

Influence of Public Policies, Control of Corruption on Tax Evasion Value: Variable Moderation Artificial Intelligence

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Abstract

The purpose of this study is to show how sophisticated modern technology already uses artificial intelligence (AI) and electronic gadgets as means of communication, as well as to provide further details regarding the connection between tax evasion and corruption. With progress in technology, use technology to prevent the occurrence of tax evasion. Data collection using questionnaires or surveys with criteria for respondents is taxable. Method data analysis used SEM-PLS. The results of this research show that public policy, corruption control, and corruption control moderation have a significant influence on both tax avoidance and artificial intelligence. According to theory and research, technology is becoming increasingly sophisticated. Start the emergence of e-spt, e-invoice, to help simplify the tax reporting process for society and make things easier by checking taxes by the government. The research is expected to provide insights into a multi-stakeholder perspective on tax avoidance, both from the tax reporting and corporate tax sides, as well as the increase in state taxes.

Keywords: Tax Evasion, Control of Corruption, Artificial Intelligence

Introduction

Taxes have become a significant factor in promoting national development, as they have an impact on all facets of education, society, development, and governance. State money from the reception tax, often known as tax revenue, is extremely important, but tax evasion makes it harder for the government to collect state tax revenue. Islam et al. (2020) and Khalil and Sidani, (2020) tax evasion is a violation of government regulations that involves reducing or not paying taxes owed by the due date. This matter started from zoom out amount income and expenses due costs not entering report finances that make matter the classified as tax evasion. In 2017, it was discovered decline income Zimbabwean state taxes due decline

obedience tax must responding tax increase 2% tax in all electronic bank transactions so that a few businesses switch to transaction cash that raises gap for tax evasion. World bank findings that 54% of companies in developing countries no report all income hit tax to authority relevant taxes (Kurauone, Kong, Mago, et al., 2021). In 2007, PT. Asian Agri Group (AGG) and 14 children his company found do tax evasion practitioner with mark amounting to 1.259 trillion rupiah in period time 4 years operational (Ariyanto, 2020).

A high level of corruption will make it harder to enforce regulations, levy taxes, and punish those who engage in tax evasion, which will increase the likelihood of tax evasion. Whereas with environment low and supportive corruption transparency, which will create environment support for eradication of tax evasion (Khlif & Amara, 2019). E-government that delivers technology information about services provided government signify efficiency government as well as increase transparency and credibility administration government. That has a significant impact on lowering the amount of corruption (Uyar et al., 2021). Economy a country is reflected in structure the tax.

This study adds to our understanding of Indonesian taxation, where regulatory gaps allow for higher tax rates and lower tax obligations so that politicians or businesspeople can exploit the matter to profit greatly from the matter, greater profits are made. The development of the times is followed with growth in sector technology. Artificial Intelligence is proof that development technology that exists in society now. This matter already also enters Indonesia with the emergence of e-spt, e-billing, e-invoice, etc. With this possibility corruption will decrease with the increase transparency finance, as well its decline level corruption will push decline tax evasion level. Efficiency allocation of tax funds by the government impact to tax evasion (Yamen et al., 2018) value.

Literature Review

Theory of Planned Behavior

The theory of planned behavior is attitude someone who is influenced by an individual's behavior or closest group with that person. Example from matter the is a must knowing tax that the officials carry out tax Evasion, this will cause decline level obedience tax individual (Abu Bakar et al., 2023). This theory reflects that artificial intelligence can change the behavior patterns of individuals who are influenced by the behavior of individuals or groups to commit corruption and tax evasion.

Tax Evasion

Tax evasion is illegal acts committed entity for reduce dependents the tax (Yamen et al., 2018; Itan, 2024). This matter including with forgery and concealment recording (Ariyanto, 2020). Meanwhile, tax avoidance is effort to reduce mark liabilities tax with utilize gap in regulation tax government legally. Encouraging factors the occurrence of tax evasion is percentage mark high taxes, technology, enforcement weak laws, data discrepancies, and corruption (Ozili, 2020).

Influence Public Policies Against Tax Evasion

Government's role is important in controlling possible corruption, lower-level obedience taxes, this impact on the people who feel that state revenue through tax is distributed in a way appropriate (Kurauone, Kong, Sun, et al., 2021). In 2017, it was discovered that income

zimbabwean state taxes were declining due to a decline in obedience tax and a response tax increase of 2% on all electronic bank transactions. So that a number of businesses switch to transaction cash, which raises the gap for tax evasion (Kurauone, Kong, Mago, et al., 2021). If regulations are made that are not fair, there is an opportunity for the company to obey them and pay less in taxes. Percentage-high taxes increase tax evasion to a certain degree (Islam et al., 2020). With enhancement taxes paid for, must income tax big more lots rather than income smaller make they the more they are not obedient to obligations (Ariyanto, 2020).

Based on the study Islam et al. (2020), mark tax evasion as the highest moment of regulation tax a country is increasingly tall. And according to Aruoba (2021), value tax evasion means a country will down-grade mark tax or enhance the punishment. Enhancement of reception taxation with distribution tax must be in accordance with the facilities generally given to must taxes, so it can increase trust as well as have an effect on the decline in tax evasion levels in the country. Efficiency in the allocation of tax funds will give encouragement to pay taxes (Yamen et al., 2018).

Influence Control of Corruption Against Tax Evasion

An environment with weak enforcement laws and weak taxation can increase the possibility of corruption as well as push individuals and businesses to carry out tax evasion. This matter happened in the research of 5,000 companies operating in 22 former Soviet countries, which shows that corruption levels are high, thereby causing low taxes (Yamen et al., 2018). Control of corruption is required as a deterrent corruption because a corrupt environment will push officials for look for income through corruption. And p the often happen through payment in a way cash for pass supervision tax (Ozili, 2020).

Influence AI moderation between Public Policies and Control of Corruption Against Tax Evasion

Artificial intelligence is all over machines or equipment that has the ability walk like humans, but owns more capabilities compared to normal humans because it is equipped with data and formulas to operate (Dhamija & Bag, 2020). Error you can fill out the form minimized through AI that can take relevant information from the database and populate the formula column automatically. However, the main problems faced are fairness, security, certification, privacy, movement power work, and taxation (Raikov, 2021).

Research Hypothesis

- H1: There is a relationship between the use of artificial intelligence and of tax evasion.
- H2: There is a relationship between control of corruption and the use of artificial intelligence.
- H3: There is a relationship between control of corruption and the level of tax evasion.
- H4: Artificial Intelligence can moderate corruption control and tax evasion.
- H5: Artificial Intelligence can moderate between public policy and tax evasion.
- H6: There is a relationship between the implementation of public policies and the use of artificial intelligence.
- H7: There is a relationship between the implementation of public policies and the level of tax evasion.

Research Methodology

This research uses primary data with a survey method or a questionnaire using google forms as an entity for data collection (Ariyanto, 2020). Respondents are the regional taxes in Batam. This is due to tax evasion, which can only be done when the entity owns the obligation tax (Khalil & Sidani, 2020). Measurements used in the analysis are a Likert scale, and a questionnaire was provided with a 5-point starting option from very no to strongly agree (Douven, 2018). The scale is evaluated to produce quantitative data for a subject (South et al., 2022). Determination respondents use Roscoe's formula; however, because Smart PLS requires at least more data from the results established by Roscoe's formula, a final sample was used in the form of 143 respondents taken with random sampling.

Table 1

Variable Measurement Index

Variable	Statement	Source
Tax Evasion	Do transaction goods or service with Friend or neighbor need reported in form tax.	Torgler et al. (2008)
	Get profit from investment or flower need reported in form tax.	
	Report income in detail without not enough even a little bit in form tax.	
	Report income in accordance with regulation existing taxes.	
	Report all over income, incl income side.	
Public Policies	Tax value income has determined in a way fair.	Ariyanto et al. (2020)
	I feel guilty moment no pay tax with Correct.	
	I've already accepted profit from my taxes give. (infrastructure general)	
	People who have high income must pay tax taller.	
	System taxation in Indonesia already walk with right and fair.	
Control of Corruption	In Indonesia it is rare happen case corruption country income.	Amoh & Nakyea (2019)
	Throughout Indonesia company already obedient with regulation existing taxes.	
	In Indonesia the government siding neutral and not siding to company or individual certain	
	In Indonesia it is rare happen case extortion or wild picks.	
	In Indonesia it is rare happen case bribe for profitable party certain	
Artificial Intelligence	I feel easy DJP system used	Chang Lee et al. (2008)
	I feel DGT system already own complete features about taxation	
	I feel the layout DGT system already strategic	
	I'm getting easier for report tax through DGT system.	
	I feel the DJP system makes things easier obligation I	

Results and Discussions

Measurement Model

In this study, the SmartPLS application was used to analyze the results of the previously announced questionnaire. Measurements are carried out by carrying outer and inner loading, which measures the level of convergent validity, discriminant validity, reliability, and significance of the existing hypothesis. To measure convergent validity, we use the average

variance extracted method, which is shown in Table 1. In this case, we only look at AVE Control of corruption values that exceed 0.5. Tax evasion cannot be separated from corruption control because they have a close relationship (Yamen et al., 2018). To assess discriminant validity, the method used is the heterotrait-monotrait ratio (HTMT) is a technique used to test discriminant validity in PLS-SEM. This technique compares the correlation values between two different constructs (heterotrait) with the correlation values between indicators and the same construct (monotrait). As shown in table 2, to measure the relationship between variables, the HTMT ratio results are all above 0.09. Next, to measure reliability, we used Cronbach's alpha and composite reliability methods in Table 1. Except for the artificial intelligence and public policies variables, all variables have exceeded 0.7. According to Sarstedt et al. (2023), CA and CR values must be greater than 0.7. So, it can be said that several variables are in accordance with the criteria.

Table 2

Convergent Validity & Reliability

	Cronbach's Alpha	rho_A	Composite Reliability	Average Variance Extracted (AVE)
Artificial Intelligence	0.212	0.208	0.199	0.049
Control of Corruption	0.940	0.947	0.937	0.750
Moderating Control of Corruption	1000	0.197	1000	1000
Moderating Public Policies	1000	0.087	1000	1000
Public Policies	0.255	0.420	0.374	0.122
Tax Evasion	0.743	0.780	0.756	0.391

Table 3

HTMT Ratio

	ARTIFICIAL INTELLIGENCE	CONTROL OF CORRUPTION	MODERATING CONTROL OF CORRUPTION	MODERATING PUBLIC POLICIES	PUBLIC POLICIES	TAX EVASION
Artificial Intelligence	0.222					
Control of Corruption	-1.407	0.866				
Moderating Control of Corruption	-2.463	0.958	1.000			
Moderating Public Policies	1.520	-1.180	-1.334	1.000		
Public Policies	1.987	-0.466	-1.421	0.224	0.349	
Tax Evasion	1.316	-0.214	-1.004	0.015	1.413	0.626

Structural Equation Modeling

Table 4

Hypothesis Construct

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (O/STDEV)	P Values
Artificial Intelligence -> Tax Evasion	0.084	0.115	0.115	0.732	0.465
Control of Corruption -> Artificial Intelligence	-0.495	-0.488	0.072	6.864	0.000
Control of Corruption -> Tax Evasion	0.157	0.156	0.131	1.195	0.232
Moderating Control of Corruption -> Tax Evasion	-0.248	-0.264	0.115	2.149	0.032
Moderating Public Policies -> Tax Evasion	-0.110	-0.114	0.143	0.767	0.443
Public Policies -> Artificial Intelligence	0.442	0.458	0.069	6.375	0.000
Public Policies -> Tax Evasion	0.638	0.588	0.144	4.437	0.000

The results of the PLS analysis show that, by observing the P value below 0.05, it can be seen that public policies have a significant effect on tax evasion, and AI can moderate the control of corruption against tax evasion levels significantly. In accordance with Giombini et al. (2018), the level of tax evasion is greatly influenced by regulations within society. However, artificial intelligence cannot determine the impact of public policies on tax evasion. Thus, it is proven that public policies are significantly related to the level of tax evasion. Although AI can moderate the control of corruption against tax evasion levels, it is not proven significant. With the proven significance of public policies, we can see that control of corruption itself does not directly impact tax evasion levels. However, with the assistance of artificial intelligence as a direct intermediary between individuals, the control of corruption can reduce tax evasion. Artificial intelligence assists humans in daily tasks such as controlling corruption (Dhamija & Bag, 2020).

Previous research relevant to the analysis results includes Giombini et al. (2018), who stated that the level of tax evasion is greatly influenced by societal regulations. Dhamija and Bag (2020) revealed that artificial intelligence can assist in daily tasks such as the control of corruption. Yamen et al. (2018) found that an environment with weak tax law enforcement can increase the likelihood of corruption and tax evasion. Ozili (2020) stated that control of corruption is necessary as a deterrent to corruption, which can drive officials to seek additional income through corruption. Referring to previous research, the analysis results contribute relevantly to the understanding of the influence of public policies, control of corruption, and artificial intelligence on the level of tax evasion.

Conclusions

Based on the research findings, it can be concluded that the hypotheses supporting the research from the analysis results are as follows: Public policies have a significant influence

on tax evasion. Public policies have a significant influence on artificial intelligence. Controlling corruption has a significant influence on artificial intelligence. The moderating variable on control of corruption has a significant influence on tax evasion. However, the hypotheses not supported by the research and the analysis results are as follows: Artificial intelligence does not have a significant influence on tax evasion. Control of corruption does not have a significant influence on tax evasion. The moderating variable of public policies does not have a significant influence on tax evasion. Thus, these research results indicate that public policies, the control of corruption, and the modulating control of corruption have significant influences on both tax evasion and artificial intelligence. The research is expected to provide insights into a multi-stakeholder perspective on tax avoidance, both from the tax reporting and corporate tax sides, as well as the increase in state taxes.

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