

# ***The Effect of Money Ethics Toward Tax Evasion with Gender and Materialistic as A Moderating Variable***

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## *Abstract*

*Tax is one of the important elements in the revenue budget in Indonesia. Revenue from this sector is always strived to meet the target revenue. In some times the amount of tax receipt is always not in accordance with the targets set. Tax evasion efforts made by the taxpayer is important to get the attention of the state. This study aims to conduct testing and analysis of tax evasion efforts made by the taxpayer. Tests and analysis is done by using variable approach of money ethics, gender and materiality to tax evasion. Populasi in this research is taxpayer SME registered in Tax Office Primary Kudus. Sampling technique used with convinience sampling method. The number of samples used in the study were 118 respondent. Data collection is done by dividing the questionnaire on the respondent. While the data analysis technique used is the regression analysis by using the absolute differences. The results of this study are as follows: 1), money ethics has significant effect on tax evasion; 2), gender variables as moderators proved to strengthen the positive relation of money ethics to tax evasion; 3) while the materiality variable does not moderate the significant positional relationship of money ethics to tax evasion*

*Keywords: money ethics, gender, materialistic, tax evasion.*

## **INTRODUCTION**

The State of Indonesia has an obligation to welfare its people as mandated in the basis of the state of the republic of Indonesia sila to the five "social justice for all Indonesian people". Focus on the prosperity of his people done with national development. Development is one measure of the level of welfare State. Development that can be done in the form of infrastructure development and human quality. In order to realize the welfare of the government, of course, requires the right source of funds in financing the development and expenditure of the country one of them is through tax collection (Hafizhah et al., 2016; Oktaviani et al., 2017).

According to the Directorate General of Taxes at the Ministry of Finance, tax revenues in recent years continue to increase from year to year, but the realization of tax revenue with tax revenue target set by the government has not been achieved until now. In 2016, the tax revenue target set by the government is Rp 1.355 trillion, while the realization of tax receipts

reaches Rp 1,105 trillion with a percentage of tax revenue of 81.54% and in 2017 the target of tax revenue set by the government is Rp1.283.6 trillion while the realization of tax revenue from January to December 2017 reached Rp 1,151.10 trillion with a percentage of tax revenue of 89.68% ( www.liputan 6.com ).

One of the causes of the decline in state tax revenues is the practice of tax fraud. The rise of tax fraud cases that occurred in Indonesia led to reduced state revenue from the tax sector. The re-emergence of alleged cases of tax fraud committed by Bakrie business group, adds strong evidence of how difficult it is to act decisively against taxpayers. What tends to happen is the government is more loose on them. The three Bakrie group companies reported to have neglected to pay taxes of Rp 2.1 Trillion. The company is PT. Bumi Resource, PT Kaltim Prima Coal (KPC), and PT Arutmin Indonesia. PT Bumi outstanding tax of Rp 376 billion, KPC of 1.5 trillion, and PT Arutmin worth 300 billion.

The case about it actually has emerged last year related to the Annual Income Statement (SPT) 2012. However, the government did not firmly solve the case, so now re-emerged with a more complex issue because the tax affair was linked to the case of Century Bank, which suspected to affect the attitude of Golkar which is now led by Aburizal Bakrie. Tax arrears of 2.1 trillion is a very valuable amount for the people. The Bakrie group subsidiary is under threat of paying a 4-fold tax arrears of the principal amount of arrears / compulsory pay of 10.5 trillion.

What is the cause? Psychological factors turned out to be a driver of tax fraud behavior. Ethics and negative behavior cause the desire to commit tax evasion (Kirchler et al., 2008). Hutami (2012) mentions tax evasion is considered an unethical. It is based more on morals not because of culture. Morals further underlie human feelings of sin if they do not pay taxes as they should. In Ethical Theory mentioned egoism can be interpreted as a situation where something good if self-profitable and something bad if happened the opposite situation. Egoism can be interpreted as a theory that perceives value is good if self-profitable and the value is bad if something is self-defeating. Friedrich Wilhelm Nietzsche (1844-1900) was a philosopher who criticized utilitarianism. However, he is stronger against social stubbornness that is based on the tradition and the rules of society.

There are two main categories of egoism, namely the first psychological egoism in this view that everyone is always driven by self-interest. In this case he also accused that humans are always doing things that can satisfy their hearts or who have a personal interest. If this view is true then the whole ethical principle is useless. In conclusion, psychological egoism is related to the motivation of the individual to achieve all he wants.

The second is an ethical egoism which confirms that we should not completely ignore the interests of others but we should consider them if they directly bring goodness to themselves. Ethical egoism is different from moral principles such as always being honest, trustworthy and saying the truth. This is because the action is driven by the noble values that exist within the self when in the context of ethical egoism also something is the action is driven by personal interests.

Rosianti & Mangoting (2014), "*the love of money*" is the human desire for money or greed, the love of high money is the reason taxpayers commit fraud. Another supportive reason is that when someone places money as a top priority in their daily lives, they will feel that tax breaks are acceptable (Lau et al, 2013). There are basically three fundamental views of tax evasion. The first view holds that tax fraud is something that is never considered ethical. This is based on the belief that everyone has a responsibility to the government to pay the taxes set by the government. Therefore, each individual should be able to contribute to pay for services provided by the government and not only be an individual who enjoys only the benefits of the services provided by the government (Cohn, 1998; Tamari, 1998)

The second view is that tax evasion is always ethical in Block (1993) , where individuals are not obliged to pay taxes to corrupt governments so that the government is not entitled to take anything from individuals. The third view, tax evasion is seen as an ethically occasional behavior depending on the situation and certain conditions (McGee, 2006).

People who have very high money loves are more mentally involved in unethical behavior in organizations because they are motivated to earn more money (Tang & Chiu, 2003). Tang (2002), money ethics deals directly with unethical behavior. This can mean that the more a person prioritizes money as an important thing (high money ethics), the person is more likely to commit an unethical tax evasion action than people with low money ethics.

In addition to money ethics variables that are of concern in detecting tax evasion are gender and materialistic. Tang (2002), found that gender differences shows different effects on the attitude of money love. The results of Hafizhah *et al.*, (2016) showed that men are more concerned with money than women. This suggests that women are more ethical than men. However, several other studies suggest there is no significant difference between the ethical attitudes of women and men. Women are not very motivated to gain power or position, as long as their needs are met.

Materialistic values tend to lead to wastage (Watson, 2003). This gives the sense that people who have the nature of materialism tend to have the desire to have a lot of money to meet the needs of luxury goods as a show of identity. Hafizhah *et al.*, (2016) says materialism

has a positive influence on the relationship of money ethics to tax fraud, which means that the higher the materialism of a person, the lower the ethics will have, the lower the ethics will increase the likelihood of tax fraud.

The object of this research was conducted in small medium enterprises (SMEs) registered in Tax Office Primary (KPP) Kudus. The basic reason why it is done in the holy city with is 1). in the region many thrives small medium enterprises (SMEs) and 2). The holy city is known as a city that has a strong culture and tradition.

Based Undang-Undang Nomor 20 Tahun 2008 regarding Micro, Small and Medium Enterprises in article 3 mentioned that micro business aims to grow and develop its business in order to build the national economy. Empowerment and development of Small and Medium Enterprises (SMEs) is an effort taken by the government to overcome the problem of unemployment and poverty. Micro-enterprises are also often referred to as household businesses (Oktaviani & Adellina, 2016).

Sourced from the background and motivation that drives why this research is done research questions that are analyzed in this research. The research questions that arise relate to: 1). Whether money ethics is the cause of a person's tax evasion; and 2). whether gender and materilaitas partially have the power to reinforce the positive influence of money ethics etrhadap tax evasion efforts. The purpose of this research is as follows: 1). analyzes related to tax evasion efforts whether influenced by money ethics, gender, and materiality; and 2). based on this study can help the Directorate General of Taxation to prevent the increase of tax evasion efforts are mostly done by the taxpayer.

Money is one of the most important aspects of everyday life and is often used to measure success. Every individual has different interests for money. Differences of interest to money will affect a person's attitude to put a big interest in money is the attitude of money ethics. Someone with high money ethics or have a love for money high will place great importance on money and will become less ethical than those with low money ethics ( Tang, 2002; Lau et al., 2013; Rosianti & Mangoting, 2014; Hafizhah et al., 2016 Oktaviani et al., 2018). Someone who places great importance on money assumes that by having a lot of money they will have a better quality of life and can improve their standard of living or social status.

Their love for money motivates them to engage in unethical behavior. A person highly motivated by money will have a vested interest in money and see that tax evasion is an acceptable or ethical action to take. The higher the money ethic, the more likely it is for individuals to commit tax fraud. Based on the literature and empirical studies, the hypothesis is proposed:

### **H1: Money ethics is thought to have a positive and significant impact on tax evasion**

Several studies have shown that women have a higher level of confidence in money ethics, while men have lower confidence in money ethics. In other words, women are often considered more ethical than men. One of the most commonly used explanations for explaining these differences is the socialization done by men and women. men are taught to emphasize competition while women are taught to emphasize social relationships (Beutell & Brenner, 1984; Basri, 2014; Hafizhah et al., 2016). Based on the literature and empirical studies, the hypothesis is proposed:

### **H2: Gender allegedly reinforces the positive and significant impact of money ethics on tax evasion**

When viewed from the theory of psychological egoism the act of tax fraud is not considered a violation. Materialistic attitudes are actions related to the individual's motivation to accomplish everything he wants, so this action is not a violation. Hafizhah et al., (2016), mentions materialistically strengthening the relationship between money ethics and tax fraud, thus giving the sense that people who have the nature of materialism tend to have the desire to have a lot of money to meet the need for luxury goods as a show of teak him. Based on the literature and empirical studies, the hypothesis is proposed as follows:

### **H3: Materialistic allegedly reinforces the positive influence of money ethics on tax evasion**

## **METHOD**

The population in this study are all small and medium business taxpayers registered in the Tax Office Primary Kudus. The type of research data used in this study is primary data. The sampling technique used with convinience sampling is based on the convenience aspect. Data collection techniques in this study using questionnaires. The money ethics instrument is an emphasis on the importance of money and personal behavior of a person against money (Tang & Luna, 2004; Rosianti & Mangoting, 2014). The dimensions developed in the money ethics variable are seen in aspect 1). money is seen as an important and valuable factor in human life; 2). money is a symbol of success; 3). money is used as a motivator to work harder; 4). People want to become rich because life becomes more fun. These four dimensions are spelled out in 15 questions with likert scale 1-5. Gender is the difference between men and women in the roles, functions, rights, responsibilities, and behaviors that are shaped by the social, cultural and customary values of community groups that can change according to local time and conditions. Gender was measured using dummy variables, ie for women coded 0 and men coded 1 (Basri, 2014; Hafizhah et al., 2016).

Materiality is a material-oriented way of life. The dimensions developed in the materiality variables are: 1). success achieved someone, 2). centrality, and 3) better welfare in life (Hafizhah et al., 2016). These three dimensions are outlined in a research instrument consisting of 9 questions with a likert scale of 1-5. This tax evasion is the view of the taxpayer on the ethical or not of tax evasion practices based on the tax system, the utilization of tax funds, equity, and the possibility of being detected ( McGee, 2006; McGee & Guo, 2007). The dimensions developed in the tax evasion variable are seen in 1). this taxation system is associated with high low tax rates, 2). principles of ability to pay taxes, 3). possibly caught / detected by the tax authorities, 4). Tax evasion is considered ethical when tax funds (tax receipts) are used for projects that do not provide benefits or corruption by the government. The four dimensions are described in the research instrument consisting of 11 items with the likert scale 1-5.

Data analysis techniques used in using the test of absolute difference. The test of absolute value difference is done to find the difference of absolute value standardized between the two independent variables. If the difference between absolute value between both variables is positive, then the variable moderates the relationship between independent variables and dependent variables (Frucot & Shearon, 1991).

## RESULT AND DISCUSSION

Description of respondents in this study seen from the point of view of gender, age, and type of business by respondents can be seen in table 1.

**Table 1.** Description Responden

Number	Characteristic	Classification	Number of Respondent	Pespondent Percentages
1	Gender	Male	55	53,39
		Female	63	46,61
		Total	118	100%
2	Age	20-30 years	14	11,86
		30-40 years	77	65,25
		>40 years	24	22,89
		Total	118	100%
3	Type of business	Services	34	28,81
		Trading	30	25,42
		Manufacturing	54	45,76
		Total	118	100%

Sourced: primary data proceed, 2018

From 118 respondents consisted of 63 women (53.39%), while for male respondents were 55 people (46.61%). While from the point of view of age, age of respondents with the highest number in the range of 30-40 years as much as 77 respondents or about 65.25%. While

the age range of 2-30 years is represented by 14 respondents (11.86%) and the age range over 40 years is represented by 24 respondents (22.89%).

While from the business side, manufacturing business has the highest number of about 54 respondents or 45,76%. While respondents in the field of service services represented by 34 respondents (28.81%) and business trading as much as 30 respondents (25.42%).

**Tabel 2.** Statistic Descriptive

	N	Minimum	Maximum	Mean	Std.Deviation
Money Ethics	118	2.00	5.00	3.2203	.64232
Materialistic	118	1.00	4.00	2.7712	.68452
Tax Evasion	118	1.00	4.00	2.8983	.85124
Valid N (listwise)	118				

Sourced: primary data proceed, 2018

Based on table 2. shows that the variable money ethics has the lowest value of 2.00 and the highest 5.00 with an average of 3.2203, and has a standard deviation of 0.64232. Skala assessment of money ethical variables in this study 1 to 5, so the middle value is 3. While research results shows that the average respondent's answer is  $3.2203 > 3$ , it shows that respondents have a high perception about money ethics. The standard deviation 0.64232 value smaller than the average value indicates that the response does not differ much among respondents.

Materialistic has a minimum value of 1.00 and a maximum value of 5.00 with an average value of 2.7712 and has a standard deviation of 0.68452. Scale assessment of materialistic variables in this study 1 to 5, so the value of the tenggahnya is 3. While research results show that the average the respondent's answer is  $2.7712 > 3$ , it shows that the respondents have a high perception about materialistic. The standard deviation value of 0.68452 is smaller than the average value indicates that the response is not much different between respondents.

Tax evasion has a minimum value of 1.00 and a maximum value of 4.00 with an average value of 2.8983 and has a standard deviation of 0.85124. Skala assessment variable tax fraud in this study 1 to 5, so the value of the tenggahnya is 3. While research results show that the average the respondent's answer is  $2.8983 < 3$ , it shows that respondents have low perception about tax evasion. The standard deviation value of 0.85124 is smaller than the average value indicates that the response does not differ much among respondents.

**Data Quality Test.** Data quality test is done by using validity test and reliability test to variable and indicator of question used in research. The test results validity and reliability test data in this study are as follows:

**Tabel 3.** Test Result Validity & Reliability

Variable	Number of Question Indicator	KMO	Validity Loading Factor	Realibity Cronbach Alpha
Money_Ethics	15	0,770	0,467-0,737	0,848
Materialistic	9	0,843	0,608-0,793	0,838
Tax_Evasion	11	0,861	0,444-0,810	0,907

Sourced: primary data proceed, 2018

Sourced from table 3. The result of the validity test shows that the variable of money ethics, materiality, and tax fraud have KMO level above 0.5. And the loading factor for the proposed question indicator represents a variable also above 0.4. This indicates that all instruments used in this study are valid. While the reliability test results for all variables more than 0.7 so that this research variable can be said reliable.

**Tabel 4. Regression Results**

Variable	Sig.F	Adjusted R <sup>2</sup>	Sig. T	Beta	Result
Regresion	0,017	.152			
Zscore_Money Ethics			0,010	0,288	H <sub>1</sub> : Accepted
Gender_Money Ethics			0,006	0,370	H <sub>2</sub> : Accepted
Materialistic_Money Ethics			0,090	0,377	H <sub>3</sub> : Rejected

Sourced: primary data proceed, 2018

Table 4. Demonstrate the regression results for the model developed in the study. The results of this regression consist of model test, value generated from coefficient of determination (R<sup>2</sup>), and t test. Based on the above table it can be concluded that the research model stated fit this is proved by the value of Sig.F of 0.017. This value is still less than 5%. While the value of R<sup>2</sup> (coefficient of determination) in this study is very small only worth 15.2%. From the result it can be concluded that money ethics, gender, and materialistic variables in the model only contribute 15.2% while 84.8% is influenced by other variables outside the model. While the t test results from the above model can be summed up as follows:

### Hypothesis Testing Results 1

Sourced from table 4. money ethics variable has positive and significant effect to tax evasion is dtunjukkan with sig.t value equal to 0,010 less than 5% so H<sub>1</sub> is accepted. It can be concluded that there is a significant positive effect of money ethics on tax fraud. This shows that the higher the money ethic of a person, the person will feel that the act of tax fraud is an acceptable action. In accordance with the theory of egoism, this act of tax evasion is not considered a violation. Selfishness is not a violation of ethics. The results of this study are consistent with the research (Lau et al., 2013; Rosianti & Mangoting, 2014; Hafizhah et al., 2016; Oktaviani et al., 2018) indicating that someone who has a high money love attitude tends to commit tax evasion, because someone who has a high attitude of money love thought tax fraud is a natural thing done.



## **Hypothesis Testing Results 2**

Based on testing and statistical calculation, the significance is  $0.006 < 0.05$ , so  $H_2$  is accepted. This means that there is the influence of money and gender ethics against tax evasion. This shows that gender has succeeded in strengthening the positive relationship of money ethics to tax evasion. This suggests that both men and women have an influence in strengthening the positive relationship between money ethics against tax evasion. Men are taught to emphasize competition while women are taught to emphasize social relationships. This research is in line with (Basri, 2014; Beutell & Brenner, 1984; Hafizhah et al., 2016) mentioned that gender has succeeded in strengthening the positive relationship of money ethics against tax evasion.

## **Hypothesis Testing Results 3**

Based on testing and statistical calculation, the significance is  $0.090 > 0.05$ , so  $H_3$  is rejected at 5% level. This means that there is no effect of money and materialistic ethics on tax evasion. This suggests that materialistic does not succeed in strengthening the positive relationship of money ethics against tax evasion.

Materialistic is strongly associated with a luxurious lifestyle. Sourced on the explanation it can be inferred that most respondents do not like the fancy lifestyle. A luxurious lifestyle is also not advocated in religion. The results showed that respondents have a strong religion, respondents do not make religion as a status only. Religion has the highest place in the hearts of respondents so that it can control the actions it does.

The result of this research is in line with ethical theories mentioned ethical egoism affirms that we should not completely ignore the interests of others but we should consider if that action directly will not bring goodness to ourselves. This is not in line with Basri (2014) and Hafizhah et al., (2016) studies which show that materialistic moderates the relation of money ethics to tax evasion.

## **CONCLUSION**

Based on the results of hypothesis analysis and testing in the previous chapter, it can be concluded as follows: 1). there is a positive influence of money ethics on tax evasion. A person who has a high money-loving attitude tends to cause a person to commit tax evasion, and the person will feel that the act of tax evasion is an acceptable act; 2). there is the influence of money and gender ethics on tax evasion. This suggests that gender as a moderating variable successfully moderates the relationship between money ethics and tax evasion; and 3). there is no effect of money ethics and materiality on tax evasion. This suggests that materialistic as a moderating variable does not succeed in moderating the positive money ethical relationship to tax evasion.

The suggestions that can be given are as follows: 1). further research is suggested to multiply the sample and use the larger area so that the results of the research are more generalized; 2) further research is expected to add and consider other moderating variables other than intrinsic religiosity and extrinsic religiosity, which may affect the relationship of money ethics with tax evasion; 3). further research should be developed KPP areas in Central Java to be compensated so as to see whether the tax evasion act is also done in other areas; and 4) further research needs to be developed sample on corporate taxpayer and comparable with individual taxpayer to see the existence of tax evasion action.

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