The Effect of Tax Justice, Tax Sanctions, and Tax Rates on MSME Taxpayers' Perceptions of Tax Evasion Behavior in Pineleng District Minahasa Regency

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Abstract

While state budgets heavily rely on tax collections, sub-optimal tax compliance across the MSME sector remains an enduring issue, potentially paving the way for tax evasion behaviors. This is important to study because Pineleng District has the highest number of MSMEs in Minahasa Regency with significant tax revenue potential. This study is conducted to identify the extent to which tax justice, tax sanctions, and tax rates on MSME taxpayers' perceptions of tax evasion behavior in Pineleng District, Minahasa Regency. A quantitative causal research design is applied in this study. Data collection involved 98 registered MSME taxpayers possessing NPWPs, gathered through a purposive sampling method. Analytical procedures were executed via multiple linear regression using IBM SPSS software version 27. The empirical findings demonstrate that tax justice and tax sanctions have a positive and significant effect on MSME taxpayers perceptions of tax evasion behavior, while tax rates have no significant effect on MSME taxpayers perceptions of tax evasion behavior.

Keywords: *Tax Justice, Tax Sanctions, Tax Rates, Tax Evasion Perception, MSME Taxpayer.*

A. INTRODUCTION

Taxes constitute a primary driver of national revenue, playing a vital role in financing various sustainable national development programs. As a vital financial resource relied upon to serve public interest and enhance societal welfare, voluntary compliance among citizens in fulfilling their tax obligations becomes essential. As set forth in Law No. 7 of 2021 regarding the Harmonization of Tax Regulations (UU HPP), taxes are legally enforceable contributions owed to the state by individuals or corporate entities, for which no direct reciprocity is provided.

In Indonesia, tax revenues are allocated to bolster key public sectors, including infrastructure, education, healthcare, and social welfare. Consequently, taxpayer compliance serves as a crucial factor in maximizing national revenue, given that taxes represent the primary financing source for the state budget. According to the Ministry of Finance, the 2025 state budget targeted tax revenues of IDR 2,490.9 trillion (representing roughly 10.24% of GDP), with direct tax targets set at IDR 2,189.3 trillion (Ministry of Finance, 2025). By year-end 2025, actual tax realizations reached approximately IDR 1,917.6 trillion, accounting for 87.6% of the initial budgetary target.

The government's substantial reliance on tax revenues demands an increase in taxpayer compliance across all sectors. Micro, Small, and Medium Enterprises (MSMEs) represent a crucial commercial sector driving national economic development. Given their massive volume and widespread distribution throughout Indonesia, including in Pineleng District, MSMEs hold a strategic function in absorbing local labor and stimulating regional economic growth. However, the number of MSMEs that register as taxpayers is remarkably low. Low tax awareness among MSME operators regarding tax payments often poses a distinct challenge, which in turn creates loopholes for unlawful practices such as tax evasion.

Tax evasion represents an unlawful, deliberate manipulation of financial records to minimize tax liabilities, carrying civil and criminal exposure. It involves a taxpayer's active conduct to illegally manipulate tax liabilities or evade tax obligations contrary to the law (Rizal, 2023:7). These practices may include failing to report income fully or accurately and failing to register as a taxpayer. The prevalence of tax evasion undeniably adversely affect the nation's revenues and hinders national development.

According to official statistics published by the Directorate General of Taxes for 2024, out of 1.6 million MSME taxpayers, only approximately 653,000 remitted the final income tax (PPh Final). This implies that exceeding 900,000 commercial entities—predominantly operating within digital platforms—have yet to fulfill their tax commitments to the national budget, despite generating substantial economic activity. Assuming a net profit margin range of 10% to 20%, unrecorded income could lead to annual state revenue losses amounting to tens of trillions of rupiah.

One of the main factors influencing taxpayers' perceptions of tax evasion is tax justice, as it reflects the extent to which they feel the tax system is implemented equitably and proportionally regarding both the tax burden imposed and the benefits received. Taxpayers who perceive the system as unfair are more inclined to justify tax evasion as a form of resistance against perceived injustice. Conversely, when the tax system is viewed as fair, taxpayers tend to hold a negative view toward tax evasion behavior.

In addition to tax justice, tax sanctions play a significant role by ensuring compliance with tax laws and regulations and acting as a deterrent against tax violations. Taxpayers who view penalties as firm and fair are more likely to avoid tax evasion to evade potential punishment. On the other hand, if penalties are seen as weak or inconsistently enforced, taxpayers are more likely to rationalize non-compliant behavior.

Tax rates also serve as a crucial determinant shaping MSME taxpayers' perspectives on tax evasion, as seen when the Indonesian government reduced the Final Income Tax rate from 1% to 0.5% through Government Regulation No. 23 of 2018 to boost compliance. However, tax evasion persists because lower rates alone do not guarantee compliance, particularly for MSMEs with unstable earnings that still find the 0.5% rate burdensome. Ultimately, taxpayers are driven toward evasion

when rates feel heavy, whereas fair and reasonable tax rates are essential to foster compliance and discourage evasive practices.

Official statistics from the Office of Cooperatives and MSME Office of Minahasa Regency, Pineleng District has the highest number of MSMEs in Minahasa Regency, recorded at 5,692 units. Its location, directly bordering Manado City, positions Pineleng District as a buffer zone with relatively high economic growth. This growth has the potential to increase both regional and central tax revenues. This research is necessary because previous studies have yielded inconsistent findings. Furthermore, while Pineleng District hosts the largest number of MSMEs in Minahasa Regency, research concerning the perceptions of MSME taxpayers' perceptions of tax evasion behavior in this area remains very limited.

B. LITERATURE REVIEW

Grounded in Icek Ajzen's Theory of Planned Behavior (TPB), research in behavioral domains such as tax compliance emphasizes that individual actions stem from behavioral intentions. These intentions are governed by three core determinants: personal attitudes toward the action, prevailing subjective norms, and perceived behavioral control.

In tax research, tax justice is closely related to taxpayer attitudes, where taxpayers who perceive injustice in the tax system tend to justify tax evasion. Tax sanctions are associated with perceived behavioral control, as strict and consistent sanctions can increase the perceived risk for taxpayers who intend to violate the rules. Meanwhile, tax rates affect taxpayers' overall attitudes toward their obligation to pay taxes.

H_1: Tax justice affects the perceptions of MSME taxpayers regarding tax evasion behavior.

H_2: Tax sanctions affect the perceptions of MSME taxpayers regarding tax evasion behavior.

H_3: Tax rates affect the perceptions of MSME taxpayers regarding tax evasion behavior.

C. METHOD

Using a quantitative methodology with a causal-comparative design, this study examines MSME taxpayers in Pineleng District, Minahasa Regency, where the target population comprises 5,692 business entities. Applying Slovin's equation with a 10% significance level yielded a sample size of 98 subjects. Participants were selected through purposive sampling based on specific criteria: active MSME operators in Pineleng District who hold an active Taxpayer Identification Number (NPWP).

Primary data were gathered via direct administration of a structured questionnaire featuring a 4-point Likert response format (ranging from 1 = Strongly Disagree to 4 = Strongly Agree). Data processing was executed via IBM SPSS Statistics version 27, encompassing descriptive statistics, data quality assessments

(validity and reliability evaluations), classical assumption diagnostics (normality, multicollinearity, and heteroscedasticity checks), and hypothesis testing (multiple linear regression, incorporating t-tests and the coefficient of determination).

D. RESULTS AND DISCUSSION

1. Descriptive Statistical Analysis

Table 1. Results of Descriptive Statistical Analysis

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
Tax Justice	98	6.00	20.00	14.2041	2.92504
Tax Sanctions	98	4.00	16.00	11.5714	2.29747
Tax Rates	98	10.00	16.00	13.0612	1.52516
MSME Taxpayers Perception of Tax Evasion Behavior	98	6.00	24.00	16.5000	4.60893

Source: Data processed using SPSS 27 (2026)

As presented in Table 1, the tax justice variable ranges from a minimum of 6.00 to a maximum of 20.00, yielding a mean score of 14.2041 (SD = 2.92504). For tax sanctions, scores span between 4.00 and 16.00, with an average of 11.5714 (SD = 2.29747). The tax rate variable demonstrates values from 10.00 to 16.00, recording a mean of 13.0612 (SD = 1.52516). Lastly, MSME taxpayers' perceptions of tax evasion behavior fall between 6.00 and 24.00, producing a mean response of 16.5000 (SD = 4.60893).

2. Data Quality Test

a. Validity test

Table 2. Validity test results

Variable	Indicator	r-value	Sig. (2-tailed)	r-table	Description
Tax Justice (X_1)	X1.1	0,581	< 0,001	0,199	Valid
	X1.2	0,645	< 0,001	0,199	Valid
	X1.3	0,742	< 0,001	0,199	Valid
	X1.4	0,775	< 0,001	0,199	Valid
	X1.5	0,787	< 0,001	0,199	Valid
Tax Sanctions (X_2)	X2.1	0,767	< 0,001	0,199	Valid
	X2.2	0,762	< 0,001	0,199	Valid
	X2.3	0,602	< 0,001	0,199	Valid
	X2.4	0,585	< 0,001	0,199	Valid
Tax Rates (X_3)	X3.1	0,623	< 0,001	0,199	Valid
	X3.2	0,664	< 0,001	0,199	Valid
	X3.3	0,658	< 0,001	0,199	Valid
	X3.4	0,774	< 0,001	0,199	Valid
MSME Taxpayers Perception of Tax Evasion Behavior (Y)	Y.1	0,747	< 0,001	0,199	Valid
	Y.2	0,773	< 0,001	0,199	Valid
	Y.3	0,861	< 0,001	0,199	Valid
	Y.4	0,851	< 0,001	0,199	Valid
	Y.5	0,818	< 0,001	0,199	Valid
	Y.6	0,879	< 0,001	0,199	Valid

Source: Data processed using SPSS 27 (2026)

As demonstrated in Table 2, all measurement items meet the criteria for validity. This is indicated by the calculated r-value (r-count) for each statement item being greater than the r-table value of 0.199, as well as the Sig. (2-tailed) value being below 0.05 at < 0.001. Therefore, the questionnaire distributed to the respondents is feasible, targeted, and ready to be processed in the subsequent statistical analysis.

b. Reliability test

Table 3. Reliability test result

Variable	Cronbach's Alpha	r-table	Description
Tax Justice (X_1)	0,752	0,60	Reliable
Tax Sanctions (X_2)	0,620	0,60	Reliable
Tax Rates (X_3)	0,614	0,60	Reliable
MSME Taxpayers Perception of Tax Evasion Behavior (Y)	0,903	0,60	Reliable

Source: Data processed using SPSS 27 (2026)

According to Table 3, every evaluated variable satisfies the reliability criteria by recording values above the 0.60 threshold. Thus, these findings guarantee that all variables are proven to be reliable and can be depended upon as measurement instruments.

3. **Classical assumption tests**

a. Normality test

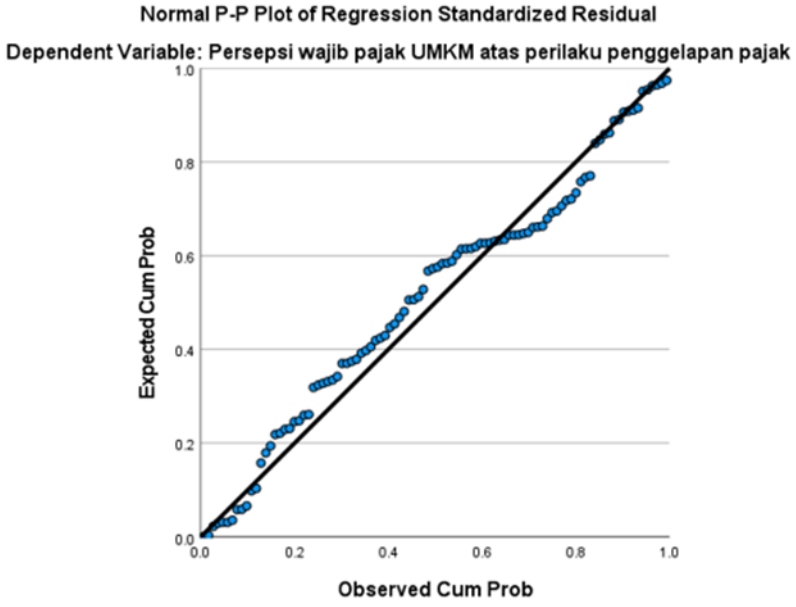


Figure 2. Normality P-Plot result

Source: Data processed using SPSS 27 (2026)

Figure 2 above shows that the observation points are spread out along the diagonal line, indicating that the residual data are normally distributed and the normality assumption is met.

Table 4. Normality result

One-Sample Kolmogorov-Smirnov Test

			Unstandardized Residual
N			98
Normal Parameters[a,b]	Mean		.0000000
	Std. Deviation		3.26237336
Most Extreme Differences	Absolute		.089
	Positive		.072
	Negative		-.089
Test Statistic			.089
Asymp. Sig. (2-tailed)[c]			.054
Monte Carlo Sig. (2-tailed)[d]	Sig.		.054
	99% Confidence Interval	Lower Bound	.048
		Upper Bound	.060

Source: Data processed using SPSS 27 (2026)

As indicated in Table 4, the Kolmogorov-Smirnov test resulted in an asymptotic significance value of 0.054, exceeding the standard 0.05 threshold (> 0.05). Consequently, the dataset satisfies the assumption of normal distribution, confirming its suitability for accurate subsequent parametric statistical evaluations.

b. Multicollinearity test

Table 5. Multicollinearity test result

Coefficients[a]

	Collinearity Statistics	
Model	Tolerance	VIF
Tax Justice	.836	1.196
Tax Sanctions	.787	1.271
Tax Rates	.923	1.083

Source: Data processed using SPSS 27 (2026)

As displayed in Table 5, the regression model is free from multicollinearity issues. This is evidenced by Tolerance metrics for every predictor exceeding the 0.10 threshold, alongside Variance Inflation Factor (VIF) values that remain well below the upper limit of 10.

c. Heteroscedasticity Test

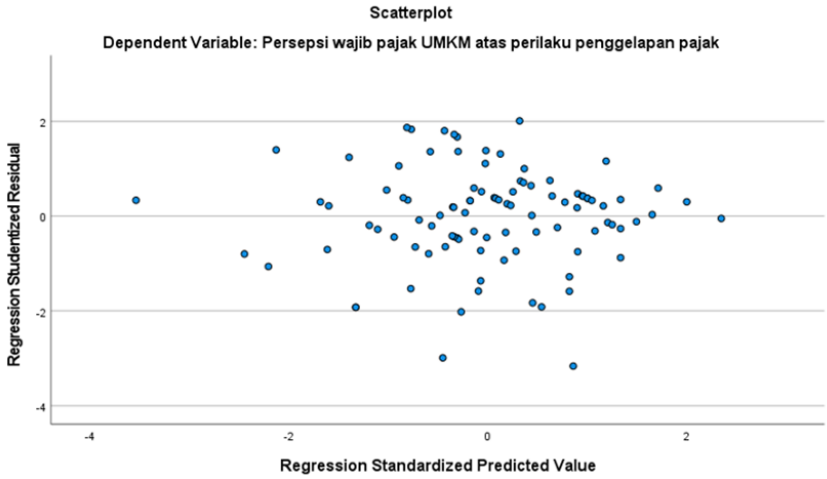


Figure 3. Heteroscedasticity test result

Source: Data processed using SPSS 27 (2026)

Figure 3 above shows that this study is free from heteroscedasticity problems, as evidenced by the points that are widely, randomly, and freely scattered above and below 0 on the vertical Y-axis. Furthermore, these points do not form any systematic flow pattern or distinct shape.

4. Hypothesis Testing

a. Multiple Linear Regression Analysis Test

Table 6. Multiple linear regression analysis test result

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	-3.901	3.199		-1.219	.226
	Keadilan Pajak	.419	.126	.266	3.330	.001
	Sanksi Pajak	1.084	.165	.540	6.565	.000
	Tarif Pajak	.146	.230	.048	.636	.526

Source: Data processed using SPSS 27 (2026)

The statistical output in Table 6 produces the following linear regression formula: $Y = -3.901 + 0.419\ X_1 + 1.084\ X_2 + 0.146\ X_3 + e$. It can be seen that the variables tax justice (X_1), tax sanctions (X_2), and tax rates (X_3) all have positive values / are directly proportional to the variable MSME taxpayers' perceptions of tax evasion behavior.

b. t-Test

Table 7. t-Test result

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	-3.901	3.199		-1.219	.226
	Keadilan Pajak	.419	.126	.266	3.330	.001
	Sanksi Pajak	1.084	.165	.540	6.565	.000
	Tarif Pajak	.146	.230	.048	.636	.526

Source: Data processed using SPSS 27 (2026)

According to the empirical findings summarized in Table 7, tax justice (X_1) and tax sanctions (X_2) both have a positive and significant effect on MSME taxpayers' perceptions of tax evasion behavior in Pineleng District, Minahasa Regency, as indicated by their significance values below 0.05 (Sig. = 0.001, t = 3.330 for H_1; Sig. = 0.000, t = 6.565 for H_2), leading to the acceptance of H_1 and H_2. Conversely, tax rates (X_3) has no significant effect (Sig. = 0.526 > 0.05, t = 0.636), resulting in the rejection of H_3.

Tax Justice (X_1) markedly and positively influences MSME taxpayers' perception of tax evasion behavior in Pineleng District, Minahasa Regency (Sig. = 0,001 < 0,05; t = 3,330; β= 0,419), leading to the acceptance of the first hypothesis (H_1). This finding supports the Theory of Planned Behavior (TPB) regarding the behavioral beliefs component, where taxpayers' assessment of a fair and proportional tax system forms an attitude of rejecting tax evasion. This result supports prior research by Julia (2023), Pratiwi et al. (2024), Khan & Tjaraka (2024), Calista (2024), and Rambe (2021), but contrasts with Septriani (2023), who found that tax justice has no effect on tax evasion ethics.

Tax sanctions (X_2) markedly and positively influences MSME taxpayers' perception of tax evasion behavior in Pineleng District, Minahasa Regency (Sig. = 0.000 < 0.05; t = 6.565; β = 1.084), confirming the acceptance of the second hypothesis (H_2). This finding supports the Theory of Planned Behavior (TPB) within the control beliefs component, where awareness of strict and consistent tax penalties heightens the perceived risk of punishment, serving as a behavioral control to deter tax evasion. This result aligns with studies by Ulandari (2023), Machfuzhoh (2021), Julia (2023), Hakki et al. (2025), and Calista (2024), but contradicts Septriani (2023), conclusion that ethical perceptions of tax evasion remain uninfluenced by penalty severity.

Tax rates (X_2) demonstrates no significant effect on MSME taxpayers' perception of tax evasion behavior in Pineleng District, Minahasa Regency (Sig. = 0.526 > 0.05; t = 0.636; β = 0.146), resulting in the rejection of the third hypothesis (H_3). This confirms that the behavioral beliefs component of TPB is not empirically supported for this variable; the 0.5% final tax rate and non-taxable turnover threshold up to IDR 500 million per year are considered minimal, leaving taxpayers'

behavioral beliefs neutral and failing to trigger attitudes or rationalizations for tax evasion. This finding supports Calista (2024), but differs from Septriani (2023), Machfuzhoh (2021), Wahyulianto et al. (2019), and Sihombing (2025) due to variations in tax subjects and recent updates in non-taxable turnover regulations.

c. Coefficient of Determination (R^2) Test

Table 8. Coefficient of Determination (R^2) Test

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.706[a]	.499	.483	3.31402

Source: Data processed using SPSS 27 (2026)

Table 8 above shows an Adjusted R Square value of 0.483, indicating a coefficient of determination of 48.3%. This means that 48.3% of the variance in the MSME taxpayers' perception of tax evasion behavior variable (Y) can be explained by tax justice (X_1), tax sanctions (X_2), and tax rates (X_2), whereas external factors outside the scope of this regression framework account for the residual 51.7% of the variance.

E. CONCLUSION

Based on the research results, tax justice markedly and positively influences MSME taxpayers' perception of tax evasion behavior in Pineleng District, Minahasa Regency, which shows that whenever taxpayers increasingly feel the real impact of tax justice, their view in assessing tax evasion behavior will increase toward rejecting such actions; tax sanctions have markedly and positively influences MSME taxpayers' perception of tax evasion behavior in Pineleng District, Minahasa Regency, indicating that an increase in taxpayers' understanding of the firmness of sanctions impacts forming a negative perception or rejection of tax evasion behavior; and tax rate variations do not exert a statistically significant influence on MSME taxpayers' perception of tax evasion behavior in Pineleng District, Minahasa Regency, demonstrating that the rise and fall of tax rates in reality does not provide a real impact or influence on MSME taxpayers' views in justifying or rejecting tax evasion actions.

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