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The Effect of Tax Fairness Perception on Tax Avoidance Intentions among Individual Taxpayers in Manado City

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ABSTRACT

This study investigates the effect of tax fairness perception on the intention to avoid taxes among individual taxpayers in Manado City, Indonesia. In the broader context of persistent tax compliance challenges in developing countries, this research focuses on the behavioral dimension of taxation, particularly the role of perceived fairness in shaping taxpayer decisions. The objective of this study is to determine whether various dimensions of tax fairness—horizontal fairness, vertical fairness, ability to pay, exchange fairness, procedural fairness, and interpersonal fairness—significantly influence taxpayers' intentions to engage in tax avoidance. A quantitative approach was employed using a structured questionnaire distributed to 100 individual taxpayers, with responses analyzed through binary logistic regression. The dependent variable, tax avoidance intention, was classified into a binary outcome (intends vs. does not intend), while the independent variables comprised eight items representing tax fairness perception. The findings reveal that only one dimension, fair treatment by tax officers (interpersonal fairness), has a statistically significant effect on tax avoidance intention ($p = 0.011$), with an odds ratio of 0.153, indicating a strong negative relationship. Other dimensions did not demonstrate significant influence, and some were omitted from the model due to perfect prediction issues. The results suggest that interpersonal interactions and ethical conduct of tax officials play a more immediate and impactful role in influencing taxpayer behavior than broader structural or policy-related aspects of tax fairness. This study underscores the importance of service quality and fairness in tax administration and offers practical insights for policymakers seeking to enhance voluntary tax compliance through behavioral approaches.

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1. INTRODUCTION

Indonesia continues to face serious challenges in improving its tax revenue ratio to GDP, which remains low compared to other ASEAN countries (Syamsu & Hidayatulloh, 2021). One of the main reasons is the persistently low level of tax compliance among individual taxpayers, despite recent reforms such as the implementation of a self-assessment system and increased digitalization (Wardani, 2021). However, these structural improvements have not entirely addressed the psychological resistance of taxpayers especially when the tax system is perceived as unfair. Literature has shown that when taxpayers perceive the tax system to be unjust, they are more likely to develop intentions to avoid taxes, even if this has not yet resulted in actual noncompliance.

(Brandina & Rustam, 2016) found that various dimensions of tax fairness including general fairness, tax rate structure, special provisions, governmental reciprocity, and self-interest significantly affect individual taxpayer compliance in Batu. This suggests that fairness perception is a strong predictor of tax behavior. However, this study did not specifically target tax avoidance intention, which constitutes a crucial early stage prior to actual tax evasion.

A study by (Diningsih, Dimyati, & Sari, 2023) explored determinants such as perceptions of corruption, tax fairness, tax education, and e-billing on individual taxpayer compliance. Interestingly, tax fairness did not have a partially significant effect on compliance, although it was significant when assessed simultaneously with other variables. This raises questions about the pathways through which fairness perception influences behavior possibly through unobserved variables such as moral attitudes or intention.

(Priyastiwi, Dewi, & Sutriyono, 2023)demonstrated that tax knowledge affects compliance both directly and indirectly through the mediation of tax fairness perception in Bantul Regency. While this illustrates an important causal chain (tax knowledge → fairness → compliance), the model did not examine the specific construct of intention to avoid tax, leaving a theoretical gap regarding the psychological process that bridges perception and behavior.

(Natasya & Gunawan, 2022)examined the relationship between tax system design, fairness perception, sanctions, and ethical judgment toward tax evasion in Palembang. They found that perceived fairness negatively affected ethical justification for tax evasion indicating that the more fair the system is perceived to be, the lower the moral approval for evasion. However, the model did not incorporate behavioral intentions, which lie between ethics and actual behavior.

(Leana & Kholis, 2022) showed that perceptions of self-assessment, fairness, and digital tax services negatively affect tax evasion among individual taxpayers in Surakarta. Although the findings are robust, the research still focused on actual behavior rather than pre-behavioral intentions, which are crucial for preventive policy. Another study by (Dwijayanti, Sueb, & Pratama, 2021) revealed that religiosity and fairness perceptions significantly influence taxpayer attitudes in West Java. These attitudes are conceptually linked to intention in the Theory of Planned Behavior Ajzen, yet the intention construct itself was not explicitly measured.

In the post-reform Indonesian tax context, measuring tax avoidance intention as a dependent variable is crucial. It serves as an early warning indicator that allows for timely intervention before noncompliance manifests into actual legal violations. This is particularly important for individual taxpayers, whose motivations are diverse and often influenced by subjective fairness judgments.

Empirical studies such a (Brandina & Rustam, 2016) confirm the significant effect of tax fairness perception on individual taxpayer compliance, yet mostly rely on deterministic linear models without considering intentional stages. Similarly, (Diningsih et al., 2023) integrated fairness perception into a multivariate compliance model, but partial significance was lacking, suggesting the possibility of intervening variables or misaligned constructs.

(Priyastiwi et al., 2023) focused on fairness as a mediating variable between knowledge and compliance, which clarified a potential mechanism but still did not include intention to avoid tax. Meanwhile, (Natasya & Gunawan, 2022) highlighted the ethical dimension of tax evasion in relation to fairness perception but omitted behavioral intent as a transitional predictor between belief and action.

The review above reveals that while tax fairness perception has been extensively studied in relation to compliance and ethical evaluation, few studies have explicitly examined how it affects tax avoidance intentions. Since intention serves as the proximal determinant of behavior, understanding its antecedents is critical. Failing to address the intention stage may reduce the effectiveness of compliance interventions.

In the context of Manado, empirical studies that examine fairness perception and tax avoidance intention are still limited. Although national-level research exists, localized studies are essential because taxpayer experiences and perceptions may differ due to socio-economic, cultural, or administrative factors. Therefore, this study seeks to fill the gap by focusing on individual taxpayers in Manado and their perception of tax fairness in influencing their intention to avoid taxes.

To systematically examine this relationship, this research formulates hypotheses based on the existing theoretical and empirical foundations. It is hypothesized that tax fairness perception has a significant effect on taxpayers' intention to avoid taxes. More specifically, each dimension of fairness—such as equality in tax burden (X1), ability to pay (X2), progressivity (X3), fairness to low-income taxpayers (X4), perceived benefits from public services (X5), government use of tax funds (X6), fairness in tax rules implementation (X7), and fair treatment by tax officers (X8)—is expected to significantly influence the intention to avoid tax. These hypotheses are tested using a logistic regression model to determine the strength and direction of each fairness indicator's effect on the likelihood that a taxpayer intends to avoid taxes.

This research addresses this methodological gap by applying logistic regression to model the influence of fairness perception indicators on tax avoidance intention, using a binary outcome. By doing so, it contributes to a more precise understanding of how fairness perceptions translate into behavioral intentions, which is crucial for policy implications. The contribution of this research lies in its focus on individual taxpayers in a regional context, the application of a tailored statistical method (logistic regression), and the development of empirically grounded fairness indicators. The findings are expected to help tax authorities in designing more targeted and perception-sensitive compliance strategies, thereby improving voluntary compliance among individual taxpayers in regions like Manado.

2. METHODS

This study adopts a quantitative approach as it aims to objectively measure the relationship between variables based on numerical data. This approach allows the researcher to test hypotheses statistically and generalize findings to a larger population. The main objective is to examine the extent to which tax fairness perception affects the intention to avoid taxes among individual taxpayers, using a structured questionnaire with a Likert-scale response format. Therefore, the quantitative approach is considered suitable because it provides a systematic and measurable foundation for analyzing behavioral tendencies in taxation (Ghozali, 2018).

The research design employed is causal-comparative survey design, in which data is collected through questionnaires distributed to individual taxpayers in Manado City. This design is appropriate for identifying causal relationships between the independent variable (tax fairness perception) and the dependent variable (tax avoidance intention) without manipulating any variable. The population consists of all registered individual taxpayers at the Manado Primary Tax Office (KPP Pratama

Manado). The sample size is determined using Cochran's formula for large populations (N ≥ 10,000) with a 95% confidence level and 10% margin of error. The minimum required sample is approximately 100 respondents, which can be adjusted based on field conditions. The sampling technique used is purposive sampling, selecting taxpayers who meet the following criteria: currently active status, have submitted an Annual Tax Return (SPT) in the past two years, and reside in Manado City. Data collection will be carried out via online and/or face-to-face surveys, with assistance from enumerators at strategic locations such as tax offices, MSME hubs, or professional networks to increase response rates and data reliability (Sihombing, 2022).

In this study, the data will be analyzed using binary logistic regression, as the dependent variable tax avoidance intention is categorized dichotomously: "intends to avoid taxes" (1) and "does not intend" (0). Logistic regression is used to model the relationship between one or more independent variables and the probability of an event occurring in a binary dependent variable. This method is chosen because it aligns with the study's objective to estimate the likelihood of tax avoidance intentions based on perceived tax fairness.

Before conducting the regression analysis, the data will undergo validity and reliability tests. Validity will be measured using item-total correlation, while reliability will be assessed using Cronbach's Alpha, with a minimum acceptable value of 0.70. Additionally, assumptions for logistic regression will be tested, including multicollinearity (using VIF < 10) and model fit using the Hosmer and Lemeshow Test. A p-value > 0.05 in this test indicates that the model fits the data well.

The logistic regression model will produce log-odds coefficients (β), which are interpreted using odds ratios (exp(β)). These odds ratios indicate how much more likely a taxpayer with low perceived fairness is to intend to avoid taxes compared to one with high perceived fairness. This analysis provides a quantitative understanding of the predictive power of fairness perception on taxpayer intentions. Interpretation of the results will also consider the statistical significance of the predictors, where $p < 0.05$ indicates a significant influence of the variable on tax avoidance intention. These outputs will provide comprehensive insight into the predictive capacity of tax fairness perception (Sihombing, 2022).

Through this approach, the study aims to objectively and measurably explain the influence of tax fairness perception on tax avoidance intentions. The findings are expected to support evidence-based policymaking by offering insights for improving the fairness and transparency of the tax system in ways that reduce the early risk of noncompliance among individual taxpayers.

3. FINDINGS AND DISCUSSION

Results of Logistic Regression Analysis

Data analysis was conducted using binary logistic regression to examine the effect of tax fairness perception (variables X1–X8) on tax avoidance intention (binary Y variable). Prior to the regression, a total score for tax avoidance intention was calculated based on five indicators (Y1–Y5), which was then classified into two categories: "intends to avoid tax" (1) and "does not intend" (0).

Table 1. **Cronbach's Alpha**.

Variable	Average interitem covariance	Number of items in the scale	Scale reliability coefficient
X	.0387374	8	0.5707
Y	.1812222	5	0.4999

The reliability test for the eight indicators of tax fairness perception yielded a Cronbach's Alpha of **0.5707**, indicating that the internal consistency of the items was **moderate**, although not ideal (typically $\alpha > 0.70$). Meanwhile, the five indicators for tax avoidance intention produced a Cronbach's Alpha of **0.4999**, suggesting **low reliability**—which may result from high response variability or conceptual heterogeneity among the items.

The results of the logistic regression showed that only one variable among the eight dimensions of tax fairness perception was statistically significant in influencing tax avoidance intention. Specifically, **X8 (fair treatment by tax officers)** was found to have a **significant effect**, with a **p-value of 0.011** and an **odds ratio of 0.1532**. This means that the more positively taxpayers perceive their treatment by tax officers, the **less likely** they are to intend to avoid taxes. Practically speaking, the probability of intending to avoid taxes **decreases by approximately 85%** when a taxpayer feels they are treated fairly by tax officials.

Other variables such as X1, X4, X5, X6, and X7 did not have significant effects, with p-values greater than 0.05. Additionally, variables like X2 (ability to pay), X3 (progressivity), and X6 (government use of tax funds) were **automatically dropped by STATA** due to **perfect prediction**, likely caused by uniform responses or multicollinearity. This technical issue indicates a lack of variability in some response categories, highlighting the importance of refining the questionnaire design in future studies.

Table 2. *Logistic Regression*.

Variable (Tax Fairness Dimension)	Odds Ratio	p-value	Significance
X1 – Horizontal Fairness	0.4146	0.296	Not Significant
X2 – Ability to Pay Fairness	Dropped	—	Omitted (perfect prediction)
X3 – Vertical Fairness (Progressivity)	Dropped	—	Omitted (perfect prediction)
X4 – Fairness for Lower Income Groups	1.1787	0.779	Not Significant
X5 – Exchange Fairness (Public Benefit)	1.8387	0.447	Not Significant
X6 – Government Use of Tax Funds	0.5021	0.300	Not Significant
X7 – Procedural Fairness	1.7832	0.411	Not Significant
X8 – Fair Treatment by Tax Officers	**0.1532**	**0.011**	**Significant**

Discussion

The main finding of this study confirms the general hypothesis that tax fairness perception affects the intention to avoid taxes. However, only one of the eight specific hypotheses was statistically supported namely, the hypothesis related to X8 (interpersonal fairness). This suggests that among all dimensions of fairness, the perception of how fairly tax officers treat individual taxpayers is the most influential factor in reducing tax avoidance intention in Manado City.

Other dimensions such as horizontal fairness (X1), fairness to low-income groups (X4), benefit-received fairness (X5), and procedural fairness (X7) were found to be statistically insignificant. Although theoretically linked to taxpayer behavior in prior studies, these dimensions did not significantly influence the intention to avoid taxes in this context. One explanation is that taxpayers in Manado are more sensitive to direct personal experiences particularly in how they are treated by tax officers than to abstract or systemic aspects of fairness. In other words, interpersonal experience and the ethical conduct of tax officers are more psychologically impactful than the structure of the tax system itself.

This result is consistent with findings from Permatasari and Hidayat (2023), who emphasize that trust in tax authorities and fair treatment by officials can enhance tax morale and suppress the desire to evade taxes. It also supports the behavioral tax compliance perspective, which asserts that subjective factors such as attitude, trust, and service experience are more decisive than legalistic enforcement or tax rates.

However, the low internal reliability for the tax avoidance intention scale and the exclusion of several variables due to perfect prediction highlight the need for instrument refinement and a more diverse respondent base in future research. Additionally, the pseudo R^2 value of 0.1402 suggests that although the model has explanatory power, it could be enhanced by including other variables such as tax morale, institutional trust, or social norms.

4. CONCLUSION

This study aimed to empirically examine the effect of tax fairness perception on tax avoidance intention among individual taxpayers in Manado City using a quantitative approach and binary logistic regression analysis. The analysis was based on eight dimensions of fairness perception (X1–X8) and the binary categorization of tax avoidance intention.

The findings reveal that only one fairness dimension fair treatment by tax officers (X8) significantly influences tax avoidance intention. Specifically, taxpayers who perceive being treated fairly by tax officials are significantly less likely to intend to avoid taxes. The odds ratio of 0.1532 indicates a strong negative relationship, where the likelihood of tax avoidance intention decreases by approximately 85% when interpersonal fairness is high. Other dimensions, such as horizontal fairness, vertical fairness, exchange fairness, and procedural fairness, did not show a statistically significant influence on avoidance intention.

These results highlight the importance of interpersonal and ethical conduct in public tax services. The interaction between tax officers and taxpayers appears to have a more immediate and emotional effect on taxpayer intentions than systemic fairness elements. This underscores the role of front-line public servants in shaping voluntary tax compliance behavior.

Future research should consider expanding the sample size and ensuring greater response variation across fairness dimensions to address issues such as perfect prediction, which led to the exclusion of multiple variables in this study. Incorporating respondents from different regions or socio-economic backgrounds may provide a more comprehensive understanding of fairness perception diversity.

In addition, researchers are encouraged to include other behavioral or psychological constructs, such as tax morale, institutional trust, subjective norms, or perceived sanctions, to improve the explanatory power of the model. Employing mixed-method approaches combining surveys with interviews or case studies can also help explore deeper motives and contextual factors behind tax avoidance intentions.

Lastly, the development of more reliable measurement instruments, especially for capturing behavioral intentions, is highly recommended. Refining the questionnaire items and testing their psychometric properties (e.g., factor analysis) will strengthen the validity and reliability of future empirical models in behavioral tax research.

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