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Analyzing Ethnic Chinese Tax Evasion Behavior from Ethical and Government Trust Perspectives

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ABSTRACT	INFO ARTIKEL
<p>This study seeks to identify the determinants of tax evasion among MSMEs owned by Ethnic Chinese in the DI Yogyakarta region. The ethnic diversity in Indonesia may foster divergent perspectives on taxation, posing challenges in the enforcement of tax legislation. This study employs Structural Equation Modelling (SEM) for data analysis. This study surveyed 80 respondents from Ethnic Chinese MSMEs, revealing that trust in the government and patriotism do not influence tax evasion intentions, however ethics do impact tax evasion intentions, and faith in the government can enhance patriotism. While trust in government may enhance patriotism, patriotism alone is insufficient to diminish intents of tax cheating. This study demonstrates that an individual's choice to engage in tax fraud is shaped by their internal moral principles rather than external perceptions of achievement.</p> <p>© 2025 Kantor Jurnal dan Publikasi UPI</p>	<p>Article History: <i>Submitted/Received 01 January 2025</i> <i>First Revised 5 January 2025</i> <i>Accepted 13 January 2025</i> <i>First Available online 26 April 2025</i> <i>Publication Date 26 April 2025</i></p> <hr/> <p>Keyword: <i>Chinese-Indonesiam Ethnicity, Ethics, Government Trust, Intent to Evade Taxes</i></p>

1. INTRODUCTION

Tax evasion adversely affects government cash, hence impairing the government's capacity to address internal issues and economic crises (Ozili, 2020). The determinants that drive taxpayers to engage in tax evasion are categorized into internal variables, including ethics, tax morals, and comprehension of taxation, and an external component, tax justice, which influences tax evasion (Kassa, 2021; Tarmidi et al., 2020).

This research builds upon the findings of Tarmidi et al (2020) and Ryšavá & Zídková (2021). Tarmidi et al (2020) assert that taxpayer ethics influence the inclination to refrain from tax avoidance. Ryšavá & Zídková (2021) elucidate that public trust in government and patriotism positively affect taxpayer compliance levels. This study posits, based on prior research Ryšavá & Zídková (2021) and Tarmidi et al (2020), that internal factors are the primary drivers influencing the decision to engage in tax evasion, particularly regarding taxpayer motivation (Tarmidi et al., 2020). The ethnic diversity in Indonesia may foster differing perspectives on taxation, hence posing challenges in the execution of tax laws. This study seeks to identify the determinants that affect tax evasion among ethnic Chinese-owned MSMEs in the DI Yogyakarta region.

The studies by Ryšavá & Zídková (2021) and Tarmidi et al (2020) fail to account for the conditions of pluralism and the varying perspectives of entrepreneurs influenced by ethnic and cultural distinctions, particularly in a diverse nation such as Indonesia. This study establishes a conceptual framework for the internal variables that lead taxpayers to engage in tax cheating inside micro, small, and medium enterprises (MSMEs) with a turnover below IDR 4.8 million among the ethnic Chinese community in Yogyakarta. Ethnic Chinese are immigrants who constitute a subculture in Indonesia and share the same tax duties as the indigenous population (Prastiwi & Tresnajaya, 2021). In Indonesia, Ethnic Chinese dominate approximately 70% to 80% of the commercial sector (Triana et al., 2021). This indicates that the commercial sector in Indonesia is mostly dominated by Ethnic Chinese, making the examination of tax fraud among Ethnic Chinese taxpayers residing in Yogyakarta a compelling subject of study.

Micro, Small, and Medium Enterprises (MSMEs) are a fundamental component of Indonesia's economy. According to figures from the Ministry of Cooperatives and SMEs in 2021, Indonesia had 64.2 million MSMEs, contributing 61.07% to GDP. This situation contradicts the reality that the ultimate income tax contribution of MSMEs amounts to merely IDR 7.5 trillion, or approximately 1.1% of the overall income tax of IDR 711.2 trillion for the same year. This indicates that MSME tax compliance is low and susceptible to tax evasion (Suprihatin, 2022; Tahar et al., 2023).

This study will investigate the intention behind tax evasion perpetrated by Ethnic Chinese in Yogyakarta. Yogyakarta exemplifies the ethnic and cultural diversity of enterprises in Indonesia. The Special Region of Yogyakarta imposes stringent limitations on the rights of Ethnic Chinese residents, while nevertheless requiring compliance with the same tax duties (Tania & Satriawan, 2021; Wasisto, 2023). This study will analyze the conceptual framework on the influences of ethics, governmental trust, and patriotism on the tax evasion intentions of ethnic Chinese taxpayers in Yogyakarta.

This study posits three factors inherent to the taxpayer that influence tax evasion. Taxpayer ethics influence tax avoidance. An individual with ethical principles typically refrains from engaging in tax evasion, which is deemed an improper act (Tarmidi et al., 2020). An affirmative disposition towards taxation is fostered by the ethical principles of taxpayers (Owusu et al., 2020). This study posits that taxpayer ethics are shaped by cultural influences

that affect individual behavior (Beaulieu et al., 2019). Ethnic Chinese-Indonesians adhere to a Confucian culture rooted in the principles of Rén (humanity, 仁), Yì (feasibility, 义), and Lǐ (truth, 礼), which can influence the ethical conduct of ethnic Chinese-Indonesian taxpayers about tax fraud (Chen et al., 2021). Secondly, confidence in government affects tax responsibilities and patriotism. This research posits that the faith of taxpayers from a specific ethnicity in the government is affected by racial concerns or the historical context of that race. Previous multicultural experiences influence current trust in the government (Kong, 2013). Historical context influences faith in government, subsequently shaping national pride and affection, which ultimately impacts citizens' perspectives on tax cheating.

This research is significant as it identifies the elements that prompt taxpayers of Chinese ethnicity, as a migrant subculture residing in Indonesia, to engage in tax evasion intentions stemming from within the taxpayer. The findings of this study can serve as a reference for the government in formulating policies aimed at reducing tax evasion through enhanced obligatory understanding of tax compliance requirements. This research enables the government to ascertain necessary corrective measures to restore taxpayer trust.

Adams & Freedman (1976) elucidate in equity theory that it centers on the perception of fairness in social exchanges. The idea posits that individuals strive to achieve equilibrium between inputs (contributions) and results (rewards) to others. Equity theory elucidates how humans perceive and react to fairness in social relationships, emphasizing the significance of balance and reciprocity in sustaining peaceful interactions.

The aforementioned explanation indicates that the perceived unfairness perpetrated by the government may incite the community to adopt a stance of tax non-compliance, leading to acts of tax evasion (Nwadighoha, 2020). Taxpayers perceive unfairness when the advantages or services rendered by the government are not commensurate with the taxes paid (Oladipo et al., 2022). The perception of taxpayers on the inequity of the tax system, perceived as unjust, may diminish their trust in the government, adversely influence their patriotism, and may even lead to acts of tax evasion.

Tax evasion occurs when a taxpayer diminishes their tax liability or fails to remit taxes following the true circumstances. Numerous prior research has investigated the factors that contribute to individual tax evasion intents. Perceptions of inequity, diminished faith in tax authorities, and inadequate treatment of taxpayers foster a propensity for tax fraud (Alleyne & Hariss, 2017). Furthermore, Owusu et al (2020) discovered that tax morale has an inverse relationship with tax evasion intents. Tax evasion affects the progression of entrepreneurial activities, which are primary catalysts of economic growth (Mohammadi Khyareh, 2019). MSMEs significantly impact poverty alleviation in Indonesia, both directly and indirectly (Nursini, 2020). This indicates that MSMEs play a crucial role in the Indonesian economy, and tax evasion within this sector will undoubtedly detrimentally impact state earnings.

Ethnic Chinese-Indonesians initially arrived in Indonesia as traders from China and are now acknowledged as one of the ethnic groups in Indonesia per Undang-undang Number 12/2006 of the Republic of Indonesia (Suharnomo & Syahruramdhan, 2018). Ethnic Chinese contribute to the Indonesian economy, particularly in small and medium-sized enterprises (Tan et al., 2019). Nursini (2020) asserted that SMEs diminish both the poverty rate and the poverty gap and severity index. The significance of ethnic Chinese-Indonesians in the success of SMEs in Indonesia is substantial.

Yogyakarta possesses a significant ethnic Chinese demographic, particularly within the SME sector that propels the region's economy (Koning, 2007). This study aims to examine the

elements influencing tax evasion intents among ethnic Chinese SME taxpayers in Yogyakarta, providing guidance for the government in formulating tax policy.

Hypothesis

Ethics enables individuals to differentiate between good and wrong, so guiding them in making suitable decisions amidst uncertainty and conflicts involving values, beliefs, and actions (Nkuda et al., 2023; Ofurum & Gabriel, 2019; Tarmidi et al., 2020). Ethics and culture exert mutual influence on one another (Segon & Booth, 2013). This study employs ethics as a variable influencing tax evasion intents. Tan et al (2021) demonstrate that the ethical ideals inherent in individuals stem from taxpayer culture. Ethics are shaped by the cultural values intrinsic to society, which can affect individual attitudes and actions (Dyczewski, 2016), as well as influence personal perspectives on problem-solving, the decision-making process, and the delineation of behavior deemed ethical (Beaulieu et al., 2019). This research posits that a taxpayer's ethics may be cultivated through a culture transmitted across generations, hence influencing individual views (Fall, 2004; Hagerty & Rubinov, 2019; Lu et al., 2022). The ethical framework of ethnic Chinese taxpayers is rooted in Confucian tradition, which influences their approach to tax obligations, perceiving tax evasion as an evil conduct (Chen et al., 2021).

Taxpayers with strong ethical principles will refrain from tax evasion, recognizing it as a violation of legal and societal standards (Tarmidi et al., 2020). Findings indicate that taxpayer ethics influence compliance with the idea that paying taxes is a moral obligation (Lukman et al., 2023; Robbins & Kiser, 2020). This requirement is relevant when taxpayers view ethical conduct as a reciprocal action from the government in exchange for the utilization of taxes by the state (Ariyanto, 2020). When taxpayers perceive injustice and inadequate tax administration by the government, those with elevated ethical standards are more likely to want to evade taxes (Ludigdo et al., 2023). This study uniquely examines the influence of ethics on tax fraud intents within the Chinese ethnic group, which plays a significant role in the Indonesian economy. According to equity theory, taxpayers recognize a balance between their tax contributions to the state and the indirect advantages they receive in return (Irawan & Sebayang, 2022). This study posits that when a taxpayer's ethical standards increase, the propensity to engage in tax evasion diminishes or becomes nonexistent. Consequently, the researcher formulates the subsequent hypothesis:

H1: Ethnic Chinese taxpayers with elevated ethical standards have diminished inclinations to evade taxes.

The government significantly impacts the degree of tax compliance. If individuals perceive government actions as equitable, trust in the government will be established (Güzel, 2019; Oladipo et al., 2022). Confidence in the government motivates SMEs to fulfill tax responsibilities (Alshira'h et al., 2020; Muflihah & Nuswantara, 2021). A decline in taxpayer confidence in the government will result in an increased propensity for tax evasion (Alleyne & Hariss, 2017). The findings of Alm & Barreto (2024) indicate that a decline in trust in the government correlates with an increase in tax evasion. Contradictory findings emerged in other studies, indicating that trust in the government was insufficient to demonstrate the effect of diminishing tax evasion (Taing & Chang, 2021). According to equity theory, historical events serve as inputs for ethnic Chinese-Indonesians, while faith in the government functions as an output, ultimately influencing the tax evasion intentions of ethnic Chinese taxpayers. This study posits that increased taxpayer trust in the government correlates with a diminished propensity to evade taxes. Conversely, taxpayers with diminished faith in the government exhibit non-compliant behavior and may engage in tax evasion. Consequently, the fourth hypothesis of this investigation is as follows:

H2: Ethnic Chinese taxpayers exhibiting high levels of faith in the government demonstrate diminished intents to evade taxes.

The quality of government and its policies contribute to enhancing public trust (Alfionita & Gunawan, 2020), which can influence citizens' perceptions of the state, thus fostering patriotism (Irhasy & Habibah, 2024). Confidence in the government encourages individuals to act appropriately, hence fostering law and order (Mansoor, 2021). Patriotism can be fostered by equitable governmental policies, but contentious policies may undermine it (Irhasy & Habibah, 2024). Patriotism can be cultivated by popular confidence in the administration (Gangl et al., 2016; Richey, 2022). Individual patriotism influences political trust and is a significant factor in the connection between perceived injustice and political trust (Moon & Travaglino, 2024).

Intercultural interactions can foster trust in government (Kong, 2013). Ethnic Chinese-Indonesians possess a lengthy and tumultuous history originating from the Dutch colonial administration (Turner & Allen, 2007). A greater number of positive experiences correlates with increased trust, whereas bad prior experiences hinder trust development (Latusek & Olejniczak, 2016). Once trust is eroded, the government will struggle to restore public confidence (Damico et al., 2000; Jamison et al., 2019; Morckel & Terzano, 2019). Vaidelytė et al (2021) assert that in cultures characterized by social and cultural disparities, ethnic and racial minorities exhibit diminished faith in governmental institutions. Historical experiences of ethnic Chinese-Indonesians can influence their trust in the Indonesian government, hence impacting their patriotism. This research posits that an individual's trust in the government correlates positively with their level of patriotism. Consequently, the researcher formulated the second hypothesis as follows:

H3: Ethnic Chinese taxpayers with a strong trust in government demonstrate elevated levels of patriotism, and conversely.

Patriotism can be defined as an individual's disposition of striving for and taking pride in their nation (Ryšavá & Zídková, 2021). Patriotism affects the tax compliance of individuals who generally do not rationalize tax fraud (Alshira'h et al., 2020; Ryšavá & Zídková, 2021). An individual who takes pride in their nation and demonstrates support will fulfill tax responsibilities and refrain from tax evasion (MacGregor & Wilkinson, 2012; Zahoor et al., 2023). The findings of Nazaruddin (2019) indicate that taxpayers exhibiting a strong sense of patriotism demonstrate honesty in reporting their income and compliance in tax payment.

Conversely, Mayapada et al (2021) discovered that patriotism bore no correlation with taxpayer compliance. This study posits that taxpayers exhibiting strong patriotism will fulfill their tax duties and refrain from tax evasion. This study investigates the patriotism of ethnic Chinese and its correlation with tax evasion intents, leading to the formulation of the third hypothesis:

H4a: Ethnic Chinese taxpayers exhibiting high levels of patriotism demonstrate a low intention to evade taxes, and conversely.

Patriotism and governance can enhance taxpayer compliance (Alshira'h et al., 2020). A lack of taxpayer confidence in government results in apathy towards taxation (Inasius, 2019). Moreover, the moderate role of patriotism enhances tax compliance via tax penalties and audits (Alshira'h & Abdul-Jabbar, 2019). This study posits that intents to evade taxes will diminish if taxpayer belief in governmental patriotism increases. Consequently, this study formulates hypothesis H4b as follows:

H4b: Patriotism mediates the relationship between trust in government and the intention to evade taxes among Ethnic Chinese taxpayers.

Figure 1 illustrates the tax evasion intention model.

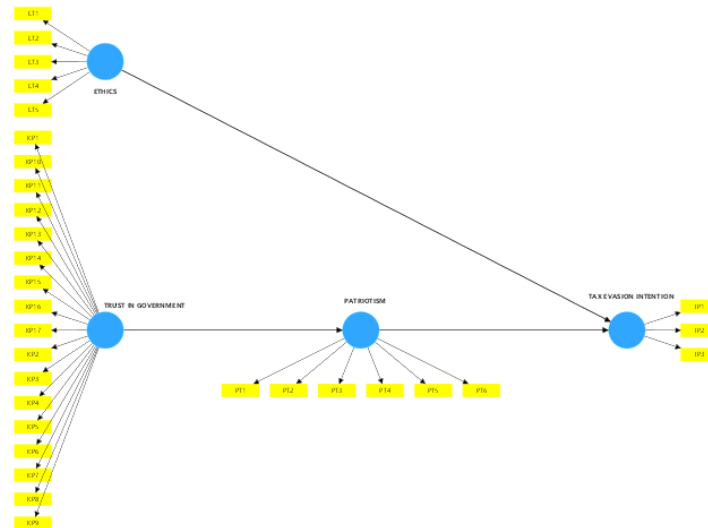


Figure 1. Conceptual Framework

2. RESEARCH METHOD

Data and Sources

This study encompasses data acquired from surveys on individual taxpayers' intentions on tax avoidance. The sample utilized in this study comprises individual taxpayers of Chinese ethnic MSMEs in Yogyakarta. According to (Chin, 1998), the sample size in SEM PLS can be calculated as ten times the number of endogenous variables, resulting in a minimum sample of forty for this investigation. Table 1 illustrates the sample selection procedure. This study garnered 101 replies from the distribution of questionnaires to ethnic Chinese MSME participants in Yogyakarta. This study examines MSME participants with a Taxpayer Identification Number (NPWP), comprising 83 respondents, alongside 18 additional respondents lacking an NPWP who are also included in the analysis. Upon testing the data, three samples were either destroyed or did not fulfill the criteria, resulting in a total of 80 usable data samples.

Table 1. Sample Selection

Description	Number of respondents
Quantity of MSMEs that completed the questionnaire	101
Micro, Small, and Medium Enterprises with Tax Identification Number	18
MSME without NPWP	83
Sample compromised/not compliant with specifications	3
Quantity of samples utilized	80

Source: Data processed in 2025

Variable Description and Measurement

This study seeks to explore the impact of ethics, trust in government, and patriotism on tax evasion intentions, as well as to assess the moderating role of patriotism in the link between trust in government and individual tax evasion intents among ethnic Chinese-Indonesian MSMEs in Yogyakarta. This study employs variable measurements derived from

prior research and adopts a seven-point Likert-type scale, ranging from strongly disagree (1) to strongly agree (7).

The intention to evade taxes serves as the dependent variable in this study and is assessed using three items in a questionnaire modified from Owusu et al (2020), which itself was derived from the original research by Alleyne & Hariss (2017). Ethics is a discipline that examines the moral standards of taxpayers (Velasquez, 2002) and serves as a behavioral guideline from a cultural perspective (Tan et al., 2021); thus, the ethics indicator scale comprises culture and moral standards. Chinese ethnic culture assessed by three elements derived from Confucianism, as developed by Ariyanto (2020) and Chen et al (2021). Simultaneously, moral standards were assessed using two measures derived from the study by Tarmidi et al (2020), which were adapted from the research conducted by Tarmidi & Waluyo (2014). The faith in government variable is assessed using 17 questions derived from Alshira'h et al (2020), which were based on Kaufmann et al (2007) and have been tailored to the Indonesian context. Ultimately, patriotism is assessed using six questions derived from Alshira'h et al (2020), which were based on the work of MacGregor & Wilkinson (2012).

Testing Method

This research employs a variance-based Structural Equation Model of Partial Least Squares (SEM PLS) methodology with smartPLS 4.0. Numerous prior studies employed SEM PLS because to its advantages in data analysis. SEM PLS amalgamates regression and factor analysis in model measurement, hence facilitating the identification of causal links among components via item assessment (Meuthia et al., 2023). Hair et al (2017) elucidate that PLS SEM is applicable for research models that are intricate, multidimensional, and comprised of multiple indicators.

This study, as referenced in Hair et al (2021), performed an evaluation of a PLS SEM model, which included both reflecting measurement model assessment and structural model assessment. The initial phase in assessing the reflecting measurement model involves quantifying the degree to which each indication is elucidated by its construct, hence demonstrating indicator dependability. The outer loading value that satisfies the test criterion is > 0.708 , as it accounts for over 50 percent of the indicator variance. The subsequent phase involves assessing internal consistency reliability, which includes Cronbach's alpha, composite reliability, and Rho_A, with a threshold value exceeding 0.70.

The third stage in assessing the reflective measurement model is the evaluation of convergent validity, which gauges the degree to which the constructs converge to elucidate the variation of each indicator. Any assessment of convergent validity utilizing average variance extracted (AVE) with a value beyond 0.50 is deemed valid. Ultimately, assess discriminant validity, which quantifies the degree to which a construct is empirically separate from other constructs within the structural model. The heterotrait-monotrait ratio (HTMT) evaluates discriminant validity of variables, proving more effective than alternative measures, with a threshold value of < 0.90 ; results beyond 0.90 are deemed incorrect.

Upon establishing the reliability and validity of the construct measures, the subsequent phase involves the evaluation of the structural model to evaluate all hypotheses. Structural model evaluation involves assessing the variance inflation factor (VIF) collinearity statistic to ensure the absence of multicollinearity among variables. Values below 5 suggest the absence of multicollinearity among variables (Hair et al., 2021). The subsequent phase involves hypothesis testing between variables by examining the t-statistic or p-value. The substantial impact between variables is demonstrated by p-values less than 0.1, with significance levels of 1%, 5%, and 10%.

3. RESULT AND DISCUSSION

The subsequent phase of this study will delineate the characteristics of respondents, model evaluation, and hypothesis testing analysis. Model evaluation in PLS encompasses the assessment of the measurement model and the structural model. This study employs descriptive statistical analysis and hypothesis testing with partial least squares (PLS). This study examines the variables of ethics, trust in government, patriotism, and intents about tax evasion.

3.1 Respondent Characteristic

The participants in this study were ethnic Chinese MSME operators in Yogyakarta. This study employs both paper and internet questionnaires. The online survey was administered via a Google Form link. The subsequent table delineates the characteristics of respondents categorized by gender, age, highest level of education, business type, ownership structure, duration of the business's establishment, monthly turnover, and ethnic Chinese heritage.

According to Table 2, the predominant demographic of respondents was male, including 44 individuals (55%), aged 46-55 years (23%), with the highest level of education being D3/D4/bachelor's degree (54%). Seventy-eight percent of respondents are MSME participants in the commerce sector, with self-owned businesses constituting the predominant company type at 78%. A majority of respondents, 54 individuals or 68%, have operated their firm for over 10 years, while 39 individuals or 49% have a monthly turnover of less than IDR 10,000,000. The Hokkien group comprised the majority of respondents, totaling 19 individuals or 24%.

Table 2. Respondent Characteristics

Criteria	Description	Total	%
Gender	Male	44	55%
	Female	36	45%
Age	20 - 35 years	14	18%
	36 - 45 years	12	15%
	46 - 55 years	22	28%
	56 - 65 years	18	23%
	> 65 years	14	18%
Highest Level of Education	Elementary School	4	5%
	Junior High School	6	8%
	Senior High School	25	31%
	D3/D4/ Bachelor S1	43	54%
	Master's Degree	2	3%
Type of Business	Doctoral Degree	0	0%
	Service	11	14%
	Trade	62	78%
	Manufacturing	0	0%
	Agriculture	0	0%
	Tourism and Hospitality	1	1%
Ownership Structure	More	6	8%
	Owned	58	73%

Criteria	Description	Total	%
	Family Business/inherited	22	28%
Duration of The Business's Establishment	1 - 5 years	12	15%
	6 - 10 years	14	18%
	> 10 years	54	68%
Monthly Turnover	< IDR 10,000,000	39	49%
	IDR 10,000,000 – IDR 25,000,000	23	29%
	> IDR 25,000,000 – IDR 50,000,000	10	13%
	> IDR 50,000,000 – IDR 208,000,000	7	9%
	> IDR 208,000,000	1	1%
Ethnic Chinese heritage	Hokkian	19	24%
	Hok-Cia	9	11%
	Hinghua	4	5%
	Hakka (Khek)	14	18%
	Kangfu (Kanton)	11	14%
	Tio Ciu	5	6%
	Unknown	18	23%

Source: Data acquired via the dissemination of surveys

3.2 Descriptive Analysis

Table 3 indicates that all respondent answers for each characteristic are favorable, with a score range of 1 to 7, signifying variability in the responses. The average responses of 2 signify disagreement, 3 denote slight disagreement, 4 reflect a neutral stance, 5 indicate slight agreement, and 6 represent agreement with the statement for each variable. The standard deviation ranges from 0.6833 to 1.8810. The standard deviation is less than the mean, indicating favorable outcomes.

Table 3. Descriptive Statistics

Indicators code	N	Mean	Median	Min	Max	Standard deviation
Intent to Evade Taxes						
IP1	80	2.900	2	1	7	1.8810
IP2	80	2.438	2	1	7	1.2530
IP3	80	2.212	2	1	5	0.6833
Ethics						
ET1	80	5.7870	6	1	7	1.1480
ET2	80	5.8120	6	2	7	1.1080
ET3	80	5.6000	6	2	7	1.0910
ET4	80	5.9750	6	3	7	0.6014
ET5	80	6.2750	6	1	7	0.6306
Trust in Government						
KP1	80	4.8880	6	1	7	1.6880
KP2	80	4.5000	4	1	7	1.7390
KP3	80	3.5000	4	1	7	1.6360
KP4	80	4.3620	4	1	7	1.5670
KP5	80	4.8380	5	1	7	1.5930
KP6	80	4.1620	4	1	7	1.6080

Indicators code	N	Mean	Median	Min	Max	Standard deviation
KP7	80	4.8750	5	1	7	1.7420
KP8	80	4.7870	5	1	7	1.5790
KP9	80	3.2250	3	1	7	1.7750
KP10	80	4.3250	4	1	7	1.8420
KP11	80	4.8120	5	2	7	1.2950
KP12	80	4.5250	5	1	7	1.7170
KP13	80	3.7500	4	1	7	1.6010
KP14	80	4.1500	4	1	7	1.6890
KP15	80	3.8250	4	1	7	1.6640
KP16	80	4.1620	4	1	7	1.7640
KP17	80	4.2500	4	1	7	1.8810
Patriotism						
PT1	80	4.7750	5	2	7	1.5160
PT2	80	3.8370	4	1	7	1.7140
PT3	80	5.6620	6	1	7	1.2240
PT4	80	2.7250	2	1	7	1.5080
PT5	80	2.7250	2	1	7	1.6580
PT6	80	3.8250	4	1	7	1.7300

Source: Data processed in 2025

3.3 Evaluation of the Measurement Model

The measuring model in this study is assessed reflectively, with a loading factor of ≥ 0.70 , composite reliability of ≥ 0.70 , and AVE of ≥ 0.50 , while discriminant validity is evaluated using HTMT < 0.90 . Several measurement items from variables that failed to match the criteria were eliminated, specifically IP1, IP2, ET1, ET2, KP3, KP4, KP5, KP6, KP10, KP11, KP12, KP13, KP14, PT3, PT4, and PT5. The measurement model testing indicates that the ethical variable is assessed using three valid items, with outer loading values ranging from 0.773 to 0.884. This indicates that the three measurement items exhibit a high correlation in elucidating the ethics of ethnic Chinese taxpayers. The ethical variable demonstrates acceptable reliability, as it surpasses 0.70, with a composite reliability of 0.863 and convergent validity shown by an AVE of 0.679.

The trust variable has an outer loading value ranging from 0.775 to 0.858, indicating that it is assessed using eight questions, which significantly correlate to elucidate the trust of ethnic Chinese taxpayers in the government. The reliability of the trust in government variable is satisfactory, as it surpasses 0.70, with a composite reliability of 0.937 and convergent validity demonstrated by an AVE of 0.649. The patriotism variable is assessed using three valid measuring items, with outside loadings ranging from 0.732 to 0.857. The reliability of the patriotism variable is deemed acceptable, since it surpasses 0.70, with a composite reliability of 0.937 and convergent validity demonstrated by an AVE of 0.634.

Hair et al (2019) assert that discriminant validity is assessed by the Heterotrait-Monotrait Ratio (HTMT), which yields more precise outcomes. The HTMT cutoff value is below 0.90. The model measurements in this study exhibit HTMT values below 0.90 for variable pairs. This study model satisfies the criteria for discriminant validity.

3.4 Structural Model Evaluation

Table 4. R-square

Variables	R-square
Intent to Evade Taxes	0.380
Patriotism	0.274

Source: Data processed in 2025

Prior to evaluating the structural model hypothesis, the study performed an inner VIF statistical test to ascertain the absence of multicollinearity among the variables. The study model exhibits an inner VIF value under 5, indicating a low level of multicollinearity among the variables. This enhances the impartial parameter estimation outcomes in SEM PLS. Table 4 presents the r-squared value for the intention to evade taxes. The table indicates that the intention to evade taxes is affected by ethics, trust in government, and patriotism to the extent of 38%, while the remaining 62% is attributable to other factors.

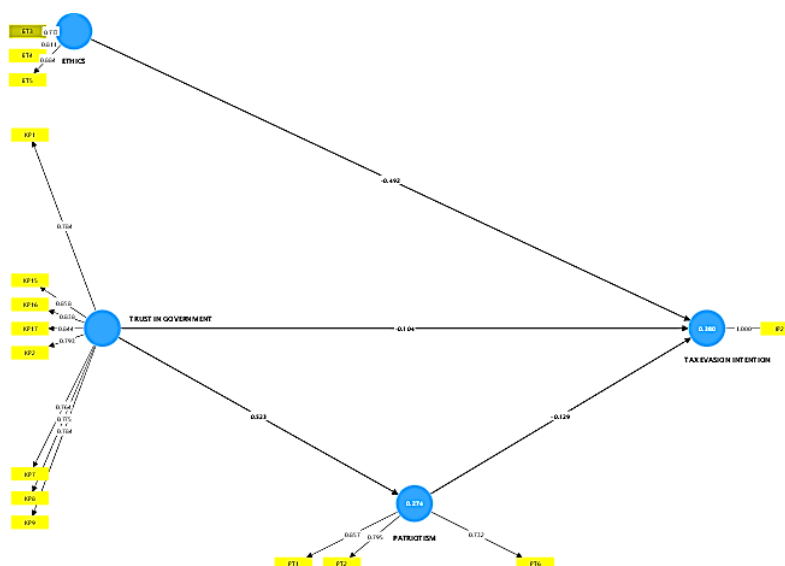


Figure 2. Path Coefficient

Source: Data processed by SmartPLS

Table 5. Hypothesis Testing

		Patch Coefficient	P-values	Sign	Description
H1	Ethics → Tax Evasion Intention	-0.492	0.000	***	Accepted
H2	Trust in Government → Intent to Evade Taxes	-0.104	0.112		Rejected
H3	Trust in Government → Patriotism	0.523	0.000	***	Accepted
H4a	Patriotism → Intent to Evade Taxes	-0.129	0.111		Rejected
H4b	Trust in Government → Patriotism → Intent to Evade Taxes	-0.068	0.122		Rejected

Notes: *** = significant level 1%; ** = significant level 5%; * = significant level 10%

Source: Data processed in 2025

According to Table 5, the findings of the initial hypothesis indicate that ethics exerts a negative and significant influence on tax evasion intentions, demonstrated by a path coefficient of -0.492 and p-values of 0.000, which is less than 0.1, so validating the first hypothesis. In contrast, the findings of the second hypothesis reveal that faith in the government does not influence tax evasion intentions, as evidenced by p-values of 0.112, which exceed 0.1, leading to the rejection of the second hypothesis. The findings of the third hypothesis indicate that trust in government exerts a positive and significant influence on patriotism, as demonstrated by a path coefficient of 0.523 and p-values of 0.000, which is less than 0.1, so validating the third hypothesis. Moreover, patriotism exerts no substantial influence on tax evasion intentions, as evidenced by p-values of 0.11, which exceed 0.1; thus, hypothesis H4a is rejected. Ultimately, patriotism does not moderate the influence of trust in government on tax evasion intentions, as evidenced by p-values of 0.122, which above 0.1; thus, hypothesis H4b is rejected.

The findings indicated that the ethical standards of an ethnic Chinese taxpayer exerted a negative and significant influence on intents to evade taxes. As the ethical qualities of Chinese ethnic taxpayers increase, their propensity to engage in tax fraud diminishes (Tarmidi et al., 2020). The ethical principles of ethnic Chinese taxpayers reflect Confucian cultural norms (Tan et al., 2021). Values such as Rén (humanity, 仁), Yì (feasibility, 义), and Lǐ (truth, 礼) establish a framework for behavior aligned with these principles, leading ethnic Chinese taxpayers to perceive tax dodging as an unethical conduct (Chen et al., 2021). The conclusions of hypothesis 1 are corroborated by the research of Lukman et al (2023), Robbins & Kiser (2020) Tarmidi et al (2020), which demonstrate that taxpayer ethical beliefs significantly impact tax evasion avoidance and enhance tax compliance.

The findings indicated that confidence in the government and patriotism did not influence an individual's propensity for tax evasion. A strong trust in the government does not ensure the absence of tax fraud (Wardana et al., 2022). The motivations behind tax evasion are unaffected by the government's performance, regardless of its quality (Karlina et al., 2021). This indicates that an individual's inclination to engage in tax fraud is not affected by external variables. The results of hypothesis 2 are corroborated by Taing & Chang (2021), which asserts that while faith in government plays a significant role, it is insufficient to deter individuals from engaging in tax evasion.

The findings indicated that confidence in the government can enhance the patriotism of ethnic Chinese taxpayers. The degree of faith in the government influences the actions of individuals who are patriotic, as evidenced by their contributions to national progress (Mansoor, 2021). The quality and policies of the government influence taxpayers' perceptions of their country. Equitable and accountable policies develop trust in the government, which indirectly promotes community patriotism (Irhasy & Habibah, 2024). The results of hypothesis 3 are corroborated by the studies of Gangl et al (2016) and Richey (2022), which indicate that an individual's patriotism may stem from a sense of trust in the government.

Further research indicates that patriotism is unrelated to the tax evasion intentions of ethnic Chinese MSME participants. Although there exists a sense of national pride, it does not dictate an individual's stance on tax cheating. The element of patriotism alone is inadequate to enhance taxpayer compliance, necessitating the consideration of additional elements (Konrad & Qari, 2012). The results of hypothesis H4a are corroborated by Mayapada et al (2021), which assert that patriotism does not compel individuals to consistently adhere to tax legislation.

This study's results demonstrate that patriotism does not moderate the relationship between trust in government and intentions to evade taxes. The level of trust in government

performance that promotes patriotism is insufficient to deter an individual's intents to evade taxes. This research indicates that an individual's choice to engage in tax evasion is shaped by their internal moral principles rather than external success standards.

This study also performed a robustness test to enhance the validity of the research model. A robustness test is conducted to verify the validity and impartiality of the model and study findings. The test was performed by analyzing respondent data categorized by gender and business type, as illustrated in Table 6. The results indicate that the hypothesized association among men, women, personal enterprises, and family businesses exhibits test outcomes that are largely consistent with those presented in Table 5. This indicates that the study model is impartial and valid.

Table 6. Robustness Test

		ET >> IP	KP >> IP	KP >> IP	PT >> IP	KP >> PT >> IP
ALL	Path Coefficient	-0,492	-0,104	0,523	-0,129	-0,068
	P-Values	0	0,112	0	0,111	0,122
	Sign	***		***		
	Description	Accepted	Rejected	Accepted	Rejected	Rejected
Male	Path Coefficient	-0,807	0,043	0,591	-0,067	-0,039
	P-Values	0,000	0,350	0,000	0,255	0,268
	Sign	***		***		
	Description	Accepted	Rejected	Accepted	Rejected	Rejected
Female	Path Coefficient	-0,557	-0,091	0,509	-0,281	-0,143
	P-Values	0,000	0,253	0,000	1%	0,030
	Sign	***		***	***	**
	Description	Accepted	Rejected	Accepted	Accepted	Accepted
Personal Enterprises	Path Coefficient	-0,540	-0,087	0,512	-0,170	-0,093
	P-Values	0,000	0,180	0,000	0,051	0,067
	Sign	***		***	**	*
	Description	Accepted	Rejected	Accepted	Rejected	Accepted
Family Businesses Exhibits	Path Coefficient	-0,734	-0,069	0,572	-0,183	-0,105
	P-Values	0,000	0,274	0,000	0,109	0,140
	Sign	***		***		
	Description	Accepted	Rejected	Accepted	Rejected	Rejected

Source: Data processed in 2025

4. CONCLUSION

This study concludes that ethics shaped by taxpayer culture significantly influence an individual's taxes attitude. Ethnic Chinese taxpayers influenced by Confucian culture cultivate ethical ideals to prevent tax cheating. This study found no correlation between trust in government and patriotism over tax fraud. The quality of a governmental system does not necessarily compel individuals to engage in ethical behavior regarding taxation. While faith in the government may enhance patriotism, the sentiment of love and pride for one's nation

does not ensure that taxpayers always adhere to tax requirements. This indicates that internal considerations of the taxpayer significantly influence tax actions. Consequently, to enhance taxpayer compliance, the government must also consider the prevailing culture among taxpayers.

This research demonstrates that a culturally taught approach to self-values, beginning at the familial level, is more effective in diminishing tax evasion intentions among ethnic Chinese in Indonesia than merely assessing government performance. Ethnic Chinese constitute 70% to 80% of MSME enterprises in Indonesia, prompting government initiatives to enhance taxpayer compliance among this demographic using persuasive measures at the familial level, the fundamental unit of society, to instill the principle of tax compliance. This strategy aims to enhance tax knowledge, hence reducing the likelihood of future tax evasion.

This study is limited in its assessment of Chinese-Indonesian ethnic culture, as it does not explicitly evaluate Chinese ethnic culture. The study's respondents were limited to the Yogyakarta area, potentially yielding different results in other places. Future studies may investigate additional elements influencing an individual's desire to evade taxes. The findings of this study may serve as a reference for the government in formulating tax laws aimed at mitigating tax evasion, taking into account the ethics and culture embraced by each taxpayer.

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