each government is tax revenue. (Asher, 2001; Soyode & Kajola, 2006).

The World Bank (2000) notes that taxation is a mandatory transfer of resources to the government from the rest of the economy. They can be charged in cash or non-cash (for example, involving compulsory labour), and they can be explicit or implicit. Adeyeye (2004) describes the tax as an obligation on an account based on the fact that the taxpayer has income from a minimum amount and specific sources or that he has specific tangible or intangible property or that he is involved in certain economic activities that have been selected for taxation. Therefore, individuals contribute to many quantum measures to the funds available for use by the government in providing the infrastructure needed for its citizens. (The World Bank, 2000; Adeyeye, 2004; Soyode and Kajola, 2006).

Kaplan and Reckers (1985) state that the purpose of avoiding taxes influences the moral character of tax evaders. Someone will avoid taxes if other people who are considered to have high morals, such as good citizens or honest business people, avoid tax. Someone will reduce their behaviour to avoid taxes if they see the conditions of others who avoid unfavourable taxes. Therefore, this study suspects that moral principles influence the tendency of taxpayers to avoid taxes, both for high and low-income taxpayers.

Yetmar and Eastman (2000) suggest that individual differences in approaches to moral judgment are based on two factors of moral principles, namely idealism and relativism. Idealism is the level at which individuals relate to the welfare of others. Individuals who have high idealism feel disturbing others can always be avoided. An idealist will not choose negative behaviour that can disturb other people. The opposite is exact if idealism values are low.

Conversely, relativism is the rejection of absolute moral rules in guiding behaviour. Highly relativistic individuals adopt a personal moral philosophy that is based on sceptics. They generally feel that moral action depends on nature and the individual involved. When assessing something, they emphasize aspects of the situation rather than ethical principles that are violated. People who have low relativism argue that morality requires action that is consistent with moral principles, norms, and law.

The concepts of idealism and relativism are not the opposite. A relativist can also have high or low idealism. Moral principles (in other studies mentioning ethical orientation) that individuals believe in having a positive relationship with ethical behaviour decisions. Ziegenfuss and Singhapakdi (1994) and Yetmar and Eastman (2000) examine two forms of moral principles, namely idealism and relativism. Idealism and relativism do not influence ethical behaviour. In

the research of Yetmar and Eastman (2000), it is mentioned that relativism is negatively related to ethical behaviour. Both researchers used two forms of moral principles derived from Yetmar and Eastman (2000).

Yetmar and Eastman (2000) also state that testing the moral principles of relativism leads to the categorization of individual ethical orientations. The moral principle of idealism shows insignificant test results. If the level of individual relativism increases, the individual tends to reject absolute moral rules of behaviour and feels that individual moral actions depend on the situation and conditions experienced by the individual concerned. Therefore, a higher level of relativism hinders the ability of individuals to acknowledge ethical issues.

Referring to the research conducted by Yetmar and Eastman (2000), this study adds personal values variables in terms of the moral principle of relativism. The author does not measure the moral principle of idealism because according to Yetmar and Eastman (2000), previous studies show that the measurement of the moral principle of idealism shows irrelevant results.

The opinions found in the tax evasion literature can be grouped into three groups, namely the unethical opinion, the anarchist opinion, and the circumstance opinion. These opinions were first developed by Crowe (1944) and McGee (2006).

The unethical opinion is stating that tax evasion is always or almost always unethical. Cohn (1998) and Smith and Kimball (1998) mention that two rational pieces underlie this opinion. The first reason is believing that individuals have the duty to pay taxes according to state requests. This point of view is widely applied in democracies where there is a strong belief that individuals should abide by collective agreements. The second reason to pay taxes as an ethical duty is that individuals have obligations to other citizens.

In the anarchist opinion, Block (1993) argues that there was never any obligation to pay taxes because the state has no legitimacy and immoral, so it does not have the authority to take anything from anyone. In this opinion, the state is seen as a mafia. The point is that taxes are seen as taking other people's rights.

In the circumstance opinion, McGee (2006) argues that a person with this opinion assumes that there is always a reason for tax evasion. Some of these adherents decide to pay taxes for moral, religious and religious reasons. Also, tax evasion can be ethical under certain conditions and unethical under other conditions.

This study tries to prove the relationship between two independent variables and one dependent variable. The two independent variables, namely the moral principle that is given the symbol MP, and the ethical perception of taxpayers who are given the symbol EP, affect the dependent variable of participation in the TA program that is given the symbol TA. Therefore, the relationship of moral principles (MP) and ethical perceptions of taxpayers (EP) with the participation or non-participation of taxpayers in the TA program is the contribution of this study, in which this research includes factors of ethical behaviour, believed moral principles, and perceptions ethical and unethical taxpayers (taxpayer behaviour).

Kaplan and Reckers (1985) state that the purpose of avoiding taxes influences the moral character of tax evaders. Someone will avoid taxes if other people who are considered to have high morals, such as good citizens or honest business people, avoid tax. Someone will reduce

their behaviour to avoid taxes if they see the conditions of others who avoid unfavourable taxes. This study suspects that moral principles affect the participation of taxpayers in the TA program. This study tries to include the moral principle variable as one of the factors that are suspected to influence the participation of taxpayers in the TA program. Therefore, this study suspects that moral principles influence the tendency of taxpayers to avoid taxes. Thus, the first alternative hypothesis proposed in this study is: Taxpayers with high moral principles choose to follow the TA program (H_1).

As explained earlier, McGee (2006) formulated three opinions or three mainstream theories that are often used as references by many researchers. McGee (2006) states that in studies and literature on tax evasion can be grouped into three groups, namely the unethical opinion, anarchist opinion, and circumstance opinion (Crow, 1994; McGee, et al. 2011).

The first opinion is unethical opinion. This opinion states that tax evasion is always or almost always unethical. Cohn (1998) and Smith and Kimball (1998) state that three rational pieces underlie this opinion. The first reason is believing that individuals have to pay taxes according to state requests. The second reason is that there is a strong belief that individuals should abide by mutual agreement. The third reason to pay taxes as an ethical duty is that individuals have obligations to other citizens.

The second opinion is an anarchist opinion. According to Block (1993), this opinion argues that there is never an obligation to pay taxes because the state has no legitimacy and is considered immoral, so it does not have the authority to take anything from anyone. In this opinion, the state is seen as a mafia. The point is that taxes are seen as taking other people's rights.

The third opinion is a circumstance opinion. Someone with this opinion thinks that there is always a reason for tax evasion. Some of these adherents decide to pay taxes for moral, religious and religious reasons. Also, tax evasion can be ethical under certain conditions and unethical under other conditions. From the three opinions and their relationship with taxpayer participation in the TA program, the authors of this study try to formulate the second alternative hypothesis as follows: Taxpayers with unethical perceptions of tax evasion chose to join the TA program (H_2).

3. Method

3.1 Research Samples

The main emphasis of this research is to obtain evidence that the moral principles and ethical perceptions of taxpayers affect the participation of taxpayers in the TA program. The sample of this research is taxpayers who carry out their tax obligations using a self-assessment system. The responses were explored from various professions spread mainly in the city of Yogyakarta, Indonesia. Researchers sent questionnaires with questionnaire filling techniques sent via the messenger application as a medium for distributing questionnaires. Whereas in making the on-line questionnaire distributed via the messenger application and the form application was used (convenience sampling). It is also expected that prospective respondents who get a link to the form from the messenger application, can also forward the research questionnaire filling link. With this method of distributing questionnaires, researchers hope that the response rate can obtain an adequate amount because prospective respondents can spread the links in the

messenger application. Because the link can be forwarded, potential respondents can come from cities outside the city of Yogyakarta, Indonesia.

3.2 Research Design

The hypothesis constructed is shown in Figure 3.1 below. The first independent variable, the moral principle of the taxpayer (MP), consists of two categories, namely high and low. The second independent variable is the ethical perception of taxpayers (EP) also consists of two categories, ethical and unethical. Both of these independent variables affect the dependent variable of taxpayer participation in the TA program, which also consists of two categories, namely participating and not participating in the TA program.

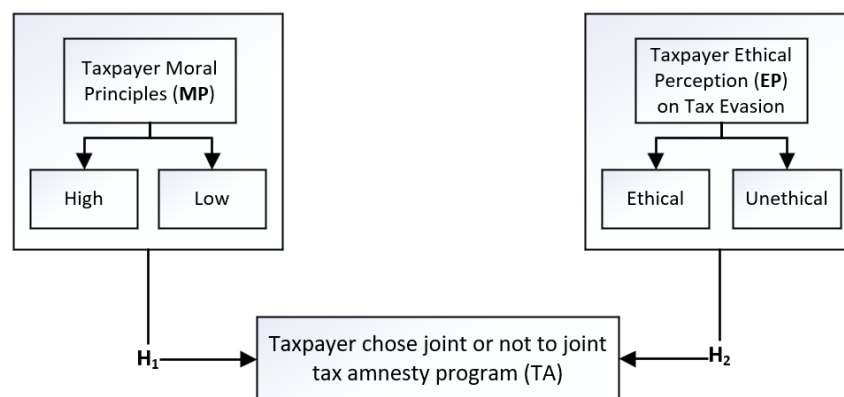


Figure 1. Research Design

Therefore, the relationship of moral principles and ethical perceptions of taxpayers with the participation of taxpayers in the TA program is the contribution of this study, in which this research includes factors of ethical behaviour, believed moral principles, and ethical and unethical perceptions of taxpayers (tax behaviour).

3.3 Variable and Measurements

3.3.1 Moral Principle

Moral principles are beliefs in using moral values in decision making (Yetmar and Eastman, 2000). Respondent was asked questions about the tendency of moral principles which they believed. Moral principles (in other studies mentioning ethical orientation) that individuals believe in having a positive relationship with ethical behaviour decisions. This study adds the personal values variable in terms of the moral principle of relativism.

Ziegenfuss and Singhapakdi (1994) uses 20 questions called ethics position questionnaire (EPQ) which measures the moral principle of idealism (10 questions) and the moral principle of relativism (10 questions). The author does not measure the moral principle of idealism because according to Yetmar and Eastman (2000), previous studies show that the measurement of the moral principle of idealism shows insignificant results.

3.3.2 Ethical Perception

The instrument used in this study is similar to the instrument used by McGee et al. (2011) and Fagbemi et al. (2010). The survey instrument consisted of 17 statements that reflected three ethical perspectives/opinions of tax evasion that emerged over the centuries. The three points of view or opinions are unethical opinion, the anarchist opinion, and the circumstance opinion.

3.3.3 The participation of The Taxpayer at The Tax Amnesty Program

Taxpayer participation in the TA program is measured by the demographic fields filled in by the respondent. In the options on the questionnaire filled out by the respondent, there was a statement stating that the respondent acknowledged that they were taking the TA program or not. Through this instrument, of the recognition of respondents can be identified respondents who "join" program TA and that "no join" program TA.

3.4 Hypothesis Testing

This study tested using logistic regression as the dependent variable is the variable with a nominal scale and use a dummy variable. The regression equation is as follows:

$$Y = a + b_1X_1 + b_2X_2 + e$$

Information:

Y: TA (tax amnesty, participating/not participating)

X₁: moral principle (high/low)

X₂: ethical behaviour (ethical/unethical)

e: error

Testing of hypotheses in this study was carried out using binary logistic regression. This model is used when trying to test whether the probability of the occurrence of the dependent variable in the form of non-metric/categorical can be predicted with the independent variable where the independent variable is a combination of metric and non-metric/categorical variables. The dependent variable is categorical (non-metric), that is, the taxpayer's participation in the TA program (TA) is measured by using categorical variables, which are coded 1, and not coded 0 (dummy variable).

The two independent variables also use dummy variables. Moral principles are divided into two, namely "high moral principles" coded one (1) and "low moral principles" coded zero (0). Whereas for ethical behaviour of taxpayers, those who view tax evasion are "ethical" given code one (1), and those who view tax evasion are "unethical" is coded zero (0). In grouping into the categories of each independent variable, a median split is used. From the median split, the results of the questionnaire data processing for moral principles (MP) and ethical perception (EP) can be categorized using dummy variables.

4. Results and Discussion

4.1 Demographics of Respondents

Demographic table (Table 1) showing the profile of the respondents. This study succeeded in obtaining 106 respondents who filled out an on-line questionnaire from 300 respondents. The response rate in this study reached 35.33%.

Table 1. Demographics of Respondents

	Freq.	%		Freq.	%
Gender			Income Per Year		
Male	64	60.4%	Less than 50 Million	57	53.8%
Girl	42	39.6%	Between 50 million to 250 million	33	31.1%
			Between 250 million to 500 million	7	6.6%
Occupation/ Profession			Above 500 Million	9	8.5%
Businessman or trader	21	19.8%			
PNS / ASN employees	30	28.3%	TIN		
BUMN / BUMD employees	2	1.9%	Have	72	67.9%
General employees	24	22.6%	Do not have	34	32.1%
Professionals (Accountants, Lawyers, Notaries, and / or the like)	5	4.7%			
S1 students	9	8.6%	Income is deducted by income tax		
S2 students	2	1.9%	Cut off	67	63.2%
D4 / D3 / D2 / D1 students	12	11.3%	Not cut	39	36.8%
Teacher	1	0.9%			
Freelance Freelancers	1	0.9%	Annual Tax Returns		
Investor	3	2.8%	Yes	62	58.5%
Others	7	6.6%	Not	37	34.9%
			Sometimes	7	6.6%
Age					
Under 20 years	5	4.7%			
Between 20 to 30 years	38	35.8%			
Between 30 to 40	14	13.2%	Yes	26	24.5%
Between 40 to 50	33	31.1%	Not	80	75.5%
Over 50 years	16	15.1%			
Status					
Married	63	59.4%	Yes	32	30.2%
Single	43	40.6%	Not	74	69.8%

Source: Data (Processed)

4.2 Descriptive Statistics

Descriptive statistical analysis is used to describe the profile of respondents which includes, among others, mean, maximum, minimum, and standard deviation.

Table 2. Frequency of Categorical Variables

Variable	Category	Frequency	%
TA	No TA	74	69.8
	Join TA	32	30.2
MP	Low MP	52	49.1
	High MP	54	50.9
EP	Ethical	51	48.1
	Unethical	55	51.9

Where: TA = tax amnesty; MP = moral principles; EP = ethical perception.

From Table 2, it can be seen that the frequency of data on respondents who took TA. Table 4.2 shows the descriptive data, namely: the number of respondents who did not participate in TA was 74 respondents with a frequency of 69.8%, and 32 respondents did not participate in TA with a frequency of 30.2%. From Table 2, it can be seen the frequency of respondents' data with the moral principles adopted. The number of respondents categorized as having low moral principles was 52 respondents with a frequency of 49.1% and respondents categorized as having high moral principles were 54 respondents with a frequency of 50.9%. From Table 2, it can be seen the frequency of respondents' data with ethical and unethical perceptions of tax evasion. The number of respondents categorized as "ethical" was 51 respondents (48.1%) and respondents categorized as "unethical" was 55 respondents (51.9%).

4.3 Validity and Reliability Test Results

The following Table 3 shows the results of the validity and reliability tests. Based on Table 3, the KMO MSA value (*Kaiser-Meyer-Olkin Measure of Sampling Adequacy*) shows a value > 0.5 with a significance of 0.000, which means the statement in the instrument is valid or fulfills the *construct validity*. There are some invalid questions whose factor loadings are below 0.4 so these questions should be discarded. The statements stated by respondents for the moral principle variable (MP), which were discarded were statements number 9 and 10. The statements for ethical perception (EP) that were discarded were questions number 2, 5, 7, 9, and 14. After the validity test was carried out, then the reliability test was conducted. Table 3 shows the Cronbach's Alpha value > 0.6, which means that the instrument used is reliable.

Table 3. Validity and Reliability Test Results

Variable	KMO MSA	Sig.	Factor Loadings	Cronbach's Alpha
Moral Principles (MP)	0.814	0.000	0.559 -0.726	0.859
Ethical Perception (EP)	0.827	0.000	0.507 -0.831	0.926

Source: Data processed

4.4 Binary Logistic Regression Results

The goodness of fit model is tested in three ways, namely L Likelihood test, Pseudo R-Square (Cox & Snell R Square and Nagelkerke R Square), and Hosmer & Lemeshow's Goodness of Fit. The Likelihood L test aims to assess whether a model is compatible with the data or not. Decision-making is when a da impairment -2LogL beginning with the next step -2LogL value than the model fit to the data.

Table 4. Iteration History

Iteration History ^{a, b, c}			
		-2 Log	Coefficients
Iteration		likelihood	Constant
Step 0	1	129.888	-0.792
	2	129.840	-0.838
	3	129.840	-0.838
a. Constant is included in the model.			
b. Initial-2 Log Likelihood: 129.840			
c. Estimation terminated at iteration number 3 because parameter estimates changed by less than, 001.			

Table 5. Summary Model

Step	-2 Log likelihood	Cox & Snell R Square	Nagelkerke R Square
1	121.226 ^a	0.078	0.111
a. Estimation terminated at iteration number 4 because the parameter estimate changed by less than 0.001.			

Based on Table 4 and Table 5 shows that there is a decrease in the value of -2LogL , from 129.840 to 121.226. It means that the addition of independent variables PM and PE into the model improves the goodness of fit.

The next goodness of fit test is Pseudo R-Square (Cox and Snell R Square and Nagelkerke R Square). Value Cox & Snell R Square and Nagelkerke R Square shows the probability of the variability of independent variables that described the dependent variable. Table 5 shows that the Cox & Snell R Square value is 0.078, and the Nagelkerke R Square value is 0.111. It means that the variability of the dependent variable that can be explained by the variability of the independent variable is 7.8% (Cox & Snell R Square) or 11.1% (Nagelkerke R Square).

Table 6. Hosmer and Lemeshow Test

Step	Chi-square	df	Sig.
1	0.133	2	0.935

The next *goodness of fit test* is the *Hosmer and Lemeshow test*. If the *Hosmer-Lemeshow value* is significant or greater than 0.05, then the model is fit. Conversely, if the significance is less than 0.05, then the model is not fit. In Table 6, the results of the *Hosmer and Lemeshow test* were 0.133 and significant at 0.935. Because 0.935 is above 0.05, the model is said to be fit, and the model is acceptable.

4.5 Hypothesis Testing Results

Hypothesis testing is using binary logistic regression. Decision making in this test is if the statistical significance value is smaller than the significance value of 5% (0.05), it indicates that there is an influence of the independent variables on the dependent variable so that the hypothesis is supported. Conversely, if the significance value is greater than the significance level value of 5% (0.05), it can be concluded that there is no influence of the independent variable den on the dependent variable, so the hypothesis is not supported. Table 7 shows the hypothesis testing result.

Table 7. Hypothesis Testing Results

$$TA = a + b_1PM + b_2PE + e$$

Variables	Hypothesis	Expected Sign	Coefficient
MP	H ₁	+	0.756*
EP	H ₂	-	-1.088**
Sample size			106

*Significance level at 0.10; **Significance level at 0.05; ***Significance level at 0.01

Where: where: TA = tax amnesty; MP = moral principles; EP = ethical perception.

The EP variable is significant at 0.05 (0.016). From the logistic regression results, it can be seen that the log-odds TA below the average is negatively affected by PE. If PM is considered constant, then the TA odds are below the average by a factor of $e^{-1.088}$ for each increase in PE. This further shows that the more the taxpayer considers "unethical" tax evasion, the taxpayer will choose to join the TA program.

Testing of this hypothesis is done through testing the significance of the logistic regression coefficient of the moral principle variable (MP). H₁ states that taxpayers with high moral principles choose to join the TA program. The MP regression coefficient value is 0.756, with a significance level of 0.092. This significance value is lower than 0.10. This means that it can be concluded that H₁ is supported.

Then, testing of this hypothesis is done through testing the significance of the regression coefficient of the ethical perception variable (EP). H₂ states that taxpayers with unethical

perceptions of tax evasion choose to join the TA program. The EP regression coefficient value is -1.088 with a significance level of 0.016. This significance value is less than 0.05. This means that it can be concluded that H₂ is supported.

4.6 Discussion

The results of the study using binary logistic regression indicate that moral principles have a significant effect on taxpayer participation in the TA program. It means that the moral principles adopted by taxpayers influence the taxpayer's decision to join the TA program.

The results of this study support research stating that the moral character of tax evaders is influenced by the purpose of tax evasion and suggests that individual differences in approach to moral judgment are based on two factors of moral principles namely idealism and relativism. Idealism is the level at which individuals relate to the welfare of others. Individuals who have high idealism feel disturbing others can always be avoided. An idealist will not choose negative behaviour that can disturb other people. The opposite is true if idealism values are low. (Hutama, 2010; Kaplan and Reckers, 1985; Yetmar and Eastman, 2000).

Then, the results of this research also show that ethical perceptions have a significant effect on taxpayer participation in the TA program. It means that taxpayers who think tax evasion is unethical prefer to join the TA program.

These results support research which states that the ethical perceptions of taxpayers affect tax compliance. The more taxpayers have a preference that tax evasion is unethical, and then the taxpayer has a higher level of tax compliance than taxpayers who think tax evasion is ethical (McGee et al., 2005; Fagbemi et al., 2010; McGee et al., 2011).

5. Conclusions and Limitations

This study aims to examine the relationship between moral principles and ethical perceptions adopted by taxpayers with taxpayer preferences in participating in the Tax Amnesty (TA) program. The purpose of this study is that the moral principles adopted by taxpayers influence the taxpayer's decision in choosing to follow or not follow the Tax Amnesty (TA) program organized by the Director-General of Taxation of the Republic of Indonesia. This TA program in Indonesia ends on March 31, 2017. This study succeeds to prove a relationship between moral principles of taxpayers and preferences in join TA program.

Ethical perceptions adopted by taxpayers significantly influence the decision of taxpayers in choosing to join or not join the Tax Amnesty (TA) program. This study proves that there is a significant relationship between ethical perceptions of tax evasion embraced mandatory with mandatory preferences in the following TA. The more unethical the taxpayer's perception of tax evasion, the taxpayer, will choose to join the tax amnesty (TA) program.

Difficulty in capturing respondents who meet the requirements to join TA with a preference to join or not to join the TA program can be overcome by conducting in-depth interviews with taxpayers who are deemed eligible for TA. It becomes a difficulty because assessing taxpayers who meet the requirements to join the TA program is challenging. Researchers need experience and judgment whether individual taxpayers are eligible to participate in the TA program, and it is known that the preferences of these taxpayers to join or not participate in the TA program.

This research also has important implications that are expected to change the direction of further research in the field of taxation, where previous studies focus on "why taxpayers choose not to comply", to focus on "why taxpayers choose to comply" to answer the challenges of future research directions by examining the behaviour of taxpayers.

Another limitation is seeing the variability data of the dependent variable that can be explained by the variability of the independent variable at 7.8% (Cox & Snell R Square) or 11.1% (Nagelkerke R Square). This shows that the independent variables in this study still slightly influence the dependent variable (only 7.8% and 11.1%). The remaining 90% is explained by variables outside the two independent variables in this study. Therefore, there are still many other variables that can explain the taxpayer's preference for joining the TA program. In other words, the success of the TA program can be evaluated with variables that have not yet been identified and require further research.

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