



Trust in Government and Tax Compliance in Indonesia and Malaysia: Do Ethics and Tax Amnesty Matter?

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ABSTRACT

This study examines the moderating role of tax amnesty and the mediating role of ethics in the relationship between trust in government and tax compliance among taxpayers in Indonesia and Malaysia. The data were analysed using the structural equation modeling to examine the mediating role of ethics and hierarchical regression analysis to test the moderating role of tax amnesty in the relationship between trust and tax compliance. Based on the sample collection using the purposive sampling method, the study included 529 respondents from Indonesia and 137 from Malaysia. The findings reveal that the relationship between trust in government and taxpayer compliance is statistically significant with ethics as full mediator in Indonesia. However, the relationship between trust in government and tax compliance is not statistically significant in Malaysia. Ethics has a direct effect on tax compliance in both countries. Tax amnesty does not show a moderating effect in the relationship between trust in government and tax compliance. However, it plays a negative predictive role for tax compliance in Indonesia. This study will assist the government in developing tax compliance strategies to increase tax revenue with the launch of a similar program without neglecting the honest taxpayer.

Keywords: Ethics, Tax Amnesty, Tax Compliance, Trust

JEL Classifications: H26, H30

1. INTRODUCTION

The tax compliance puzzle is not only dependent on the individual characteristics, awareness, or tax knowledge, but also on trust in government. General trends in some literature continue to address the antecedents of tax compliance. Circumstance differ significantly among countries. Alasfour et al. (2016) state that, despite extensive research on tax compliance, the question of why individuals should pay taxes remains unanswered. The challenge faced by government is to focus on a strategy of good governance while seeking to protect honest taxpayers (Hofmann et al., 2014). Supportive programs can have an impact on taxpayer trust. In this case, implementation has become a consideration to differentiate the honest taxpayer from the free rider.

The psychological factor is said to have a strong impact on tax compliance (Battiston and Gamba, 2016; Feld and Frey, 2007; Khozen and Setyowati, 2023). Trust is a part of psychological motivation shaped by individual behavior. A high level of trust does not directly imply high tax compliance; nevertheless, some studies, i.e. Batrancea et al. (2019), Prastiwi and Diamastuti (2023), and Siglé et al. (2018), Iqbal et al. (2023), Ya'u et al. (2023), state that trust increases tax compliance and mitigates the intention to evade taxes. Unfortunately, it is not yet clear how trust could be directly related to tax compliance. The relationship between trust in government and tax compliance were found mixed findings. Imposition of a mediator such as ethics and a moderator such as tax amnesty may strengthen the relationship between trust and tax compliance.

Alm et al. (1990) and Austin et al. (2021) stated that understanding taxpayer compliance is not possible without considering the dimensions of ethics. Ethics differ across individuals, and these differences have a significant impact on their compliance decisions. Farrar et al. (2020) discusses the importance of ethics in personal taxation, focusing on ethical decisions individual taxpayers can make, such as tax return reporting compliance and tax amnesty declaration.

Understanding the relationship between trust in government and tax compliance is crucial. Nevertheless, it's essential to consider another aspect in this context: The ethical dimension. The study by Chong and Arunachalam (2018) illuminates the significance of tax ethics as a pivotal determinant of tax compliance. Meanwhile, Drogalas et al. (2018) suggests that ethics plays a role as an endogenous factor influenced by trust in government. These findings underscore the potential for tax ethics to act as a potent mediator in shaping the dynamic relationship between trust in government and tax compliance.

One more aspect concerning tax compliance that remains a policy dilemma for the government, is tax amnesty. Tax amnesty is still controversial, with results showing both increasing and decreasing compliance from different perspectives. Supporters argue that it enhances revenue in both the short and long term, while opponents criticize its impact on long-term tax compliance incentives, resulting in less-than-desired revenue (Canavire-Bacarreza et al., 2023). Additionally, they assert that tax amnesty intimidates compliant taxpayers, leading to perceived unfairness (Said, 2017; Yücedoğru and Sarisoy, 2020).

Tax amnesty provides individual taxpayers with a chance to pay unpaid taxes without facing the consequences of tax penalties (Alm et al., 1990). Sudarma and Darmayasa (2017) state that tax amnesty does not automatically increase compliance. In Indonesia, the history of tax amnesty started in 1964, and was subsequently re-launched in 1984, 2008, 2016, 2017, and most recently in 2022, known as voluntary disclosure. The program in 2016 raises a fundamental question regarding the fairness of tax justice for taxpayers. Furthermore, media coverage of tax amnesty part 2 in 2022 raised questions related to justice or fairness for obedient taxpayers. This program was not re-launched. Taxpayers will perceive tax policy as unfair when the government is biased towards certain groups of tax payers while omitting others.

Indonesia is the countries that have implemented tax amnesty programs multiple times. Luitel and Sobel (2007) stated that repeated tax amnesty would influence tax compliance in the long run. It is mentioned that Indonesia had a better income distribution before 2010 compared to the world average. However, after 2010, income distribution deteriorated. It is widely believed among economists that the decline in income distribution is closely linked to the implementation of tax amnesty programs. Hence, further investigation into this matter is necessary to comprehend the effectiveness of tax amnesty programs and overall tax compliance.

Despite being fewer in number compared to Indonesian programs, Malaysia launched the Special Voluntary Disclosure Program,

which encouraged taxpayers to declare their income from November 2018 to September 2019 after the first program in 2016. In Malaysia, the recently introduced Special Voluntary Disclosure Programme (SVDP) 2.0 offers taxpayers the chance to voluntarily and accurately report their income and tax computations. Aligned with existing Inland Revenue Board of Malaysia (IRBM) regulations, the program aims to encourage taxpayers to fulfill their tax obligations within the designated period. SVDP 2.0 is applicable from June 6, 2023, to May 31, 2024.

There are differences in the coverage of tax amnesty programs between Indonesia and Malaysia that could be factors driving taxpayers to participate in the programs. The most recent Voluntary Disclosure Program implemented in Indonesia only covers income tax, and the disclosure basis used by Indonesia only involves undeclared assets. In contrast, Malaysia applies an all-taxes disclosure basis. Moreover, Indonesia could benefit from emulating Malaysia's approach by instituting a comprehensive all taxes disclosure basis in the implementation of the Special Voluntary Disclosure Program (Vientino and Galela, 2022). By understanding taxpayer behavior in the context of tax amnesty, this study is expected to have implications for both Indonesia and Malaysia in considering their tax policy programs. Tax amnesty serves as a strategy expected to create a positive impression or signal to the public, thereby potentially strengthening the relationship between trust and tax compliance.

The rest of the paper is organized as follows: Section 2 provides a literature review, explaining trust in government, ethics, tax compliance, and tax amnesty, along with the research hypothesis. Following the literature review, Section 3 presents the research methodology, while Section 4 reports the research results, including descriptive statistics and empirical evidence in the relationship between trust in government and tax compliance, ethics as a mediating variable, and tax amnesty as a moderating variable. Section 5 comprises the discussion, followed by the concluding remarks in the final section.

2. LITERATURE REVIEW

A large number of studies examining tax behavior have focused on non-economic factors (Alwi et al., 2022). The findings of Ntiamoah and Asare (2022) suggest that tax compliance decisions of individual taxpayers in developing economies are largely influenced by non-economic factors such ethics. The concept of trust in government and the perception of ethics provide a comprehensive understanding of tax compliance. Tax compliance, which is voluntary, takes the shape of commitment from the taxpayer (Braithwaite, 2003). Its level is reflected by the motivational posture of commitment and benefit the government most, as compliance is driven less by surveillance.

Individuals have different motivations to comply with tax regulations (Alm, 2019). The government must take a balanced approach to tax enforcement to encourage voluntary compliance. Fostering tax compliance can be attributed to institutions where taxpayers are employed having a well-

established structure or system. Rosenfeld and Messner (2017) offers an exposition of the institutional-anomie theory, which is influenced by Merton's crime theory and Durkheim's notion of anomie in contemporary societies. It highlights the importance of institutional control and strong social relationships in maintaining social order and minimizing noncompliance with social norms. This theory is often used to explain social phenomena such as high crime rates in society and noncompliance with rules.

2.1. Trust in Government and Tax Compliance

Trust plays a crucial role in shaping citizens' compliance with regulations. Without trust in government, individuals who may not be motivated by fear or duty would have little incentive to comply with regulations (Scholz, 1998). Trust is measured through specific indicators, such as people's satisfaction with particular public services (Christensen and Lægneid, 2005). If trust is low, then tax payment will be low; in the high-trust climate, the taxpayer will perceive a synergy, and the result is to encourage the taxpayer to have the motivation to comply. Attributes of tax compliance relate to an array of non-economic factors, such as taxpayers' trust.

In many studies, trust in government is found to enhance voluntary compliance or having a positive relationship with tax compliance (Aktaş Güzel et al., 2019; Batrancea et al., 2019; Chong and Arunachalam, 2018; da Silva et al., 2019; Inasius et al., 2020; Kastlunger et al., 2013). Trust tends to reflect appreciation for government that prioritize the interests and welfare of society as a whole. Chong and Arunachalam (2018) and Faizal et al. (2017) confirm that there is a positive relationship between trust in government and tax compliance in Malaysia. Inasius et al. (2020) state that the trust of taxpayers in the government is examined to elucidate the scope of tax compliance in Indonesia. Meanwhile, Febrian and Islami (2020) delve into the repercussions of trust in government on tax compliance intentions within the Indonesian context. The research asserts that trust in government plays a pivotal role, significantly influencing perceptions of trust and decisions related to compliance.

Individuals are more likely to exhibit a high willingness to pay if they are satisfied with government services (Bird et al., 2008). Individuals may engage in non-compliant behavior if they perceive that the taxing system treats them unfairly in comparison to others. If taxpayers believe that tax revenues are utilized effectively and that the tax administration operates with transparency and openness, they are likely to have greater trust in their government. Consequently, they are more likely to exhibit compliant behavior (Taing and Chang, 2021). Batrancea et al. (2019) who conducted a study in 44 nation-states, assert that trust in government will enhance tax compliance, even across variation in economics, politics, or socio-demographics. Trust is considered a significant factor in fostering compliance. The argument leads to the following hypotheses:

H1a: There is a positive relationship between trust in government and tax compliance in Indonesia

H1b: There is a positive relationship between trust in government and tax compliance in Malaysia.

2.2. Trust in Government and Tax Ethics

It is broadly perceived that individuals will comply as long as they believe that tax compliance is the right thing. Understanding tax compliance involves recognizing individual ethical behavior. Individuals are said to not always behave as self-interested individuals but are often motivated by many factors as the baseline of ethics (Alm and Torgler, 2011).

Cognitive moral development (CMD) has been accepted as an explanation for ethical phenomena and tax compliance (Fraedrich et al., 1994; Iqbal and Sholihin, 2019). Collins et al. (2016) posits that trust is indispensable in elucidating human behavior and advocates the use of cognitive models to investigate its development. Individuals will base ethical decisions on their stage of moral development (Kohlberg, 1976). The pre-conventional level of moral development, individuals make decisions based on self-interest and avoidance of punishment. Trust may not play a significant role at this stage as ethical decisions are primarily driven by fear of consequences rather than considerations of trustworthiness. However, as individuals advance to the conventional level, trust begins to shape ethics more prominently. At this stage, individuals value conformity to social norms and approval from others. Trust in government, authorities, institutions, and societal values becomes essential in guiding ethical behavior. The ethical outlook of individual taxpayers shapes their adherence to tax compliance (Kiow et al., 2017).

Lind and Arndt (2016) explain that when citizens feel fairly treated by government agencies, they are more likely to trust their government. Kim (2017) analyzed how citizen satisfaction with government performance and empowered citizenship affect public trust in government in Malaysia, Indonesia, and Thailand and found that perceived government performance is significantly associated with trust in governments. Drogalas et al. (2018), who conducted a study of tax compliance in Greece compared to other European Union countries, state that the government has to increase taxpayer trust to achieve higher tax ethics. Damayanti et al. (2015) show that a positive outlook toward the government significantly enhances taxpayers' willingness to comply with Indonesia regulations. This line of reasoning results in the formulation of the following hypotheses:

H2a: There is a positive relationship between trust in government and ethics in Indonesia

H2b: There is a positive relationship between trust in government and ethics in Malaysia.

2.3. Tax Ethics and Tax Compliance

Ethics consists of a system of beliefs regarding an individual's tendency to do right or wrong (Ho and Wong, 2008). Taxpayers hold different ethical values. A negative association exists between ethical behavior and the probability of engaging in unethical activities (Gul et al., 2003; Jimenez and Iyer, 2016; Wenzel, 2005). In the tax context, personal ethics can reduce the need for external monitoring and enforcement. When employees are guided by their own ethical principles, there may be reduce reliance on external controls and sanctions to ensure compliance

(Trevino and Weaver, 2001). Furthermore, considering the dimension of ethics is important for understanding tax compliance (Alm and Torgler, 2011). In particular, the contention in this context is that ample direct and indirect evidence showcases variations in ethical perspectives among individuals, and these disparities play a crucial role in shaping their compliance-related decisions.

The tax compliance rate is higher when individual taxpayers believe that tax non-compliance is unethical. McGee et al. (2008), who compared perceived tax ethics in Hong Kong and the United States, showed that both groups perceived tax evasion, in some cases, as almost never ethical. This finding is supported by Ho and Wong (2008), who conducted a study of taxpayers in Hong Kong and stated that ethics are generally considered as a baseline for taxpayers when deciding the right course of action. Kiow et al. (2017), who conducted a study in Malaysia, demonstrated that the ethical perceptions of individual taxpayers significantly shape their compliance behavior with tax regulations. Saragih and Putra (2021) found that ethical perception is a significant predictor of voluntary tax compliance in Indonesia. The above argument culminates with the following hypothesis:

H3a: There is a positive relationship between tax ethics and tax compliance in Indonesia

H3b: There is a positive relationship between tax ethics and tax compliance in Malaysia.

The function of tax ethics is both as a determinant of tax compliance, and as an endogenous factor of trust in government in the model. The studies by Chong and Arunachalam (2018) and Inasius et al. (2020) demonstrate that tax ethics serve as a determinant of tax compliance. Meanwhile, Drogalas et al. (2018) and Damayanti et al. (2015) suggest that ethics is an endogenous factor in trust in government. Based on these relationships, tax ethics have high potential to mediate the relationship between trust and tax compliance. Hence, the following hypotheses are developed:

H4a: Tax ethics mediates the relationship between trust in government and tax compliance in Indonesia

H4b: Tax ethics mediates the relationship between trust in government and tax compliance in Malaysia.

2.4. Tax Amnesty

Subadriyah and Aliyah (2018) mention that tax amnesty is a government initiative that allows taxpayers to be exempted from their tax obligations in return for settling a predetermined redemption amount and revealing previously undisclosed or incomplete income. In the realm of tax amnesty, individuals are granted a specific window of time to proactively step forward and settle outstanding tax liabilities that were previously undisclosed, as outlined by Fisher et al. (1989). According to Wang (2011), taxpayers participating in the tax amnesty policy may not accurately disclose the full amounts of evaded taxes, engaging in tax avoidance. Despite the potential risks associated with refraining from tax amnesty and facing uncertain tax evasion penalties, involvement in tax amnesty still yields a higher level of utility for non-compliant taxpayers.

Tax amnesty can have long-term consequences in the future, which may be negative if not accompanied by enforcement and penalties. Tax amnesty increases tax compliance; however, Torgler and Schaltegger (2005), Alm and Beck (1993) and Canavire-Bacarreza et al. (2023) state that tax amnesty seems unlikely to compromise tax compliance.

The studies by Hajawiyah et al. (2021) and Sayidah et al. (2020), using a sample of the firms listed in Indonesia, show that tax amnesty increases revenue and tax compliance. In Malaysia, Hamid et al. (2022) indicated that the Special Voluntary Disclosure Program (SVDP) has a positive relationship with tax awareness and could yield better results for the government.

Research findings have yielded inconsistent results regarding the impact of trust in government on tax compliance. Some studies have reported a positive association between trust and tax compliance (Alshira'h, 2023; Chong and Arunachalam, 2018; Faizal et al., 2017), while others suggest a negative influence, as observed in Okoye (2019) study on tax compliance in Nigeria, or no significant impact, as shown in the research by Benk and Budak (2012). This prompts the question of whether the presence of tax amnesty might alter the relationship between trust in government and tax compliance.

The impact of a tax amnesty aimed at encouraging citizens to voluntarily disclose undisclosed assets or income accumulated from previous tax evasion was examined. It revealed that such an amnesty typically improves voluntary taxpayer compliance and diminishes hidden assets or income (López-Laborda and Rodrigo, 2003). The program is referred to as tax forgiveness (Brady et al., 2023; Shevlin et al., 2017). Forgiveness serves as a beneficial approach or strategy with various advantages for both employees and society across workplace, organizational, and other environments. It is anticipated that the implementation of taxpayer-beneficial strategies will yield positive outcomes for the government, fostering trust and tax compliance. Inasius et al. (2020) conducted a survey of taxpayers in Indonesia following the implementation of tax amnesty program, highlighting the importance of trust in a developing country following the implementation of tax amnesty. This program can be a factor that strengthens the relationship between trust and tax compliance. This argument results in the following hypotheses:

H5a: Tax amnesty moderates the relationship between trust in government and compliance in Indonesia

H5b: Tax amnesty moderates the relationship between trust in government and compliance in Malaysia.

3. METHODOLOGY

3.1. Participants and Data Collection

The participants in the study are individual taxpayers from various professions in Indonesia and Malaysia, specifically alumni of the business faculty. A total of 750 online questionnaires were distributed to respondents in Indonesia, and 200 to respondents in Malaysia through an alumni communication channel for further dissemination. To ensure accuracy, the questionnaire was translated into Indonesian and Malaysia languages by a qualified

translator and then back into English to verify that its meaning remained unchanged. If there were no changes in meaning, the Indonesian and Malaysian versions were adopted. The subsequent step involved conducting a small-scale pilot test with selected individual taxpayers, marking a pivotal stage in the research process. The aim of this pilot test was to assess the validity and feasibility of the survey instrument intended for use in the research. By involving a selected group of respondents on a small scale, the study could evaluate the effectiveness of the questions and identify potential issues before proceeding to a larger-scale investigation. In this process, a total of 54 valid and reliable questionnaires were utilized, with Cronbach's alpha values for the latent variables of trust, ethics, and tax compliance calculated at 0.912, 0.957, and 0.843 respectively. These results indicate that the reliability of the pilot test conducted in this study was deemed acceptable.

A purposive sampling method was employed to select the sample of taxpayers. The choice of purposive sampling is made to identify individual taxpayers who are knowledgeable about taxation, thereby enhancing their awareness of taxpayer obligations. A total of 529 responses from Indonesia were received, resulting in a response rate of 71%, while 137 respondents from Malaysia participated in this study, reflecting a response rate of 68%. The decision to involve alumni was based on their knowledge of financial performance and their basic understanding of taxation. Participation in this study was voluntary, and participant information was kept confidential. Indonesia and Malaysia were selected due to the recent implementation of voluntary disclosure programs for taxpayers in both countries, programs that have been previously implemented.

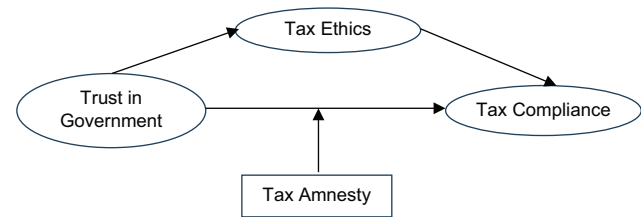
3.2. Conceptual Framework

The conceptual framework of this study revolves around several key relationships. Firstly, it aims to investigate whether trust in government influences tax compliance, reflecting the foundational role of trust in shaping citizens' adherence to tax regulations. Secondly, it seeks to explore the impact of trust on ethics, recognizing the interplay between trust and ethical considerations in decision-making processes. Thirdly, it delves into whether ethics directly affect tax compliance, highlighting the ethical dimension's significance in shaping individuals' tax behaviors. Moreover, it examines whether ethics mediate the relationship between trust in government and tax compliance, indicating the potential role of ethical considerations as intermediaries in this dynamic. Lastly, it endeavors to ascertain whether tax amnesty programs serve as moderators in the relationship between trust in government and tax compliance, reflecting on the influence of such interventions in altering the impact of trust on compliance behaviors. It is depicted in the conceptual framework shown in Figure 1.

3.3. Reliability, Validity, and Measurement of Variable

The reliability of the questionnaire was assessed by calculating Cronbach's alpha coefficient, which will be depicted in Table 1. The average Cronbach's alpha for each latent variable, together with its indicator, is higher than the critical value. The Cronbach's alpha coefficients of 0.930 for trust in government, 0.949 for ethics, and 0.866 for tax compliance in Indonesia, and 0.890, 0.915, and 0.844 respectively in Malaysia, demonstrate satisfactory

Figure 1: Conceptual Framework



Source: Authors' conceptual framework

reliability in measuring these constructs. Based on traditional measures, the Cronbach's alpha for each indicator, combined with the construct, exceeds the acceptable value of ≥ 0.6 (Hair, 2009). In addition, the validity of the construct has met the requirement with $AVE \geq 0.5$. The mean of each indicator is also given for total sample and the sub-sample. "t" is a trust indicator consisting of three questions with a five-point Likert scale (Aktaş Güzel et al., 2019), "e" is a tax ethics indicator (McGee et al., 2008) consisting of sixteen questions with a seven-point Likert scale, and "tc" is tax compliance (Aktaş Güzel et al., 2019) rated on a five-point Likert scale.

The instrument's validity was confirmed through construct validity tests. Table 2 displays the loading factor of each indicator, indicating how much variation in an item is explained by the construct. In this study, any value below 0.70 is considered for removal, following the guideline provided by Hair Jr. et al. (2014) who state that an indicator loading factor below 0.7 is a reason for removal. Specifically, we removed one item from ethics scale and two items from tax compliance scale for Indonesia. In the case of Malaysia, seven items were removed from the ethics scale and two from the tax compliance scale. The table shows, that the loading factor for the construct T (trust) for each indicator meets the threshold, while some indicators for E (ethics) and TC (tax compliance) do not fully meet the established criterion.

To evaluate the adequacy of our proposed model aimed at examining the moderating effect of ethics on the relationship between trust and tax compliance, we conducted a confirmatory factor analysis (CFA) with the results presented in Table 3. The model fit was assessed using root mean square error of approximation (RMSEA), comparative fit index (CFI), and Tucker-Lewis index (TLI) and Standardized root mean square residual (SRMR). The model fit indices for the Indonesia data are as follows: $RMSEA=0.078$, $CFI=0.966$, $TLI=0.955$, and $SRMR=0.044$. For the Malaysia data, the indices are: $RMSEA=0.065$, $CFI=0.976$, $TLI=0.966$, and $SRMR=0.053$. According to Hu and Bentler (1999) guidelines, an RMSEA value of <0.05 indicates a "close fit," while <0.08 suggests a reasonable model-data fit. Similarly, CFI and TLI values larger than 0.95 indicate a relatively good model fit, and a cutoff value close to 0.08 for SRMR is recommended. Hence, data from both Indonesia and Malaysia indicate a reasonable model fit for RMSEA. Moreover, with CFI and TLI values around 0.95 in both countries, the model demonstrates sufficient goodness of fit. Additionally, SRMR results below 0.08 suggest a favorable model fit.

The variable "trust in government" comprises questions adopted from the five-point Likert scale developed by Aktaş Güzel et al. (2019). Trust in government is the taxpayers' confidence in the

Table 1: Descriptive results

Scale/item Codes	Indonesia					Malaysia				
	Obs $\alpha=0.930$	Min	Max	Mean	SD	Obs $\alpha=0.890$	Min	Max	Mean	SD
t1	529	1.00	5.00	3.601	0.909	137	1.00	5.00	3.562	0.847
t2	529	1.00	5.00	3.508	0.937	137	1.00	5.00	3.489	0.908
t3	529	1.00	5.00	3.550	0.936	137	1.00	5.00	3.656	0.894
	$\alpha=0.949$					$\alpha=0.915$				
e1	529	1.00	7.00	5.308	1.675	137	1.00	7.00	2.372	1.715
e2	529	1.00	7.00	5.534	1.454	137	1.00	7.00	4.000	2.304
e3	529	1.00	7.00	4.761	1.888	137	1.00	7.00	4.423	2.384
e4	529	1.00	7.00	4.739	1.936	137	1.00	7.00	3.102	2.139
e5	529	1.00	7.00	5.858	1.179	137	1.00	7.00	3.284	2.141
e6	529	1.00	7.00	5.283	1.542	137	1.00	7.00	3.985	2.376
e7	529	1.00	7.00	5.725	1.297	137	1.00	7.00	3.715	2.376
e8	529	1.00	7.00	5.665	1.238	137	1.00	7.00	3.642	2.394
e9	529	1.00	7.00	5.780	1.200	137	1.00	7.00	3.832	2.439
e10	529	1.00	7.00	5.935	1.230	137	1.00	7.00	3.576	2.472
e11	529	1.00	7.00	5.635	1.415	137	1.00	7.00	3.912	2.426
e12	529	1.00	7.00	5.784	1.393	137	1.00	7.00	4.459	2.558
e13	529	1.00	7.00	5.665	1.259	137	1.00	7.00	4.408	2.486
e14	529	1.00	7.00	5.249	1.607	137	1.00	7.00	3.817	2.494
e15	529	1.00	7.00	5.705	1.202	137	1.00	7.00	3.452	2.310
	$\alpha=0.866$					$\alpha=0.844$				
tc1	529	1.00	5.00	3.964	0.726	137	1.00	5.00	3.583	0.936
tc2	529	1.00	5.00	4.001	0.703	137	1.00	5.00	3.562	0.984
tc3	529	1.00	5.00	4.026	0.690	137	1.00	5.00	3.956	0.898
tc4	529	1.00	5.00	4.132	0.759	137	1.00	5.00	4.255	0.849
tc5	529	1.00	5.00	3.733	0.989	137	1.00	5.00	3.642	1.048
tc6	529	1.00	5.00	3.981	0.880	137	1.00	5.00	3.956	0.930

Source: Authors' data processed

Table 2: Loading factor

Scale/item codes	Indonesia			Malaysia		
	T	E	TC	T	E	TC
t1	0.902			0.850		
t2	0.926			0.912		
t3	0.845			0.758		
e1		0.744			0.119	
e2		0.766			0.659	
e3		0.763			0.688	
e4		0.769			0.572	
e5		0.723			0.724	
e6		0.775			0.814	
e7		0.749			0.763	
e8		0.850			0.754	
e9		0.812			0.770	
e10		0.707			0.803	
e11		0.670			0.773	
e12		0.738			0.289	
e13		0.738			0.617	
e14		0.742			0.492	
e15		0.845			0.703	
tc1			0.810			0.550
tc2			0.824			0.700
tc3			0.753			0.728
tc4			0.760			0.821
tc5			0.624			0.646
tc6			0.642			0.805

Source: Authors' data analysis

government's ability to manage tax revenue effectively and efficiently (Taing and Chang, 2021). The items provided to the participants aim to gauge participants' trust in the government and perceptions of its trustworthiness and concern for citizens'

Table 3: Confirmatory factor analysis

	Indonesia	Malaysia
RMSEA	0.078	0.065
CFI	0.966	0.976
TLI	0.955	0.966
SRMR	0.044	0.053

Source: Authors' data analysis

interests. The variable "ethics" adopted from McGee et al. (2008), consists of a seven-point Likert scale. The questionnaire items are classified into two main categories based on thematic similarities. Firstly, questions pertaining to external factors gauge participants' perceptions regarding external conditions influencing tax ethics, such as the fairness of the tax system, government fund mismanagement, or allocation of funds towards morally unsupportable projects. Secondly, questions addressing tax ethics and obligations directly explore viewpoints on tax ethics and obligations, including whether high tax rates justify tax evasion, or if there are ethical justifications for tax evasion based on government fund management. "Tax compliance" was adopted from Aktaş Güzel et al. (2019). These items pertain to how individuals report their expenses and revenues, while also addressing intentional tax avoidance. They delve into attitudes towards actively attempting to deceive the tax system or evading taxes whenever possible. In the data analysis phase, the Likert scale will be reversed to transform numerical values into indicators of tax compliance levels.

Respondents were surveyed regarding their participation level in the tax amnesty program, with response choices ranging from

“never” to “once,” or “two or more times.” The questionnaire evaluated the likelihood of taxpayers participating in the program again if the government were to reintroduce tax amnesty. Response options included: “no, because all the income has been reported”; “yes, because some income has been forgotten to be reported”; and “yes, because it is a chance without any penalties.” The inquiry regarding tax amnesty accounted for conditions in both Indonesia and Malaysia. Additionally, the question regarding income in Malaysia was adjusted to “assets” for the questionnaires distributed in Indonesia, in accordance with Indonesia’s tax amnesty program requirements. Demographic data, encompassing gender, age, education, and profession, were collected with reference to Kastlunger et al. (2013).

3.4. Data Analysis

In this research, an assessment of common method variance, construct validity, and reliability was conducted. Descriptive statistics, such as means, standard deviations, and intercorrelations between variables, were calculated through Confirmatory Factor Analysis. The data were analysed using structural equation modelling with STATA software to access the relationship between trust and tax compliance, as well as the mediating role of ethics in the relationship between trust and tax compliance. The analysis was conducted for both Indonesia and Malaysia, including an examination of the tax amnesty context.

4. RESULTS

4.1. Demographic Statistics

Table 4 presents the socio-demographic characteristics of respondents. In Indonesia, 529 taxpayers participated, while in Malaysia, there were 137 participants. Regarding gender, there is a relatively similar distribution between males and females among the total participants. In Malaysia, female taxpayers comprised a larger proportion (67.9%) compared to Indonesia (53.1%). The

level of education is predominated at the undergraduate level for both Indonesia (46.1%) and Malaysia (58.4%), and the age of participants is predominantly young, with approximately 50% of them being <30 years old in both countries. The professions of participants in Malaysia comprised more civil servants (40.9%), while in Indonesia, private employees were dominant (44.6%).

4.2. The Taxpayer’s Response to the Relaunch of the Tax Amnesty Program

Table 5 displays the responses of taxpayers when asked whether they would participate in the program again if the authority relaunched the tax amnesty program. The proportion of taxpayers who do not wish to participate in the tax amnesty program is distributed relatively similarly between Indonesia and Malaysia. It appears that previous tax amnesty has been sufficient for them as an opportunity to fulfil their obligations. Almost half of them seem inclined to participate in the program for two reasons. The first reason is that they forgot or missed the initial opportunity, and the second is opportunistic taxpayers who hope the program will relaunch and take advantage of the absence of penalties. This type of taxpayer is more prevalent in Indonesia (35%) than Malaysia (9.5%).

It is observed that 55.9% of respondents who have never engaged in the tax amnesty program express no interest in participating. The remaining respondents indicate a willingness to participate, albeit with smaller proportions: 18.7% due to oversight in reporting assets and 25.4% due to the absence of penalties. Meanwhile, for taxpayers who have previously taken part in the tax amnesty program once, twice, or more, there is a notable interest in participating again, with a proportion of approximately 40%.

4.3. Hypothesis Testing

As seen in columns (1) to (3) of Table 6, the results indicate that trust has a significantly positive effect on tax ethics with $\beta=0.483$,

Table 4: Socio demographic characteristic of respondents

Items	Frequency	Total (%)	Frequency	Indonesia (%)	Frequency	Malaysia (%)
Gender						
Women	374	56.2	281	53.1	93	67.9
Men	292	43.8	248	46.9	44	32.1
Total	666	100	529	100	137	100
Age						
<30 years	332	49.9	266	50.3	66	48.2
31-40 years	178	26.7	127	24.0	51	37.2
41-50 years	98	14.7	81	15.3	17	12.4
Over 50 years	58	8.7	55	10.4	3	2.2
Total	666	100	529	100	137	100
Education						
Diploma	99	14.9	80	15.1	19	13.9
Undergraduate	324	48.7	244	46.1	80	58.4
Post graduate	213	31.9	183	34.6	30	21.9
Doctoral Program	30	4.5	22	4.2	8	5.8
Total	666	100	529	100	137	100
Profession						
Civil servant	161	24.2	105	19.9	56	40.9
Private company entrepreneur	297	44.6	245	46.3	52	38.0
Other	78	11.7	64	12.1	14	10.2
Total	130	19.5	115	21.7	15	10.9
Total	666	100	529	100	137	100

Source: Authors’ data processed

Table 5: Respondents' response regarding tax amnesty

	Frequency	Total (%)	Response regarding participation and willingness to re-participate in the tax amnesty program		How many times taxpayers participate in the Tax Amnesty Program		
			Indonesia (%)	Malaysia (%)	Never Once (%)	One (%)	Twice or more (%)
			No, because all the income has been reported	343	51.5	52.4	48.2
Yes, because some income has been forgotten to be reported	122	18.3	12.1	42.3	18.7	13.1	33.3
Yes, because there are no penalties	201	30.2	35.5	9.5	25.4	43.4	41.7
Total	666						

Source: Authors' data processed

Table 6: Moderated mediation analysis

	Indonesia			Malaysia		
	Coef (1)	SE (2)	P (3)	Coef (4)	SE (5)	P (6)
Direct effect						
Trust -> Ethics	0.483	0.068	0.000	0.401	0.175	0.022
Ethics -> Compliance	0.217	0.025	0.000	0.238	0.054	0.000
Trust -> Compliance	0.026	0.035	0.446	0.023	0.069	0.733
Indirect						
Trust -> Compliance	0.105	0.018	0.000	0.095	0.044	0.033
Total effect						
Trust -> Ethics	0.483	0.068	0.000	0.401	0.175	0.022
Ethics -> Compliance	0.217	0.025	0.000	0.238	0.054	0.000
Trust -> Compliance	0.131	0.035	0.000	0.119	0.078	0.129
Moderating effect						
Tax Amnesty -> Compliance	-0.075	0.031	0.016	-0.075	0.080	0.347
Trust x Tax Amnesty -> Compliance	0.0124	0.008	0.133	-0.025	0.023	0.273

Source: Authors' data analysis

$P=0.000$ in Indonesia. This supports H2a, indicating that trust increase tax ethics. Furthermore, tax ethics is shown to have a significantly positive effect on tax compliance with $\beta = 0.217$, $P=0.000$, supporting H3a that ethics can increase tax compliance of the individual taxpayers.

When ethics is introduced as a mediator in the structural equation model, the results show that total effect of trust on tax compliance is significant with $\beta=0.131$, $P=0.000$, while the direct effect becomes insignificant ($\beta=0.026$, $P=0.446$). The change from a significant to an insignificant effect indicates full mediation. The relationship between trust and tax compliance is fully explained by the existence of tax ethics, supporting H1a and H4a.

Tax amnesty as a moderating variable shows insignificance for both Indonesia and Malaysia (H5a and H5b are not supported). This implies that tax amnesty does not act as a moderator in the relationship between trust and tax compliance, both in Indonesia and Malaysia ($P=0.133$, $P=0.273$). However, tax amnesty itself appears to be significant for tax compliance in Indonesia ($\beta=-0.075$, $P=0.016$). This implies that tax amnesty acts as a predictor or antecedent variable (Sharma et al., 1981). The negative relationship indicates that respondents who choose to participate in the tax amnesty due to the absence of sanctions show lower compliance.

In Malaysia, the relationship between trust and ethics is positively significant ($\beta=0.401$, $P=0.022$), supporting H2b. The relationship

between ethics and tax compliance is significant ($\beta=0.238$, $P=0.000$) and H3b is supported. However, the total effect of trust on tax compliance is insignificant ($\beta=0.119$, $P=0.129$), as is the direct effect ($\beta=0.023$, $P=0.733$). Taxpayers' compliance decisions are not affected by whether they trust the government or not. For Malaysia, the results show that H1b and H4b are not supported.

5. DISCUSSION

5.1. Trust and Tax Compliance

First, the results are different in the two countries. In Indonesia, it shows that there is a relationship between trust in government and tax compliance as shown by the research of Inasius et al. (2020) who conducted a study on small business taxpayers in Indonesia and explained that trust in government is positively related to tax compliance. This finding supports studies that have also found a positive relationship between trust and tax compliance (Aktaş Güzel et al., 2019; Amoah et al., 2023; Batrancea et al., 2019; Nasution et al., 2020; Siglé et al., 2018). In other words, as taxpayer trust increases, the level of tax compliance also increase. In Indonesia, the government's action or policies affect the level of individual trust. When taxpayers trust the government, they have a higher willingness to comply (Alasfour et al., 2016; Alm and Torgler, 2011; Khozen and Setyowati, 2023). The supportive environment leads to trust in authority and encourages voluntary compliance rather than pursuit self-interest (da Silva et al., 2019).

To elucidate taxpayers' compliance with tax regulations, Kirchler et al. (2008) introduced the Slippery Slope Framework, which emphasizes trust perspectives for understanding compliance behaviors. They posited that the impact of economic and non-economic factors on promoting compliance largely depends on the existence of a trustworthy relationship between taxpayers and the government.

The result of this study shows that the relationship between trust and tax compliance in Malaysia is not statistically significant. The result aligns with the study by Pham et al. (2020) in Vietnam, where compliance is perceived as a mandatory action, suggesting that tax compliance appears to be a normal behavior without significant influence from individual trust. This observation can be explained by institutional anomie theory, which posits that institutions provide structures that influence individuals' attitudes and behavior. It emphasizes the importance of institutional structure in shaping social behavior, including in the context of tax compliance. If tax compliance is already established within an organization without relying on trust, it could reflect the presence of a strong institutional structure that governs taxpayer behavior. Further support for this notion comes from Taing and Chang (2021) study on the compliance intentions of taxpayers in Phnom Penh, Cambodia, and found that trust in government does not exhibit a statistically significant relationship with tax compliance. In order to comply, the taxpayer may not require government policies or actions that encourage taxpayer trust.

The respondents in Malaysia are dominated by civil servants. Besim and Jenkins (2005), who conducted a study comparing the tax compliance of self-employed individuals, private employees, and civil servants, found different behaviors among these groups. Given that the majority of respondents in Malaysia are individual taxpayers employed as civil servants (40.9%), it's unsurprising that their tax compliance remains relatively consistent and unaffected by different levels of trust. Furthermore, as earned income in Malaysia is already subject to the Monthly Tax Deduction (MTD), tax evasion under this system poses a challenge, particularly since MTD is considered the final tax.

5.2. Trust and Ethics

The results of this study for both Indonesia and Malaysia indicate that there is a relationship between trust and ethics. This finding is supported by Müller et al. (2013), who studied ethical decision-making in Europe, Asia, and Australia and found that ethics are dependent on trust. An individual's actions are influenced by the environment, leading to development of a social condition conducive to ethical behavior. The study identifies the essential conditions for ethical decision-making underscores the consequences of a lack of trust. Lower trust levels are associated with inappropriate behavior, defined as a violation of ethical standard (Hogler et al., 2013). Furthermore, this study aligns with cognitive moral development (Kohlberg, 1976), which suggest that individuals may lack the experience to determine ethical behavior and instead learned from their environment, such as government fairness, thereby increasing trust in government as a foundation for shaping individual trust.

5.3. Tax Ethics and Compliance

In general, the results of the study in both Indonesia and Malaysia show that there is a positive relationship between tax ethics and tax compliance. This implies that the higher the individual taxpayer's ethics, the higher the tax compliance. Individual ethics standards influence the behavior or action of the taxpayer, including the decision to comply with tax regulation.

In Indonesia, most taxpayers agree with the statement that tax evasion is ethical if the tax paid ends up in the pockets of the corrupt. This aligns with the findings of Purwanti and Nurhidayati (2020), who conducted research in Indonesia and found that the perception of tax evasion is considered ethical if the government unfairly uses the tax paid. In addition, this study supported by Sezgin et al. (2011), who compared tax ethics between Turkey and Kyrgyzstan, where tax evasion could be considered ethical if the funds collected end up with the corrupt. Furthermore, it aligns with the findings of McGee et al. (2008), who compared ethical perceptions between students in the US and Hong Kong, and found that tax evasion is considered ethical or unethical in certain circumstances. Alasfour et al. (2016) and Alon and Hageman (2013) demonstrated that tax compliance is influenced by the level of corruption, suggesting that tax evasion may be deemed acceptable if the funds are going to projects that taxpayers disapprove of or are being spent unwisely.

Not only in Indonesia but also in Malaysia, some questions in the questionnaire related to ethics have received low scores, indicating that, in particular cases, respondents may tolerate a level of tax evasion. When the tax rate is perceived as too high, the tax system is deemed unfair, tax funds are considered wasted, or there is low tax enforcement, it results in low tax ethics and subsequent decreases in tax compliance.

5.4. Tax Amnesty

This study delves into the perspectives of tax amnesty participants, distinguishing between first-time participants and those who have previously participated, to elucidate their reasons and expectations regarding the relaunch of the tax amnesty program in greater detail. This study reveals that tax amnesty does not act as a moderating factor in the relationship between trust and tax compliance in both Indonesia and Malaysia. It implies that the program does not strengthen the effect. The inclination to participate in the tax amnesty program does not alter the connection between trust and compliance. However, the result shows that tax amnesty has a direct effect on tax compliance in Indonesia. In Indonesia, about 52.4% of taxpayers do not expect the relaunch of tax amnesty, but 12.1% agree when there is a relaunch of the program. The remainder (35.5%) still expect the program due to the free penalty reason. The number of taxpayers considering not to participate/re-participate in tax amnesty program (52.4%), or those who forgot to report (12.1%), total 64.5% for both groups, compared to those waiting for the chance to report the assets or income without penalty in the following tax amnesty program. The tax evader will wait until the following program offers the best advantage for them (Ibrahim et al., 2017). If honest taxpayers perceive that the program exploits their continued compliance, compliance may decline in the following amnesty program.

The findings of this study indicate that taxpayers who are more inclined to participate again in tax amnesty are those who have previously been part of the program, as opposed to taxpayers who have never participated in it. The decision not to re-participate in the tax amnesty program could stem from fulfilling tax obligations in accordance with regulations or, conversely, concealing income. Taxpayers anticipating the relaunch of the tax amnesty program face two potential scenarios: the first indicating a leaning towards non-compliance, and the second suggesting an opportunistic orientation in seizing opportunities. This opportunistic orientation also entails the possibility that taxpayers may either comply or, in fact, not comply.

In Malaysia, the tax amnesty does not moderate the relationship between trust and tax compliance nor act as a predictive variable of tax compliance. These findings differ from Hassan et al. (2021), which suggest that individual taxpayers in Malaysia have a positive perception towards compliance strategies provided by the tax authority, particularly the Inland Revenue Board of Malaysia (IRBM). Additionally, fear of penalties, the treatment provided by IRBM, and the Special Voluntary Disclosure Program (SVDP) have all been shown to have a positive relationship with tax compliance. The difference in results may stem from the fact that a significant portion of the respondents are taxpayers subject to a final tax collection system, leaving minimal room for tax avoidance or reduction strategies concerning their income.

Previous research suggests that tax amnesties may offer immediate relief to fiscal pressures by inflating short-term revenues, yet they often undermine the integrity of the tax system, eroding long-term compliance and revenue stability (Canavire-Bacarreza et al., 2023). Hajawiyah et al. (2021), Tarmidi (2019), and Iraman et al. (2022) highlight that awareness of taxation in Indonesia is relatively low, prompting the government to explore tax revenue more aggressively. While tax amnesty in the years 1964 and 1984 was considered a failure, the 2016-2017 tax amnesty was regarded as successful due to improvement in the tax administration system and legal enforcement. Furthermore, Hajawiyah et al. (2021) underscores that the effectiveness of tax amnesty in Indonesia tends to be limited to the short term, thus implying the importance of program design that also caters to long-term needs, particularly regarding compliance. Ibrahim et al. (2017), who conducted a study in nine countries, including Indonesia and Malaysia, stated that to achieve an effective tax amnesty program, it is crucial to avoid repetition and prolonged duration of the program.

6. CONCLUSION, CONTRIBUTIONS, AND LIMITATION

We conducted a study in developing countries with the purpose of providing distinct implications, especially for those countries that have repeatedly launched tax amnesty programs. The study's findings reveal a diverse landscape. Firstly, in Indonesia, there is a positive relationship between trust in government and tax compliance, in contrast to Malaysia where this connection is absent. Secondly, the results across both countries underscore the positive relationship between tax ethics and tax compliance.

Thirdly, trust in government emerges as a crucial factor contributing to increased tax compliance, mediated by the role of ethics in Indonesia. Our findings in Indonesia align with cognitive moral development theory, as taxpayers consider government policies in shaping their behavior. Lastly, it's noteworthy that tax amnesty does not demonstrate a significant moderating role in the relationship between trust and tax compliance in both Indonesia and Malaysia.

6.1. Theoretical and Practical Contributions

In terms of theoretical contribution, in addition to supporting the slippery slope framework which emphasizes trust perspectives for understanding compliance behaviors, this study provides modest validation to the cognitive moral development theory by presenting empirical evidence that confirms the impact of trust and ethics on tax compliance. This theory also underpins the stages of ethical formation, beginning with trust and culminating in tax compliance, particularly in the case of Indonesia. In the case of Malaysia, where a majority of taxpayers may not necessarily rely on trust to comply with taxes, it still proves that ethics influence tax compliance. This outcome suggests the existence of conditions where trust may not be necessary to foster compliance. In this theory, it is explained that at the highest stage, taxpayers have an understanding of universal ethical principles that guide them towards certain behaviors. This is demonstrated in the research findings showing that trust influences tax compliance in Indonesia, while tax ethics affect tax compliance in both Indonesia and Malaysia.

In practical terms, this study could offer valuable insights into the significance of government initiatives aimed at enhancing taxpayers' moral reasoning, potentially elevating them to a post-conventional level. Given the research findings, particularly in Indonesia where individual taxpayers are not predominantly civil servants, it is recommended to prioritize the development of services and policy formulation. This is crucial because the results indicate that trust plays a central role in shaping ethical behavior, which ultimately influences compliance. Hence, the practical significance of this study, particularly in the context of Indonesia, lies in the necessity of introducing effective programs aimed at fostering trust among taxpayers, especially in the absence of robust institutional mechanisms regulating taxpayer conduct. The study's findings concerning tax amnesty did not influence the relationship between trust and tax compliance. It is imperative, especially for taxpayers intending to re-participate in the tax amnesty program, particularly those who have previously participated, to ensure the long-term effectiveness of the program. This is crucial for maintaining compliance among honest taxpayers who do not intend to exploit the relaunch program.

6.2. Research Limitation and Future Research

The research limitations and avenues for future exploration primarily revolve around the challenge of verifying the compliance status of individuals participating in tax amnesty, as they might merely be taking advantage of the opportunity provided. Moreover, regarding taxpayers abstaining from tax amnesty, two scenarios emerge: either adherence to tax regulations or the withholding of information that ought to be disclosed. To address these constraints in future studies, it is advisable to enrich the questionnaire by

incorporating explicit reasons for non-participation, which were not extensively examined in this research.

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