

Tax Morality as a Moderator in Mitigating Tax Evasion: The Role of the Self-Assessment System and Tax Audits

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Abstract

This study analyzes the influence of the Self-Assessment System (SAS) and Tax Audits on Tax Evasion, with Tax Morality as a moderating variable. The research was conducted at the KPP Pajak Pratama Ternate with a sample of corporate taxpayers. Data were collected through questionnaires distributed to corporate taxpayers and analyzed using multiple regression to test the direct effects of SAS and Tax Audits on tax evasion and moderation regression to examine the moderating role of Tax Morality in these relationships. The results show that SAS has a significant negative effect on tax evasion, indicating that better implementation of SAS leads to lower levels of tax evasion. Tax Audits also have a significant negative effect, with more intensive tax audits reducing tax evasion. However, the moderation analysis reveals that Tax Morality does not significantly moderate the relationship between SAS and tax evasion. On the other hand, Tax Morality significantly moderates the relationship between Tax Audits and tax evasion, reinforcing the negative effect of tax audits on reducing tax evasion. This study suggests that tax authorities should prioritize strengthening oversight through effective audits and efforts to enhance tax morality. Combining well-implemented SAS, intensive tax audits, and promoting tax morality could reduce tax evasion.

Keywords: Self-Assessment System, Tax Audits, Tax Morality, Tax Evasion, Corporate Taxpayers

INTRODUCTION

Taxation is one of the primary sources of state revenue used to finance infrastructure development and public services and support the overall economy

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(Mardiasmo, 2009; Alm & Torgler, 2011). However, many countries, including Indonesia, face tax evasion and tax avoidance—illegal and legal actions undertaken by taxpayers to reduce their tax liabilities (Zainuddin et al., 2022). Tax evasion harms the country's finances and creates inequity in the taxation system by exacerbating the distribution of the tax burden within society (Johnson, 2018; Setiawan, 2020). Therefore, identifying factors that influence tax evasion and strategies to mitigate such actions is crucial for the state to maintain fiscal stability. This study is relevant as it offers new insights into the role of the Self-Assessment System (SAS), Tax Audits, and Tax Morality in reducing tax evasion, particularly in the context of corporate taxpayers in Indonesia.

Although much research has been conducted on SAS and Tax Audits, there is a gap in the literature regarding how Tax Morality can serve as a moderating variable. Several studies, such as Johnson (2018) and Brown (2020), have discussed the effectiveness of SAS in enhancing tax compliance. Similarly, Green et al. (2017) and Black (2018) demonstrated that Tax Audits can significantly reduce the rate of tax evasion. However, these studies rarely explore how Tax Morality moderates the relationship between SAS and Tax Audits concerning tax evasion. Torgler and Schneider (2007) asserted that tax morality can strengthen taxpayer compliance by minimizing their intent to evade taxes, even when the risk of an audit is low. Therefore, this study seeks to fill that gap by investigating how Tax Morality influences the effectiveness of SAS and Tax Audits in the context of tax evasion.

The phenomenon of tax evasion in Indonesia, especially in the corporate sector, is a significant concern for tax authorities. Despite implementing the Self-Assessment System (SAS) to enhance compliance, several studies indicate that taxpayers often exploit this system to inaccurately report their tax obligations (Smith et al., 2019; Setiawan, 2020). On the other hand, the intensification of Tax Audits has proven to be an effective deterrent for taxpayers. Research by Black (2018) and Green et al. (2017) shows that increasing the frequency and quality of audits can significantly reduce the potential for tax evasion. However, while oversight through tax audits is essential, other factors, such as Tax Morality, play a role in determining taxpayer compliance. This study aims to delve deeper into the influence of tax morality in moderating the relationship between tax policy and tax evasion.

This research employs four main variables: Self-Assessment System (SAS), Tax Audits, Tax Morality as a moderating variable, and Tax Evasion as the dependent variable. SAS is a system in which taxpayers are fully responsible for calculating, reporting, and paying their taxes independently (Johnson, 2018). Tax Audits are a

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monitoring tool to ensure taxpayers accurately report their taxes and prevent fraud (Black, 2018). Tax Morality refers to the social norms and ethics that influence taxpayer compliance, even in situations with a low audit risk (Torgler, 2003). Meanwhile, Tax Evasion, as the dependent variable, is defined as the illegal attempts by taxpayers to evade taxes by violating applicable tax laws (Mardiasmo, 2009). This study adopts the Theory of Planned Behavior (Ajzen, 1991), which posits that attitudes, subjective norms, and perceived behavioural control influence individual behaviour, such as tax compliance.

The novelty of this research lies in testing the role of Tax Morality as a moderating variable in the relationship between SAS and Tax Audits with Tax Evasion. Most previous studies have only examined these variables separately, whereas this study integrates them to provide new insights into how taxpayers' moral values can strengthen or weaken the effectiveness of tax policies (Torgler & Schneider, 2007; Devos, 2014). As such, this research is expected to provide a deeper understanding of the dynamics between tax policy and tax evasion, particularly in Indonesia.

The contribution of this research is not only theoretical but also practical. This study provides guidance that can assist tax authorities in formulating more effective policies to suppress tax evasion in the business sector. By understanding the interaction between SAS, Tax Audits, and Tax Morality, tax authorities can better focus on appropriate monitoring efforts and enhance taxpayers' awareness of the importance of ethics and morality in tax compliance (Alm & Torgler, 2011; Black, 2018). This research is also expected to make a practical contribution in the local context, particularly in the Ternate region, North Maluku, by offering more adaptive tax strategies to increase local tax revenue and support regional development.

LITERATURE REVIEW

Theory of Planned Behavior

Ajzen (1991) developed the Theory of Planned Behavior (TPB) to understand how individual behaviour is determined by their intentions and perceived control over action. TPB explains that a person's intentions are influenced by behavioural beliefs (views on the outcomes of actions), normative beliefs (perceptions of social expectations), and control beliefs (the individual's perception of their ability to act). In the context of taxation, this theory is highly relevant for understanding tax compliance, where taxpayers' intentions to evade taxes can be influenced by their perceptions of the risk of being caught or detected within the tax system (Torgler & Schneider, 2007; Maharani et al., 2021). Maharani et al. (2021) assert that TPB can explain how social norms, attitudes, and

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perceived control influence taxpayers' decisions to comply or evade taxes. Furthermore, this theory also suggests that tax audits and morality can reduce the intention to evade taxes by increasing the perception of risk and moral responsibility (Sani, 2016; Torgler & Schneider, 2004).

Theory of Justice

In Rawls' (1973) Theory of Justice, justice is seen as a principle that ensures fair distribution in society. Rawls argued that equality does not mean everyone receives the same outcomes but that basic opportunities and rights should be distributed equally to ensure that individuals can reach their full potential (Faiz, 2009). In the context of taxation, justice is crucial, as inequity in the tax system can lead to dissatisfaction and promote tax avoidance behaviour (Zainuddin et al., 2022). Torgler and Schneider (2007) indicate that when taxpayers feel that the tax system is unfair or discriminatory, they are more likely to evade taxes, believing that the tax burden is not distributed equitably. Rawls' Theory of Justice also emphasizes the difference principle, where any inequalities must be arranged to benefit the least advantaged in society, a principle that can be applied in the context of taxation to minimize tax evasion by ensuring fairness in tax collection (Faiz, 2009; Devos, 2014).

Tax Evasion

Mira and Khalid (2016) define tax evasion as actions taken by taxpayers to illegally reduce their tax burden, whether through falsifying documents, underreporting income, or hiding relevant information. Damayanti (2017) notes that one of the main reasons taxpayers choose tax evasion over legal tax avoidance is their lack of understanding of the complexities of tax regulations and their ability to find loopholes that can be exploited. Additionally, Sasmito (2017) emphasizes that tax evasion involves deliberate fraudulent actions and can occur due to negligence, mistakes, or misunderstandings of tax obligations. Setiawan (2020) states that tax evasion is a significant issue in the Indonesian business sector. Although this action is illegal, many taxpayers take the risk because they believe the tax monitoring system is not strict enough. Thus, tax evasion is influenced not only by taxpayers' intentions but also by weaknesses in the tax system that allow them to commit fraud.



Self-Assessment System

The Self-Assessment System allows taxpayers to calculate, report, and pay their taxes without direct intervention from the tax authorities (Herlangga & Pratiwi, 2018). Damayanti (2017) emphasizes that this system grants significant freedom to taxpayers but also requires high integrity and transparency. In the self-assessment system, taxpayers are responsible for honestly reporting their income, but without strong oversight, this system can be exploited for tax evasion purposes (Saraswati, 2013; Brown, 2020). Sasmito (2017) warns that many taxpayers may misuse this freedom to hide part of their income without adequate education and supervision from tax authorities. Mira and Khalid (2016) state that while self-assessment aims to increase the tax system's efficiency, non-compliance resulting from inadequate supervision remains a significant issue.

Tax Audits

Tax audits are a key mechanism tax authorities use to assess whether taxpayers have properly complied with tax regulations. Saraswati (2013) explains that tax audits aim to verify the accuracy of the reports submitted by taxpayers and detect potential fraud. According to PMK-199/PMK.03/2007, tax audits are also used to ensure no discrepancies in the submitted tax reports (Mira & Khalid, 2016). Maharani et al. (2021) emphasize that intensive tax audits can have a deterrent effect on taxpayers, but they also stress that their effectiveness depends on the quality of the oversight conducted. In this context, Herlangga and Pratiwi (2018) state that periodic tax audits can reduce the potential for tax evasion by ensuring that taxpayers feel they are being consistently monitored.

Tax Morality

Tax morality is a concept that reflects individuals' attitudes and values regarding compliance with tax obligations. Zirman (2016) states that tax morality is heavily influenced by the social norms prevalent in society. Torgler and Schneider (2004) found that individuals with high tax morality are likelier to comply with their tax obligations, even when the risk of being detected is low. Sani (2016) also identified that taxpayers with a high sense of moral awareness are more likely to adhere to tax regulations without the need for the threat of penalties. Conversely, if tax morality is low, individuals are more easily tempted to engage in tax evasion, especially when they feel that there is no strong oversight from tax authorities (Mira & Khalid, 2016; Zirman, 2016).



RESEARCH METHODOLOGY

Type of Research

This study employs a quantitative approach with a survey design to collect primary data from corporate taxpayers at KPP Pratama Ternate. This method was chosen because it allows for systematically measuring variables related to tax compliance, morality, and audits. The analysis technique used is linear regression to analyze the influence of independent and moderating variables on the dependent variable, tax evasion.

Population and Sample

The population in this study consists of corporate taxpayers registered at KPP Pratama Ternate, with a total of 5,856 entities. In this study, the Simple Random Sampling technique was used to select a sample from the population randomly. This technique ensures that every entity in the population has an equal chance of being selected as a sample without considering specific strata or characteristics in the population. The sample size in this study is 98, determined using the Slovin method. This method calculated the optimal sample size based on a large population. After calculations were made, the obtained sample size was 98 respondents. The sampling process was carried out by taking a list of corporate taxpayers at KPP Pratama Ternate and then randomly selecting 98 taxpayers using a random number generator, ensuring that each member of the population had an equal chance of being chosen. With this method, the sample taken is expected to represent the population validly and can be relied upon to produce accurate research findings.

Model and Data Analysis

This study aims to examine the influence of the Self-Assessment System and tax audits on tax evasion and the role of tax morality as a moderating variable. To test the influence of the two independent variables (Self-Assessment System and Tax Audits) on the dependent variable (Tax Evasion), multiple regression analysis is used. This multiple regression aims to determine whether both independent variables have a significant simultaneous effect on tax evasion.

Furthermore, moderated regression analysis is used to test whether tax morality moderates the relationship between the Self-Assessment System and Tax Audits with tax evasion. Thus, this moderation model will indicate whether tax morality strengthens or weakens the influence of the two independent variables on tax evasion.

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Below is the first model for the multiple regression:

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + e$$

Notation:

Y = Tax Evasion

X1 = Self-Assessment System

X2 = Tax Audits

α = Constant

β_1, β_2 = Regression coefficients for each independent variable

e = Standard error

The second model, which includes tax morality as a moderating variable, is as follows:

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 M + \beta_4 X_1_M + \beta_5 X_2_M + e$$

Notation:

Y = Tax Evasion

X1 = Self-Assessment System

X2 = Tax Audits

M = Tax Morality

X1_M = Interaction between Self-Assessment System and Tax Morality

X2_M = Interaction between Tax Audits and Tax Morality

α = Constant

β = Regression coefficient

e = Standard error

This model is used to observe how tax morality moderates the relationship between the Self-Assessment System and Tax Audits with tax evasion.

Operational Definition of Variables

Tax Evasion

Tax evasion is the dependent variable in this study, referring to taxpayers' actions to illegally reduce their tax liabilities, often by ignoring the applicable tax regulations. Examples of tax evasion actions include not reporting actual income or manipulating tax reports (Mira & Khalid, 2016). This study measures the tax evasion variable through eight questionnaire statements. Indicators include failure to submit the Annual Tax Return



(SPT), submitting incorrect SPTs, failure to register as a taxpayer, failure to remit taxes collected or withheld, and attempts to bribe tax officials.

Self-Assessment System

The self-assessment system is a tax collection system that entrusts taxpayers with calculating, reporting, and paying the taxes owed in accordance with applicable tax laws (Damayanti, 2017). This study measures this variable using six items in the questionnaire based on previous research (Mira & Khalid, 2016). The self-assessment system indicators include registration as a taxpayer, calculation of taxes owed, payment of taxes owed, submission of the annual tax return, and timely reporting of taxes.

Tax Audits

A tax audit is the process of collecting and processing data from the books and records of taxpayers, as well as other relevant sources, to accurately verify their tax liabilities. The purpose of these audits is to ensure that taxpayers comply with tax regulations (Mira & Khalid, 2016). The tax audit variable is measured using five items in the questionnaire, with indicators including taxpayer compliance with audits conducted by experienced officials, the obligation of taxpayers to provide honest information, cooperation between taxpayers and tax authorities in law enforcement, and discussions regarding discrepancies in audit results (Mira & Khalid, 2016).

Tax Morality

Tax morality is defined as the intrinsic motivation of taxpayers to fulfil their tax obligations, derived from the moral awareness that paying taxes contributes to society (Ronald et al., 2005). In this study, the tax morality variable is measured through four questionnaire statements with indicators including accuracy in calculating and reporting taxes, consistency and timeliness in fulfilling tax obligations, paying taxes as a form of patriotism, and awareness of social responsibility (Mira & Khalid, 2016).

RESEARCH RESULTS

Overview of the Research Object

This study uses a quantitative approach with a survey method to examine the role of tax morality as a moderator in mitigating tax evasion, focusing on the influence of the self-assessment system and tax audits. Data were collected through questionnaires distributed to taxpayers and analyzed using SPSS with a moderation regression

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technique. Tax morality is a moderating variable, while the self-assessment system and tax audits are independent variables, and tax evasion is the dependent variable. This is an explanatory study aiming to provide insights into how tax morality can influence the effectiveness of the tax system and tax audits in reducing tax evasion.

Descriptive Statistics

The descriptive statistics in this study aim to provide a general overview of the data used, including the characteristics of research variables such as the self-assessment system, tax audits, tax morality, and tax evasion. This descriptive analysis includes the calculation of the mean, standard deviation, minimum, and maximum values for each variable. Through descriptive statistics, we can observe the data distribution and the respondents' general trends regarding the variables studied. Additionally, descriptive statistics help to understand the extent of data variation and the suitability of the data distribution with the assumptions necessary for further analysis. The results of the descriptive statistics will be presented in the following table.

Table 1: Descriptive Statistics

Information	SAS	TA	TM	TE
N	98	98	98	98
Mean	17,75	20,58	8,53	22,97
Maximum	28	33	15	35
Minimum	6	9	3	10
Std. Dev	5,264	5,970	2,861	5,696

Source: Primary data processed by the researcher, 2024

Based on the results of the descriptive statistics, there were 98 respondents (N = 98) analyzed for each variable, namely the Self-Assessment System (SAS), Tax Audits (TA), Tax Morality (TM), and Tax Evasion (TE). The mean score for SAS was 17.75, with a range of values from 6 to 28 and a standard deviation of 5.264, indicating moderate variation in the distribution of values. The TA variable's mean was 20.58, with a minimum value of 9 and a maximum of 33, and a standard deviation of 5.970, indicating relatively more significant variation compared to SAS. Meanwhile, the TM variable had a mean of 8.53, with a minimum value of 3 and a maximum of 15, and a standard deviation of 2.861, showing lower dispersion. Finally, the TE variable had a mean of 22.97, ranging from 10



to 35, and a standard deviation of 5.696, reflecting significant variation in tax evasion among respondents.

Hypothesis Testing

Before conducting multiple regression analysis, data quality tests were carried out, including validity, reliability, and classical assumption tests. Validity tests ensured that the research instrument accurately measured the variables, and reliability tests confirmed the instrument's consistency in measuring the variables. Additionally, classical assumption tests—including tests for normality, multicollinearity, and heteroscedasticity—were conducted to ensure the data met the requirements for regression analysis. Once all these tests were satisfied, the hypothesis testing proceeded with multiple regression and moderation regression analysis.

Multiple Regression Analysis

The hypothesis testing in this study was conducted to analyze the effect of the Self-Assessment System (SAS) and Tax Audits (TA) on tax evasion. A multiple regression model was used to test this relationship, with tax morality as a moderating variable. The regression test results are presented in Table 2, which includes regression coefficients, standard errors, t-statistic values, and significance levels (probability). The purpose of this test is to determine whether the Self-Assessment System and Tax Audits significantly influence the level of tax evasion. The results of the test are shown in the following table:

Table 2. Multiple Regression Analysis

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	17,489	1,948	8,979	0,000
SAS	-0,880	0,073	-11,315	0,000
TA	-0,784	0,069	-11,395	0,000
R-squared		0,814		
Adjusted R-squared		0,662		
S.E. of regression		0,658		
F-statistic		187,861		
Prob (F-statistic):		0,000		

Source: Primary data processed by the researcher, 2024



Based on the regression test results, it was found that the Self-Assessment System (SAS) and Tax Audits (TA) have a negative and significant effect on tax evasion. SAS has a coefficient of -0.880 and TA of -0.784, indicating that the better the implementation of SAS and the more intensive the tax audits, the lower the level of tax evasion. This model has an R-squared value of 0.814, indicating that these two variables can explain 81.4% of the variation in tax evasion. With an F-statistic of 187.861 and a probability of 0.000, the model is significant overall, demonstrating the importance of SAS and TA in reducing tax evasion.

Moderation Regression Analysis

Moderation testing was conducted to examine how Tax Morality (TM) moderates the relationship between the Self-Assessment System (SAS) and Tax Audits (TA) on Tax Evasion. This moderation regression model tests both the direct effects of SAS and TA on tax evasion and the interaction between TM and the two independent variables. The results of this regression analysis will show whether tax morality strengthens or weakens the relationship between SAS and TA on tax evasion.

Table 3. Moderation Regression Analysis

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	40,338	6,584	6,127	0,000
SAS	0,668	0,258	2,590	0,011
TA	-0,568	0,232	-2,453	0,016
TM	-0,845	0,481	-1,756	0,082
SAS*TM	-0,0098	0,018	-0,533	0,595
TA*TM	0,048	0,017	2,837	0,006
R-squared		0,354		
Adjusted R-squared		0,319		
S.E. of regression		4,940		
F-statistic		10,086		
Prob (F-statistic):		0,000		

Source: Primary data processed by the researcher, 2024

The results of the moderation regression analysis indicate that the Self-Assessment System (SAS) has a positive and significant effect on tax evasion. In



contrast, Tax Audits (TA) have a negative and significant effect. Tax Morality (TM) independently has a negative but insignificant effect. The interaction between SAS and TM is insignificant, meaning that tax morality does not moderate the relationship between SAS and tax evasion. However, the interaction between TA and TM is significant, indicating that tax morality moderates the relationship between tax audits and tax evasion, strengthening the negative effect of tax audits in reducing tax evasion.

DISCUSSION

The Influence of the Self-Assessment System on Tax Evasion

This study found that the Self-Assessment System (SAS) significantly negatively affects tax evasion. This means that the better the implementation of SAS, the lower the level of tax evasion. This finding is supported by Kirchler, Hoelzl, and Wahl (2008), who showed that SAS, accompanied by effective oversight, can increase tax compliance and reduce tax evasion. By giving greater responsibility to taxpayers to calculate, report, and pay their taxes, SAS can strengthen compliance when balanced with adequate oversight. Other studies, such as those by Slemrod and Yitzhaki (2002), support this finding. They emphasized that the SAS can reduce tax evasion if enforcement mechanisms and monitoring risks are strengthened. When taxpayers feel that oversight is strong and sanctions for tax evasion are strictly enforced, they are more likely to comply with tax obligations. Therefore, SAS can be an effective tool for reducing tax evasion in countries with solid enforcement systems.

However, the success of SAS largely depends on the quality of its implementation. In practice, this system can create opportunities for tax evasion if not accompanied by strict oversight and adequate taxpayer education. Devos (2014) argues that without sufficient oversight, the SAS can be exploited by taxpayers looking to avoid their obligations. Moreover, Alm and Torgler (2011) stressed the importance of increasing tax literacy and reinforcing oversight to ensure that SAS is genuinely effective in reducing tax evasion.

The Influence of Tax Audits on Tax Evasion

The results of this study show that Tax Audits (TA) significantly negatively affect tax evasion. The more intensive and effective the tax audits, the lower the level of tax evasion. This finding is consistent with the research of Slemrod and Yitzhaki (2002), who emphasized that tax audits provide a deterrent effect on taxpayers, making them more compliant with their tax obligations. Rigorous tax audits increase the risk of detecting

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evasion, reducing taxpayers' intentions to avoid taxes. This study is also supported by Kirchler et al. (2008), who emphasized that random and unexpected tax audits can encourage taxpayers to comply, as they perceive the detection risk to be too significant. Tax audits are an effective tool for enforcing tax compliance, especially in countries where tax evasion is a significant problem. When taxpayers know they can be audited at any time, the potential for tax evasion tends to decrease.

Tax audits must be conducted fairly and equitably. Alm and Torgler (2011) warned that selective or uneven audits can create taxpayer distrust and exacerbate compliance issues. Therefore, tax authorities must ensure that audits are conducted transparently and comprehensively, without favouritism, to provide a consistent deterrent effect across all taxpayers. Feld and Frey (2007) also emphasized that tax audits conducted with fairness and high integrity can strengthen taxpayers' trust in the tax system.

The Moderating Effect of Tax Morality on the Relationship Between the Self-Assessment System and Tax Evasion

This study found that tax morality (TM) does not significantly moderate the relationship between the Self-Assessment System (SAS) and tax evasion. This result indicates that although tax morality plays a role in shaping taxpayer compliance, in the context of SAS, tax morality does not strengthen or weaken the effect of SAS on tax evasion. This contrasts with the findings of Torgler and Schneider (2007), who argued that tax morality should significantly moderate this relationship. They suggested that taxpayers with high tax morality would be more compliant in a SAS because they feel responsible for fulfilling their tax obligations. In the SAS, the responsibility for calculating, reporting, and paying taxes lies with the taxpayers, giving them more autonomy. In theory, Devos (2014) argued that in this context, tax morality should play an essential role in encouraging compliance, especially in countries with weak oversight. However, the results of this study show that while SAS is effective in reducing tax evasion, the moderating role of tax morality in strengthening or weakening this relationship is not significant. This may be due to other factors, such as awareness of sanction risks or the quality of oversight, which are more decisive in influencing compliance.

The lack of significant moderation by tax morality may also reflect that the influence of tax morality on tax evasion may be more effective in conditions where oversight or law enforcement is weak, making morality the sole driver of compliance (Braithwaite, 2009). However, in contexts where law enforcement and oversight are already vigorous, such as with the effective implementation of SAS, tax morality may not play as dominant a role

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in influencing taxpayer behaviour. Therefore, while tax morality remains important in general tax compliance, its role in moderating the relationship between SAS and tax evasion appears insignificant in this study.

The Moderating Effect of Tax Morality on the Relationship Between Tax Audits and Tax Evasion

The results of this study show that tax morality (TM) significantly moderates the relationship between Tax Audits (TA) and tax evasion. This means that tax morality strengthens the negative effect of tax audits on tax evasion. This finding supports the research of Torgler and Schneider (2007), who found that tax morality can amplify the deterrent effect of tax audits. Taxpayers with high tax morality are more likely to comply with tax regulations when they know that tax audits are an effective monitoring tool. Kirchler, Hoelzl, and Wahl (2008) also noted that strict tax audits, when combined with solid tax morality, can create conditions where taxpayers comply not only out of fear of being audited but also because they feel responsible for obeying the rules. In this context, tax morality strengthens taxpayers' sense of duty to comply with the law, thereby enhancing the effect of tax audits on reducing tax evasion. This finding reinforces that tax morality plays a crucial role in guiding taxpayers to comply with regulations, especially when they face the possibility of being audited.

Tax morality as a moderator of tax audits may have a stronger influence in countries where audits are conducted fairly and transparently. Feld and Frey (2007) emphasized that tax audits are more effective when tax morality is high because taxpayers comply not just out of fear of sanctions but also because they believe that the tax system works for the common good. Therefore, effective tax audits and strong tax morality can be a powerful strategy for reducing tax evasion.

CONCLUSION

This study shows that the Self-Assessment System (SAS) and Tax Audits (TA) significantly negatively affect tax evasion. The better the implementation of SAS and the more intensive the tax audits, the lower the level of tax evasion. Tax Morality (TM) strengthens the effect of tax audits on tax evasion but is not significant in moderating the relationship between SAS and tax evasion. However, this study has several limitations, such as the relatively small sample size (98 respondents) and its limitation to one tax office in Ternate, which restricts the generalizability of the results. Additionally, the measurement of tax morality using self-report questionnaires may be subject to social

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desirability bias. For future research, expanding the sample to more regions and adding other variables such as tax knowledge and audit experience is recommended. Qualitative studies can also provide deeper insights into tax morality. Tax authorities should also increase oversight through more intensive tax audits and awareness campaigns to strengthen taxpayer compliance.

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