




## The Impact of Perceptions of Corruption and Trust in Government on Indonesian Micro, Small and Medium Enterprises Compliance with Tax Laws

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### ABSTRACT

Indonesia is a country with a relatively large level of MSMEs development. The Micro, Small, and Medium Enterprises (MSMEs) sector itself has a crucial role and is the main pillar of a country's progress. Ironically, this rapid development is not followed by the compliance of MSMEs taxpayer. Based on the survey results by the Directorate General of Taxes of the Indonesian Ministry of Finance in 2019, the contribution of MSMEs final income tax was only IDR 7.5 trillion or only around 1.1% of the total income tax revenue in the same year 711.2 trillion. Thus, it is important to explore the main factors causing (non)compliance of MSMEs in paying their taxes. This research examined the effect of perceptions of corruption and trust in the government on MSMEs' taxpayer compliance with perceived justice as a moderating variable. This study used a questionnaire survey design with hypothesis testing. The samples included MSMEs actors who had been operating for more than one year and MSMEs actors who already had a taxpayer identification number. The results uncovered that the perceptions of corruption negatively affected MSMEs' taxpayer compliance, while trust in the government positively affected MSMEs' taxpayer compliance. The perceived justice could not moderate the effect of perceptions of corruption on MSMEs' taxpayer compliance. However, the perceived justice strengthened the influence of trust in the government on MSMEs' taxpayer compliance. This study's results are additional discussion toward theory and literature related to taxpayer compliance. Specifically, this study proposes a tax compliance model by testing perceived justice as a moderation variable.

### KEYWORDS

perceptions of corruption, trust in the government, perceived justice, and taxpayer compliance

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## Влияние восприятия коррупции и доверия к правительству на соблюдение микро-, малыми и средними предприятиями Индонезии налогового законодательства

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### АННОТАЦИЯ

Индонезия – страна с относительно высоким уровнем развития сектора микро-, малых и средних предприятий (ММСП). Данный сектор сам по себе играет решающую роль и является главной опорой прогресса страны. К сожалению, столь быстрое развитие данного сектора не сопровождается соблюдением им

налогового законодательства. По результатам опроса, проведенного Генеральным налоговым управлением Министерства финансов Индонезии в 2019 г., вклад налога на доходы (прибыль) от данного сектора составил всего 7,5 трлн индонезийских рупий (1,1% от общих поступлений от налога на прибыль в том же году, которые составили 711,2 трлн индонезийских рупий). Соответственно, важно изучить основные факторы, вызывающие несоблюдение ММСП требований по уплате налогов. В этом исследовании изучалось влияние восприятия коррупции и доверия к правительству на соответствие налогоплательщиками сектора микро-, малых и средних предприятий восприятию справедливости как сдерживающей переменной. Мы использовали анкетирование для проверки гипотез. В выборку вошли субъекты ММСП, осуществляющие свою деятельность более одного года, и субъекты ММСП, у которых уже был идентификационный номер налогоплательщика. Результаты показали, что восприятие коррупции негативно повлияло на соблюдение ММСП требований налогового законодательства, в то время как доверие к правительству положительно повлияло на соблюдение этим сектором требований налогового законодательства. Воспринимаемая справедливость не могла смягчить влияние восприятия коррупции на соблюдение налогоплательщиками требований законодательства. Однако предполагаемая справедливость усилила влияние доверия к правительству на соблюдение требований законодательства. Результаты исследования являются дополнительным вкладом в проблематику, связанную с соблюдением налогоплательщиками требований законодательства. В частности, в исследовании предлагается модель соблюдения налогового законодательства путем проверки воспринимаемой справедливости как управляемой переменной.

#### КЛЮЧЕВЫЕ СЛОВА

восприятие коррупции, доверие к правительству, восприятие справедливости, соблюдение налогоплательщиками законодательства

### 1. Introduction

The problem of the taxpayer compliance level continues to be an issue in taxation in many countries, especially in developing ones like Indonesia [1]. Tax compliance has also become essential for personal and corporate taxation in developed and developing countries. It emphasizes the responsibility of taxpayers to report income and determines tax obligations [2].

Specifically, Indonesia has relatively developed capabilities in the taxation sector, including Micro, Small, and Medium Enterprises (MSMEs) [3].

The MSMEs sector plays a major role in supporting local economic activities with all their characteristics, which can provide many choices of economic activities that are much needed by producers, consumers, and the government [4]. MSMEs are also considered a high-risk tax compliance group [5]. In 2018, Indonesia's MSMEs were recorded at 64.2 million, and this increased by 1.98% in 2019 to 65.5 million MSMEs [6].

However, the rapid development of MSMEs is not followed by MSMEs' taxpayer compliance in reporting their tax obligations, so they do not contribute much to national income [7]. Based on data from the Directorate General of Taxes (DGT) at the Ministry of Finance of Indonesia 2019, the contribution of MSMEs' final income tax amounted to IDR 7.5 trillion, or only about 1.1% of the total income tax revenue in the same year of IDR 711.2 trillion [8]. In addition, based on DGT data, MSMEs taxpayers who made tax payments with the 0.5% final income tax scheme in 2019 were only 2.3 million of the total MSMEs actors [9].

The perception of corruption is one of the factors causing taxpayer compliance [10]. The perception of corruption has significant meaning when the principles of accountability and justice continue to erode. It will eventually indirectly impact the government's level of public trust [11]. In this case, one's perception affects compliance in carrying out payments from individual taxpayers, where

the more corrupt officials and government, the higher the taxpayer's distrust in their taxes [12].

This issue is relevant in Indonesia as Transparency International publishes that Indonesia was ranked 89<sup>th</sup> out of 180 countries. This score indicates that Indonesia's corruption cases are still relatively high [13]. Departing from this, the rise of cases of tax manipulation and corruption in Indonesia might trigger people wary of paying their taxes [14].

Furthermore, research examining the relationship between perceptions of corruption and tax obligations has been conducted several times, but the results are inconclusive. While some studies deduced that corruption perceptions negatively affected taxpayer compliance [10; 15–19], in contrast, another study revealed that perceptions of corruption positively affected taxpayer compliance [20]. Moreover, empirical studies using cross-country frameworks found a negative relationship between indicators of perceptions of corruption or tax morale and tax compliance [18; 19].

Apart from perceptions of corruption, taxpayer compliance is also influenced by trust in the government. It is an essential indicator of the success of various government policies, programs, and regulations that rely on community cooperation and compliance [21; 22]. When the government can assure the trust of the taxpayers, the taxpayers become enthusiastic about fulfilling their tax obligations [23]. Some prior studies conducted [9; 17; 21] confirmed that trust in the government affected taxpayer compliance. Differently, Purnamasari, et al. [30] research revealed diverse results that trust in the government did not affect taxpayer compliance.

The inconsistency of prior results has promoted a gap that needs to be explored further. Thus, to answer this gap, the promotion of intermediary variables is needed. To do so, we examined the perception of justice towards the government as a moderator. Perceived justice is one of the factors causing taxpayer compliance since the citizens be-

lieve that when they pay taxes, they will receive adequate public service benefits compared to their contributions [31]. When taxpayers perceive the tax system as fair, neutral, and reliable, they tend to exhibit greater tax compliance behavior [32].

Also, it is important to how taxpayers view the tax system since a fair tax system will demonstrate compliance with taxpayers [23]. In short, it is related to the extent to which taxpayers perceive procedural will increase perceived inequities related to lack of regulatory clarity and thus lead to similar consequences for tax compliance [33].

Some prior studies [21; 27; 38] deduced that justice affected taxpayer compliance. Relying on the developed arguments above, we assume that when tax procedures can be carried out properly, it will weaken the impact of corruption perceptions on tax compliance and strengthen trust's effect on tax compliance.

Specifically, this study examines the factors influencing MSMEs' taxpayer compliance, namely perceptions of corruption and trust in government moderated by perceived justice, in MSMEs in Indonesia. The contribution of this study is to provide beneficial input to the Directorate General of Taxes in formulating policies related to taxation, especially to improve tax compliance by MSMEs.

Currently, the Indonesian government is focusing on developing e-tax policies to improve tax compliance. But in our opinion, this will not work optimally to increase tax compliance if the aspect of public trust in tax management is not considered. Theoretically, the research results expand the literature regarding perceptions of corruption and trust in the government on MSMEs taxpayer compliance. New insights explore the moderation role of perceptions of justice.

*This study aims* to address issues of corruption and tax compliance in MSMEs. We tested the effect of perceptions of corruption and trust in the government on MSMEs tax compliance with perceived of justice as a moderator.

We formulated the *research hypotheses* as follows:

*H1:* The perception of corruption negatively affects MSMEs' taxpayer compliance.

*H2:* Trust in the government positively affects MSMEs' taxpayer compliance.

*H3:* The perceived justice strengthens the negative influence of perceptions of corruption on MSMEs' taxpayer compliance.

*H4:* The perceived justice strengthens the positive influence of trust in the government on MSMEs' taxpayer compliance.

*Article structure.* In the next section, we presented the literature review that contains theoretical references used and the hypotheses formulated. In the following section, methodology of this study is elaborated. Next section explained the results and discussions. Lastly, conclusion section closed the paper.

## 2. Literature Review

### 2.1. Theories

Ajzen [39] proposed that the Theory of Planned Behavior (TPB) describes the relationship between a person's behavior and attitudes through three main factors: behavioral beliefs, normative beliefs, and control beliefs (behavior beliefs formed through the necessary resources or opportunities).

This theory suggests that the behavior of any individual in any situation is not a sudden consequence of an event but that every behavior is supported by many factors that will shape a person's behavior [40].

In this case, the attitude of the taxpayer to behave positively or negatively, which has been formed from the knowledge and experience of tax professionals or the experience of others, will form the intention of tax professionals to comply with the applicable tax laws and regulations [41].

Under the Theory of Planned Behavior (TPB), behavioral beliefs can form attitudes. This variable is related to an attitude, i.e., trust in the government. Meanwhile, normative beliefs can be associated with perceptions of corruption, while con-

trol beliefs can be related to the perceived justice. In addition, this theory elucidates that an individual's attitude toward a behavior is based on behavioral beliefs, which refer to the consequences of a behavior [42]. The Theory of Planned Behavior also explains that the public's desire to determine compliance or non-compliance in fulfilling their tax obligations is influenced by attitudes and environmental influences related to the formation of subjective norms in fulfilling taxpayers; thus, the theory is relevant in this study.

Meanwhile, attribution theory was first discovered by Heider [43]. This theory explains a person's behavior. Attribution theory also argues that when individuals observe someone's behavior, they want to try to determine whether it is caused by the character (internal factors) or the situation (external factors) [44].

Referring to attribution theory, a person's behavior is associated with external and internal factors, where behavior caused by external factors is the behavior of individuals who will be forced to behave because of the situation, while internal factors are behaviors believed to be under personal control [45].

According to attribution theory, tax perception influences taxpayer compliance [46]. In this respect, it indicates that perceptions of corruption and trust in the government are internal factors that can affect individual behavior in obedient behavior [47].

Moreover, at the heart of attribution theory is the assertion that people are in a position to continually attempt to explain the events they encounter [48]. Hence, attribution theory is relevant to this study since one's perception of judging others strongly influences internal and external conditions [30].

### 2.2. Perception of Corruption and Taxpayer Compliance

Corruption is an event currently becoming a topic regarding the perpetrators of destruction in regulation and institution through the media so that it sacrifices broader interests than analyzing social incidents, political backgrounds, and

economics [49]. Corruption is a form of behavior that violates public service ethics [50].

Previous studies revealed that a country's high level of corruption would negatively impact taxpayers' attitudes and norms towards carrying out their tax obligations [10].

The research results by Tahar and Rachman [51] have proven that the perception of taxpayers regarding tax persons who commit corruption did not significantly affect taxpayer compliance.

Another study, also stated that the perception of corruption had a negative effect on taxpayer compliance [15; 16]. Based on the Theory of Planned Behavior in the normative belief section, it is said that individual beliefs in the normative expectations of others motivate them to fulfill these expectations.

*H1:* The perception of corruption negatively affects MSMEs' taxpayer compliance.

### **2.3. Trust in the Government and Taxpayer Compliance**

Trust in the government manifests in taxpayers' expectations of tax officials in carrying out the tax system per applicable norms and values [23]. Trust in government seems important in any country as it not only influences the tax attitude of citizens but, more importantly, also enables the government to function more efficiently or even reduce crime rates [21].

Trust in the government affected individual voluntary tax compliance behavior in a positive direction [17]. This statement is reinforced by Arismayani et al. [52], explaining that the level of trust in the government and the law significantly affected taxpayer compliance.

Another study also mentioned the significant influence of the level of trust on MSMEs' taxpayer compliance [25]. Moreover, in attribution theory, trust is an internal factor that affects taxpayers. Attribution theory also explains that the taxpayer's perception of trust in the government is the reason that can impact taxpayers in making decisions regarding

taxpayer compliance in carrying out their tax obligations.

*H2:* Trust in the government positively affects MSMEs' taxpayer compliance.

### **2.4. Perceptions of Corruption, Perceived Justice, and Taxpayer Compliance**

The tax perceived justice argues that taxpayers will have a fair perception if the benefits provided by the government to taxpayers are in line with their contribution to the tax system. If the taxpayer gets minimal justice and feels disadvantaged, the taxpayer's perception of tax evasion may be higher. It agrees with Irawan [27] research, which stated that the perception of fairness of the taxation system could affect taxpayer compliance. Beside that, tax justice affected the perception of taxpayers about the ethics of tax evasion [35].

Another research by Hermawan et al. [53] explained that knowledge of corruption and tax justice significantly affected individual taxpayer compliance. Based on attribution theory, perceived justice is an external factor that affects taxpayers in carrying out their tax obligations. Taxpayers will comply in carrying out their tax obligations if the tax funds they have paid are not misused and tax officials behave fairly in their taxation system.

*H3:* The perceived justice strengthens the negative influence of perceptions of corruption on MSMEs' taxpayer compliance.

### **2.5. Trust in the Government, Perceived Justice, and Taxpayer Compliance**

A fair taxation system is equal treatment for people or entities in the same economic situation (for example, having the same annual income) and providing different treatment for people or entities in different economic conditions [47]. The justice in question is where the imposition of tax rates on taxpayers is proportional to the ability to pay taxes in accordance with the benefits received. Trust in the government in tax compliance mediated by perceptions of tax justice had a positive influence [26].

Another study by Faizal et al. [29] explained that the relationship between

taxpayers and the government depended on the trust and fair treatment of tax officials in terms of taxation.

It aligns with research conducted by Güzel et al. [23] that there was a positive influence between trust in the government on tax compliance through tax justice as a mediating variable.

Gobena & Van Dijke [54] also described that perception of fairness and trust in tax authorities positively affected taxpayer compliance. The effect of tax justice on tax compliance is based on the Theory of Planned Behavior in the control belief section, suggesting that personal beliefs are about the things that drive their behavior and the perception of how strongly both influence their behavior.

*H4*: The perceived justice strengthens the positive influence of trust in the government on MSMEs' taxpayer compliance.

In the next section, we described the methodology section which contains a description of the population, sample, data collection techniques, and data analysis techniques.

### 3. Methodology

Based on the above studies, this research uses two theories, namely Theory of Planned Behaviour (TPB) and attribution theory. These two theories are more relevant to be adopted in this study than others. It is because a person's perception is more reflective of a person's condition which can be influenced by internal and external conditions such as attitudes and environmental influences related to the

formation of subjective norms in taxpayer compliance as described in Theory of Planned Behaviour (TPB) and attribution theory. Furthermore, the issue of taxpayer compliance is a current issue because the problem of perceived corruption is not okay in Indonesia. Based on the hypotheses developed, we formulate the research model as shown in Figure 1.

This study used primary data obtained through original sources, while the data in this study were quantitative. Data were obtained by distributing questionnaires to respondents in Yogyakarta City, Pekanbaru City, Samarinda City, Ternate City, Mataram City, and Karimun Regency, representing the major islands in Indonesia. The data analysis technique employed Partial Least Square (PLS). PLS can examine statistical problems by measuring relationship paths simultaneously [55].

In addition, the adoption of PLS is suitable in this study as it allows for a relatively small sample size and can increase the complexity of the model [56]. Hair Jr, et al. [55] revealed that the stages of using PLS consist of: (1) Model specifications; (2) Evaluation of outer models (validity and reliability); (3) Evaluation of the inner model.

The population in this study was MSMEs businesspeople in Indonesia. The sampling technique was the purposive sampling method. The sampling criteria in this study included: MSMEs actors who had been operating for more than one year and MSMEs actors who already had a taxpayer identification number (TIN).

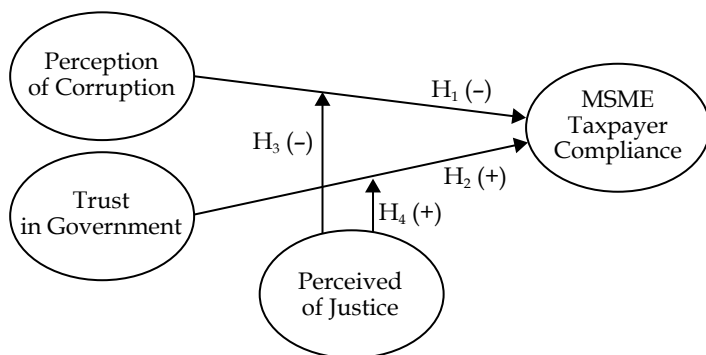


Figure 1. Research Model

This criterion is based on the existence of taxpayer provisions for entities that have met legality and have been operating for more than one year. Moreover, a minimum sample size is required to validate the research result's validity [57].

Memon et al. [58] recommend Power analysis to determine sample size. Based on the Power analysis calculations, it was suggested that the minimum sample size for this study is 85 MSMEs. As a total of 360 questionnaire responses were successfully collected, the sample size for this study met the recommended minimum sample size.

The research instrument was adopted from several previous studies, namely, tax compliance by Yadinta et al. [59], perceptions of corruption by Wibisono [12], trust in government by Yusuf [60], and perceptions of justice by Susanto et al. [61].

The calculation scale employed in this questionnaire was a Likert scale of 1 to 5, ranging from strongly disagree (1) to strongly agree (5).

As this research approach is a self-reported survey, there is a potential for normative bias, commonly called the Common Method Variance (CMV). One technique that is often used to detect this problem is Harman's Single Factor Test [62].

In line with this, we conducted a bias test to determine the potential for bias, error, complexity, ambiguity, and questionnaire scale format [63]. Bias is significant if one latent factor contributes more than 50% [64]. The test results show that the highest latent factor only accounts for 28.63% of the variance. Therefore, test bias did not pose a serious threat to this study.

The sample in this study were MSMEs taxpayers spread across several regions, namely the City/Regency of Pekanbaru, Yogyakarta, the Ternate, the Samarinda, Mataram, and Karimun. Questionnaires were distributed from 14 September 2021 to 16 October 2021. Of the 430 questionnaires distributed, 360 questionnaires were returned. All returned questionnaire sheets were filled in completely by the respondents. So that all questionnaires can be used for data analysis. This Respondents' characteristics is presented in Table 1, identifying gender, age, type of business, and the amount of turnover per year.

The next section presented results and discussion. In detail, it highlighted the related research findings and exposure and interpretation of the data obtained which are then connected to the foundation or theory adopted in this study. It also highlighted the positioning of this study results among existing literature.

Table 1

Statistical Data on Respondents' Characteristics

Information	Description	Number	Percentage (%)
Gender	Female	181	50.78
	Male	179	49.72
Age	20–31 years old	138	38.33
	31–41 years old	105	29.17
	42–49 years old	70	19.44
	50 years old	47	13.06
Type of business	Trading	222	61.67
	Service	79	21.94
	Manufacture	59	16.39
The amount of turnover per year	< IDR 600.000.000	286	79.44
	IDR 600.000.000 – IDR 4.800.000.000	51	14.17
	> IDR 4.800.000.000	23	6.39
	Number of respondents	360	100.00



## 4. Results

### 4.1. Measurement test

Before testing the hypothesis, it is necessary to test the validity and reliability. The validity test consists of two parts, namely convergent validity and discriminant validity. First, we assessed convergent validity to ensure the ability of indicators to measure constructs (variables). The convergent validity test evaluated the outer loading value and the Average Variance Extracted (AVE) value [55]. The outer loading value used in testing the convergent validity was more than 0.7, while the required AVE value is above 0.5, so the indicator is considered valid [65].

Table 2 shows that the loading and AVE have met the recommended values.

Thus, all rules of thumb including convergent validity and reliability validity have been fulfilled.

The indicator of Discriminant Validity testing is by comparing values between constructs [66]. In Table 3, the correlation value for each construct had a higher value than the other constructs, correlation value, thus the test results deduce the discriminant validity has been established [67].

Moreover, reliability testing is then carried out by looking at the consistency between indicators. In Table 2, Cronbach's alpha (CA) of each construct had a value of more than 0.6. In addition, the value of composite reliability (CR) was more than 0.7.

Thus, all constructs met the rule of thumb, which could be said to have

Table 2

### Convergent Validity and Reliability Test Results

Variable	Indicator	Loading
<i>Perceived of justice (AVE = 0.524; CR = 0.846; CA = 0.776)</i>		
DK1	I believe that the income tax system in Indonesia is regulated fairly	0.776
DK2	I believe that the income tax burden is distributed fairly to every taxpayer	0.721
DK3	In general, the tax system operates under applicable tax regulations	0.710
DK4	In my opinion, the use of all funds obtained from taxes for development is carried out fairly	0.710
DK5	I believe that each type of tax paid is per the taxpayer's ability to pay	0.701
<i>Trust in government (AVE = 0.638; CR = 0.875; CA = 0.813)</i>		
KKP1	I trust the government system in taxation	0.806
KKP2	I trust in the laws laid down in taxation	0.852
KKP3	I trust in tax collection used for development	0.817
KKP4	I trust in the allocation of taxes used for development	0.713
<i>Taxpayer compliance (AVE = 0.662; CR = 0.907; CA = 0.873)</i>		
KWP1	I always fill out the tax payable form correctly and completely, following the actual data	0.848
KWP2	I always calculate the tax payable correctly according to the applicable regulations	0.847
KWP3	I report and pay taxes under the specified time limit	0.819
KWP4	I always pay tax according to the actual amount	0.770
KWP5	I report and pay taxes on a personal basis	0.779
<i>Perception of corruption (AVE = 0.631; CR = 0.836; CA = 0.707)</i>		
PK1	I feel that the state apparatus will embezzle the taxes I have paid	0.826
PK2	I feel that the state apparatus abuses its position in tax matters to benefit certain parties	0.812
PK3	I feel reluctant to pay taxes on news of corruption committed by tax officials	0.742

Note. AVE = Average Variance Extracted; CR = Composite Reliability; CA = Cronbach's Alpha.



a high-reliability [65]. As the validity and reliability tests have been fulfilled, the hypothesis testing with the structural model test can proceed.

The measurement of structural model used the Adjusted R Square value to measure the level of variation of the change in the independent variable to the dependent variable. The higher the value of Adjusted R Square, the better the prediction model of the research model.

In this study, the value of Adjusted R Square was 0.214. It signifies that taxpayer compliance was influenced by 21.4% by the independent variables, and the rest were influenced by other independent variables not examined in this study.

Furthermore, Table 4 and Figure 2 display the hypothesis testing results. Panel A shows the direct effect test results while Panel B presents the moderating effect.

Table 3

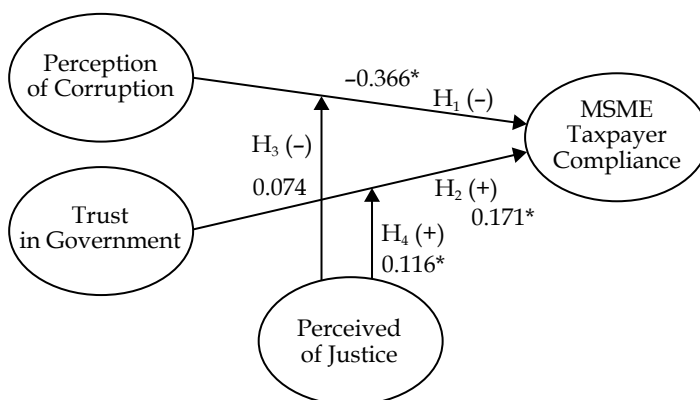
**Discriminant Validity Test Results (Fornell-Larcker)**

Construct	DK	KKP	KWP	PK
Perceived of Justice	0.724			
Trust in the government	0.472	0.799		
Taxpayer compliance	0.187	0.316	0.813	
Perception of corruption	-0.263	-0.347	-0.422	0.794

Table 4

**Hypothesis testing results**

Hypothesis	Original Sample	T-Stats	P-Values	Conclusion
<i>Panel A. Direct Effect</i>				
Perception of corruption taxpayer compliance	-0.366	5.370	0.000	Supported
Trust in the government taxpayer compliance	0.171	3.297	0.001	Supported
<i>Panel B. Moderation Effect</i>				
Perceptions of corruption* Perceived justice taxpayer compliance	0.074	0.889	0.374	Unsupported
Trust in the government* Perceived justice taxpayer compliance	0.116	2.637	0.009	Supported (Quasi Moderation)



**Figure 2. Structural Model Assessment Result**

## 5. Discussions

### 5.1. Confirmation of research hypotheses

The hypothesis testing results for the corruption perception variable indicated that the perception of corruption negatively affected MSMEs taxpayer compliance. In other words, *H1* was supported. The higher the public perception of corruption in their country, the lower the taxpayer compliance. These results reinforce prior studies that a high level of corruption in a country will have a negative impact on the attitudes and norms of taxpayers in carrying out their tax obligations [10; 15; 16].

On the one hand, the result showed that trust in the government positively affected MSMEs taxpayer compliance, so *H2* was supported. Thus, it denotes that the higher the level of trust in the government towards tax officials, the higher the level of taxpayer compliance in carrying out their tax obligations. Here, trust in the government manifests taxpayers' expectations of tax officers in carrying out their duties under applicable laws and regulations.

There is also a sense of trust in the government that the taxes they have paid are not misused, creating a positive view of taxpayers in making decisions to comply with their tax obligations. Then, taxpayers will feel safe when paying taxes because they believe the tax funds paid are not misused but used for the people's benefit. All actions and attitudes of tax officials in carrying out their duties also directly influence public trust. The results of this study are in accordance with prior research [15; 17; 21], stating that trust in the government had a positive effect on MSMEs taxpayer compliance.

Furthermore, the results for the moderating effect revealed that the perceived justice could not moderate the relationship between perceptions of corruption and taxpayer compliance; thus, *H3* was unsupported. It might happen when the taxpayers thought that even though the perceived justice in his country is high, they would still not comply with paying taxes due to too many reports of corruption committed by state officials. Here, taxpayers were worried that the tax funds

they paid would be misused again by tax officials. This study's results align with Yusmanda [68] research, where tax justice plays a role as the independent variable, not a moderator.

In contrast, the results demonstrated that the perceived justice strengthened the influence of trust in the government on MSMEs' taxpayer compliance, so *H4* was supported. Faizal et al. [29] have elucidated that the relationship between taxpayers and the government depends on the trust and fair treatment of tax officials in terms of taxation.

Trust in the government can also be developed if taxpayers view the government's actions or decisions as fair to them. Tax justice is certainly needed to foster taxpayers' trust in the government. If the government is fair, trust will grow by itself. It will certainly result in taxpayers being obedient in carrying out their tax obligations and increasing tax compliance.

Moreover, Widuri and Irawan [26] that the perception of fair government practices by taxpayers would increase taxpayer confidence, whereas perceived justice would correlate with trust in the government.

### 5.2. Practical Implication

This study's results suggest the importance of eradicating corruption and increasing public trust, given their significant impact on taxpayer compliance. In addition, the justice aspect also needs to be the center of attention of the government because of its mediation role in the relationship between public trust and tax compliance. Having that, this research can be input for practitioners, especially the Directorate General of Taxes, to formulate taxation policies that are expected to increase taxpayer compliance.

### 5.3. Theoretical Implication

Theoretically, the research results offer references and empirical studies in exploring the relationship between perceptions of corruption and trust in the government on taxpayer compliance by adopting perceptions of justice as

a moderating variable. Furthermore, this study confirms that the perception of justice is very important to increase taxpayer compliance, in this case, MSMEs.

Thus, this study confirms the Theory of Planned Behavior regarding attitudes and beliefs, normative beliefs, and control beliefs which can then influence a person in fulfilling their tax obligations.

In addition, the study results partially confirm the premise of the attribution theory put forward by Heider [43] that perceptions of fairness are external factors that affect taxpayer compliance.

But this cannot be adopted perfectly because one of the hypotheses is not supported, where perceptions of justice do not determine the relationship between perceptions of corruption and tax compliance. However, the results of this study provide fresh insight into the role of these two theories in tax compliance studies, especially in a country with an alarming level of corruption like Indonesia.

## 6. Conclusions

This study examined the effect of perceptions of corruption and trust in the government on taxpayer compliance with perceived justice as a moderating variable. This research was conducted in Pekanbaru City, Yogyakarta City, Ternate City, Samarinda City, Mataram City, and Karimun Regency, Indonesia. The results concluded that the perception of corruption negatively affected MSMEs' taxpayer compliance, while trust in the government

positively affected MSMEs' taxpayer compliance.

Moreover, the perceived justice could not moderate the effect of perceptions of corruption on MSMEs' taxpayer compliance. Still, it strengthened the influence of trust in the government on MSMEs' taxpayer compliance.

This study has several limitations that need to be noted for the readers.

First, the scope of the sample is relatively small, namely, only six regencies/cities in Indonesia. Therefore, readers need to be careful in generalizing research conclusions, especially in the broader context of MSMEs.

Second, this study only uses a single approach, in this case, a survey. In line with this, future research is expected to be able to conduct similar research in other areas with a wider area coverage. Furthermore, to obtain richer results, further research is expected to be able to add additional data collection methods, namely through brief interviews with MSMEs taxpayers.

This study's results suggest the importance of eradicating corruption and increasing public trust, given their significant impact on taxpayer compliance.

Theoretically, the research results offer references and empirical studies in exploring the relationship between perceptions of corruption and trust in the government on taxpayer compliance by adopting perceptions of justice as a moderating variable.

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