



# The Process of Promoting Employee Voluntary Tax Compliance in a Regulatory Alteration

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## ABSTRACT

The study examines the mediating effect of trust on the relationship between procedural fairness and voluntary tax compliance among employees required to report underpaid tax returns due to a regulatory change. This study surveys employees of a state university in Central Java, Indonesia. Our sample comprises 165 employees. The results suggest that procedural fairness and trust in authorities play crucial roles in promoting voluntary tax compliance. This study also reveals the complementary and partial mediation effect of trust on the relationship between procedural fairness and voluntary tax compliance. This study is the first to investigate the process of achieving voluntary tax compliance among employees in a regulatory-alteration context in a developing country. This study highlights the importance of tax authorities moving beyond the traditional compliance model by building trust through fair treatment when seeking to encourage honest tax reporting among employees.

**Keywords:** Tax Compliance, Trust in Authorities, Procedural Fairness, Employee

**JEL Classifications:** H20, H24, H26

## 1. INTRODUCTION

In Indonesia, individual taxpayers working at state universities are subject to Income Tax Law Article 21. Under applicable tax regulations, their income is subject to the final tax rate, preventing any tax underpayment at the end of the year. However, the conversion of a state university into a legal entity state university has an impact on the change of income tax reporting for employees working at the legal entity state university (Hamid and Christine, 2019). This change in tax reporting results in an underpayment of tax return, and under Indonesia's self-assessment system, employee taxpayers must voluntarily calculate, pay, and report their underpayments at the end of the year. The employee feels unwillingness to pay the underpaid tax return. This situation potentially motivates employee to underreport their income to avoid underpayments of tax return (Hamid and Christine, 2019).

The voluntary compliance is necessary to cope with unwillingness to pay tax (Kirchler et al., 2008). Accordingly, the possibility of employee's tax evasion motivates this study to investigate the process of raising voluntary tax compliance among employees.

Research on the process of achieving voluntary compliance remains limited. Fajriana et al. (2023) has examined that cognitive trust mediates the relation between fairness (procedural and distributive) and voluntary compliance among MSME taxpayers. Appiah et al. (2024) has examined SMEs operating within Ghana's oil city of Secondi-Takoradi. They found empirical evidence that tax fairness, tax system knowledge, and trust in government are significant antecedents of voluntary compliance. Their research also suggested tax fairness as mediator between tax knowledge and voluntary compliance. Kogler et al. (2015) demonstrated that voluntary compliance was predicted by procedural and distributive

## 2. LITERATURE REVIEW

### 2.1. The Regulatory Environment of Tax Reporting

Employees in Indonesia are subject to Income Tax Law Articles 21 of Government of Indonesia Regulation Number 58/2023 (Indonesia, 2023). The employers are mandated to withhold this tax from employees' salaries and pay the tax to the Directorate General of Taxes on their behalf (PWC Indonesia, 2024). The employees may receive income from other sources that are subject to Income Tax Law Article 21 and 23. For example, employees may receive dividends, interest, prizes, and awards that are subject to income tax under Income Tax Law Article 23. When a particular item of income is subject to withholding tax, the employee will receive income after tax. Tax payments made under the withholding system (Articles 21 and 23) will be treated as tax credits on the annual tax return. Employees who work at state university are categorized as civil servant. As civil servant, the withholder charged their salaries with certain tax rate that would not result in underpayment of annual tax return.

The Directorate General of Taxes in Indonesia has released the Circular Letter Number 34/PJ/2017. This regulation has changed the status of a state university into a legal entity state university. In a legal entity state university, the salaries of employees are paid from two source i.e., from the state budget and non-tax revenue. At the end of fiscal year, employee have to report their total income including additional income from other source (such as salaries, interest, award, and dividends). The accumulation of this income will be used to calculate the annual tax payment. When tax credit is lower than the annual tax burden then taxpayer will have to pay tax. To decrease or even avoid tax payment at the end of the fiscal year, taxpayers may choose not to report all or part of their income during the fiscal year. Taxpayers may attempt to minimize their tax obligations by concealing additional or irregular income during the year-end reporting. Concealing income can lead to serious repercussions.

In our setting, the organizational change background had consequences for employees' tax-reporting behavior. Employees at a legal entity state university must adapt to the new tax administration practices, including additional forms, a new method for calculating and filing tax returns, and funds to pay for underpaid annual taxes. Hamid and Christine (2019) suggested that most employees may feel reluctant and even unwilling to pay tax.

### 2.2. A Model for Promoting Voluntary Tax Compliance

This research investigates the process for coping with the unwillingness to pay tax among employee taxpayers based on the slippery slope theory and the fairness heuristic theory (Lind, 2001; Kirchler et al., 2008), partially among employee taxpayers. Furthermore, Indonesian tax regulations explicitly emphasize the critical need to achieve voluntary compliance. This objective also aligns with global practices, as many countries strategically design their tax systems to enhance voluntary compliance, believing it to be the most efficient method for increasing tax revenues (Jimenez and Iyer, 2016). Voluntary compliance signifies the willingness of taxpayers to comply with tax obligations without the need for enforcement actions (Kirchler et al., 2008).

fairness. The trust in authorities mediates those relationship. Gobena and van Dijke (2016) documented that the effect of procedural fairness on voluntary compliance was contingent upon legitimate power and coercive power. Cognitive-based trust also mediates the relationship between procedural fairness and voluntary compliance. Albab and Suwardi (2021) showed that trust mediates the tax knowledge and voluntary compliance. Similarly, Agusti and Rahman (2023) indicated that trust mediates the tax literacy and voluntary compliance. Overall, those studies examined self-employed and micro, small, and medium-sized enterprises (MSMEs) that pay taxes out of the pocket. All those studies had not investigated the process of achieving voluntary tax compliance among employees. Faizal et al. (2017b) also stated that voluntary tax compliance investigations involving employees are disproportionately scarce.

Research on tax compliance has expanded beyond the rational approach that maximizes individual utility. The socio-psychological approach has become a promising alternative for investigating tax compliance. This research applied two theories that have been widely examined in tax compliance research: The slippery slope theory and the fairness heuristic theory. This study adapted Kogler et al. (2015) to investigate the process of promoting voluntary compliance, particularly among employees required to report underpaid tax returns due to regulatory changes. The empirical model is chosen because it offers a parsimonious framework for investigating the process of achieving voluntary tax compliance. In this study, this model is applied to investigate whether the assumption of the underlying theory also applied in a population of employee that have change their reporting practice after the implementation of new regulation.

This research offers several contributions. First, this study contributes on research that move beyond the traditional model of tax compliance assuming taxpayer as utility maximizer. Under this assumption, compliance can be achieved only by applying enforcement or economic instruments such as audit and fines. This study supports the notion that non-economic factors have significant impact to achieve compliance since taxpayer are not always rational. The willingness to pay tax among employee arise through a psychological process related to their perceptions on authorities. Second, this research contributes to examining the fairness heuristic theory, which emphasizes the importance of taxpayers receiving fair treatment from the authorities. The regulatory alteration at institutional level impact on employee tax reporting. Without the existence of fairness perception, the employee would not take for granted the new regulation. Investigating the mechanism of the effect of procedural fairness on voluntary compliance is also important because the fairness principle is one that underlies voluntary tax compliance in Indonesia. Third, research on voluntary compliance has mostly involved self-employed or SME taxpayers who pay tax "out of the pocket." The motivation to comply on the workers who received income after tax is unrevealed. This research investigates voluntary compliance among employees to provide empirical evidence that the assumptions of the slippery slope framework also apply to employees who are involved in a withholding tax system.

Hofmann et al. (2008) identify factors that serve as preconditions for achieving voluntary compliance. The fairness heuristic theory identifies procedural fairness as a factor that determines voluntary compliance (Lind, 2001; Gobena and Dijke, 2017). Procedural fairness, often defined as the perceived fairness of the processes used to make decisions, has been linked to various outcomes, including satisfaction, commitment, and compliance. Meanwhile, the slippery slope theory identifies trust in authorities as a determining factor in voluntary compliance (Kirchler et al., 2008). Some empirical literature (Albab and Suwardi, 2021; Bornman, 2015; Fajriana et al., 2023; Murphy, 2004; Rachmawan et al., 2020) shows that the influence of voluntary procedural fairness on compliance is indirect and trust is an intermediary variable between the two variables. A critical aspect within this framework is the mediating role of trust, which serves as a vital mechanism through which procedural fairness influences voluntary compliance. As noted by Kirchler et al. (2008), the fair treatment of taxpayers is critical to building and maintaining trust. While, trust become determinant of attitude toward behavior (Hikmah et al., 2023; Kirchler et al., 2008). Bornman (2015) and Murphy (2004) show that trust is a variable that mediates the relationship between procedural fairness and voluntary compliance, while there is empirical literature that also shows the moderating role of trust in the relationship between procedural fairness and tax compliance (Gobena and Dijke, 2017). As noted by the slippery slope theory, trust in authorities leads to voluntary compliance; however Murphy (2004) and Hofmann et al. (2008) state that trust can arise as a result of fair treatment received by taxpayers. Therefore, this research examines the mediating effect of trust in the relationship between procedural fairness and tax compliance.

### 2.3. Hypotheses Development

Procedural fairness refers to the fairness of the decision-making processes carried out by authorities when allocating resources (Gobena and Dijke, 2017; Tan and Liu, 2016). Individuals often base their actions on their personal experiences regarding how authorities exercise their power (Murphy, 2004). According to fairness heuristic theory, people rely on their judgments about procedural fairness as a guide when faced with uncertainty regarding potential abuses of power by authorities. Moreover, individuals use their perceptions of procedural fairness to determine the level of investment they are willing to make in social collectives (Lind, 2001; van Dijke and Verboon, 2010).

Perceptions of procedural fairness reflect individual assessments of government behavior (Bornman, 2015). van Dijke and Verboon (2010) stated that taxpayers often feel confused about whether or not they can trust the tax authorities. In such situations, taxpayers use perceptions and experiences regarding tax fairness as heuristic guidelines when interacting with tax authorities. Therefore, the authorities' behavior will determine trust. Research indicates that procedural fairness enhances trust and legitimacy in decision-making processes (Faizal et al., 2017a; Fajriana et al., 2023; Rachmawan et al., 2020; Tan and Liu, 2016).

In our setting, employee have to change their routines in tax reporting because of the regulatory alteration. The institution provided tax assistants during the period of tax reporting. The

employees were able to consult and to discuss the problem in tax reporting. During the tax reporting process, employees are able to give "voice" to tax assistants. The opportunity to give "voice" is similar to fair treatment from authorities. The employees rely on this treatment to make judgment about procedural fairness. Their judgment that authorities treat them in fair manner will guide or minimize perception about potential abuses of power by authorities. As the result, employee will trust the authorities.

H<sub>1</sub>: Procedural fairness positively affects trust in authorities.

Trust is fundamentally defined as the "willingness to be vulnerable to the actions of another party based on the expectation that the other will perform a particular action important to the trustor, irrespective of the ability to monitor or control that other party" (Gobena and Dijke, 2017; Mayer et al., 1995). The slippery slope theory illustrates that trust is crucial in fostering synergy between taxpayers and tax authorities. In this synergistic relationship, both parties are fully aware of their rights and obligations. Taxpayers fulfilled their responsibilities with the firm expectation that tax authorities will manage tax affairs judiciously. Conversely, tax authorities trust that taxpayers will meet their tax obligations without the need for coercion. This mutual trust is essential; it cultivates a strong commitment to voluntary compliance with tax obligations (Appiah et al., 2024; Kirchler et al., 2008). The significance of trust in promoting voluntary compliance is not merely theoretical but is consistently reinforced through empirical research (Agusti and Rahman, 2023; Inasius et al., 2020; Wahl et al., 2010).

Employee in our setting work in academic environment. The environment supports for leading knowledge and information about the government programs including the objective of regulatory alteration and the allocation of tax revenue. Even though employees have underpaid tax return, they understand the reason of why they have to change their tax reporting. This setting creates trust in authorities and leads to the willingness to contribute voluntarily on social collective.

H<sub>2</sub>: Trust in authorities positively affects voluntary tax compliance.

The slippery slope theory clearly establishes that taxpayer trust is essential in creating a powerful synergy between taxpayers and the authorities, ultimately enhancing social welfare and facilitating the effective use of tax revenue for public facilities. A strong synergy climate directly correlates with an increase in voluntary compliance (Kirchler et al., 2008). According to Bornman (2015), interactions between taxpayers and tax authorities must be rooted in trustworthiness and driven by several key "drivers," with procedural fairness being paramount. Moreover, fairness heuristic theory underscores that voluntary tax payments are a crucial form of collective investment, fostering a sense of identity and ownership among taxpayers, while also contributing to improved state functioning. However, these dynamics can be exploited if authorities misuse their power. Individuals are likely to respond positively by increasing tax compliance when they perceive procedural fairness of authorities, as such behavior signifies trustworthiness and a commitment to not abusing power (Lind, 2001).

Trust is a crucial factor in understanding the relationship between procedural justice and voluntary compliance. It serves as a powerful mediator in this dynamic. Research clearly shows that when individuals perceive procedures as fair, their trust in the decision-maker significantly increases, leading to a higher likelihood of compliance with those decisions (Colquitt, 2001). The importance of trust is especially pronounced in situations where individuals have a vested interest in the outcomes, as it effectively reduces uncertainty and fosters cooperative behavior. In the realm of tax compliance, Murphy (2004) emphasizes that when individuals recognize that the authority operates fairly and impartially, treats them with respect, and values their input, they will undoubtedly trust the authority and comply with its decisions and regulations. H<sub>3</sub>: Trust in authorities mediates the relationship between procedural fairness and voluntary tax compliance.

### 3. METHODS

This study conducted an online survey among lecturers and staff at a state university in Central Java that has converted into a legal entity. This institution was selected because its employees are required to independently report income in accordance with Circular Letter Number 34/PJ/2017, the Indonesian Tax Authority. Employees at this university report underpayment of tax returns since the implementation of this circular letter. Previously, the withholder or the state university, charged their income under final tax rate that would not result in underpayment of tax return.

An online survey was conducted within 3 weeks from January 10 until January 31, 2025. This study conducted a survey that has been approved by the Faculty of Economics and Business of Diponegoro University under reference number 16/UN7.F2.1/AK/1/2025.

Before completing the online questionnaire, participants were presented with a statement at the beginning of the MS Form survey that explained the research objective, duration, and assurances of anonymity and confidentiality. The statement also clearly stated that the study is voluntary-based.

The informed consent was collected in a written form attached on the beginning part of online questionnaire. To proceed the survey, the participants were asked to choose whether or not to join the survey voluntarily by clicking the yes or no button. Clicking “yes” button indicated that participants has understood the objective of the survey and consciously became participant. If they agreed to join the survey then they will be proceeded to next questions, inversely, if they did not agree then the questionnaire will be ended. In other word, only participants who clicked the “yes” button able to continue the survey. Complying to the principles of the Declaration of Helsinki, this survey did not contain any harmful and uncomfortable treatments for participants.

This research distributed online questionnaire using MS Form through some WhatsApp groups for connections. A total of 175 individuals completed the questionnaire; however, 10 of them indicated that they did not work at a university, rendering their responses ineligible for the study. Consequently, the final sample used in the analysis consisted of 165 respondents.

The dependent variable is voluntary compliance, defined as the commitment to fulfill the moral obligation of paying taxes for the common good (Braithwaite, 2003:18). To measure voluntary compliance, we adapted an instrument from Braithwaite (2003), which includes eight questions. The independent variable is procedural fairness, measured using four questions developed by Kogler et al. (2015). The mediating variable, trust in authorities, is assessed through three indicators adapted from Tan and Braithwaite (2018) and Kogler et al. (2015). Respondents answered all questions using a Likert scale, where 1 indicates “strongly disagree” and 5 indicates “strongly agree.” This research employs partial least squares structural equation modeling (PLS-SEM) with WarpPLS 8.0 for testing the hypotheses.

### 4. RESULTS

Table 1 indicates that our respondents comprise 77 females (46.7%) and 88 males (53.3%). The academic staff dominate our respondents. 106 (64.2%) respondents are academic staff, while 59 (35.8%) are lecturers.

Convergent validity is achieved when the loading factor exceeds 0.6. One indicator of voluntary compliance (VCom7) has a loading factor below 0.6; therefore, this indicator is excluded from the analysis. Table 2 shows that all other indicators have factor loadings exceeding 0.6, indicating they meet the criteria for convergent validity. Additionally, there are no cross-loadings

**Table 1. Descriptive statistics**

Panel A				
Category	Respondents	%		
Gender				
Female	77	46.7		
Male	88	53.3		
Positions				
Lectures	59	35.8		
Academic staffs	106	64.2		
Panel B				
Variable	Minimum	Maximum	Mean	Standard deviation
Procedural fairness	1.75	5	3.852	0.801
Trust in authorities	1	5	4.09	0.850
Voluntary compliance	2.143	5	4.399	0.657

**Table 2: Standardized loading for each item**

Variable	Indicator	Factor loading
Voluntary compliance	VCom1	0.934
	VCom2	0.843
	VCom3	0.919
	VCom4	0.831
	VCom5	0.801
	VCom6	0.833
	VCom7	0.838
	VCom8	0.838
Procedural fairness	PFair1	0.833
	PFair2	0.893
	PFair3	0.917
	PFair4	0.832
Trust in authorities	TRA1	0.911
	TRA2	0.897
	TRA3	0.925

among the constructs, indicating that discriminant validity has been achieved.

The average variance extracted (AVE) value demonstrates convergent validity, which indicates the correlation among indicators within a construct. Convergent validity is established when the AVE value exceeds 0.5. As shown in Table 3, all constructs have AVE values above 0.5, confirming that they meet the criteria for convergent validity.

A reliable construct must also demonstrate internal consistency. Table 3 indicates that the composite reliability values for each construct exceed 0.7, thereby confirming construct reliability. Cronbach's alpha also exceeds 0.7, confirming the reliability achievement (Hair et al., 2022).

Discriminant validity is achieved when the square root of a construct's AVE is higher than the correlation between that construct and other constructs. Table 4 shows that the square root of the AVE for each construct exceeds the correlations of that construct with the different constructs. Overall, the analysis indicates that the constructs are valid and reliable.

Table 5 reports that the effect of procedural fairness on trust is 0.631 (P = 0.001), and that trust influences voluntary compliance with a value of 0.263 (P = 0.001) (Figure 1). These results support H<sub>1</sub> and H<sub>2</sub>. Both indirect influence paths are substantial and positive, indicating that they can be classified as complementary mediation (Hair et al., 2022).

The next step is to determine the type of mediation using the Kock (2021) method. The estimation results indicate that the direct effect coefficient of procedural fairness on voluntary compliance is 0.222, which is statistically significant (P = 0.001); (Figure 1 and Table 6 Section A). Additionally, the results in Table 6 reveal that the indirect effect of procedural fairness on voluntary compliance decreased to 0.166, but it remained significant (Table 6 Section B). This indicates partial mediation, whereby trust partially mediates the effect of procedural fairness on voluntary compliance. This form of partial mediation suggests that trust is not the only mediator in the relationship between procedural fairness and voluntary compliance; other mediating factors may also be present (Kock, 2021; Hair et al., 2022). Therefore, H<sub>3</sub> is supported.

### 5. DISCUSSION

The research results clearly demonstrate that perceptions of procedural fairness significantly enhance trust in authorities. When taxpayers perceive fair behavior by the tax authority, their confidence in that authority increases. This finding strongly supports the fairness heuristic theory, which asserts that the behavior of authorities is fundamental to establishing taxpayer trust. Fair treatment from authorities effectively dispels any concerns taxpayers may have about the arbitrary use of power. These empirical findings unequivocally affirm earlier studies (Faizal et al., 2017a; Murphy, 2004), which clearly shows that procedural fairness is a key factor in building trust in authorities.

**Table 3: Validity and reliability test**

Construct	AVE (minimum 0.5)	CR (minimum 0.7)	Cronbach alpha
Voluntary compliance	0.681	0.944	0.942
Procedural fairness	0.756	0.925	0.892
Trust in authorities	0.830	0.936	0.897

**Table 4: Discriminant validity**

Construct	PF	TR	VC
Procedural fairness	<b>0.870</b>	0.625	0.408
Trust in authorities	0.625	<b>0.911</b>	0.396
Voluntary compliance	0.408	0.396	<b>0.825</b>

Note: The bold values are the square root of the AVE

**Table 5: Path coefficient**

Path	Expected sign	Path coefficients	Conclusion
PF→TR	+	0.631***	H <sub>1</sub> is supported
TR→VC	+	0.263***	H <sub>2</sub> is supported

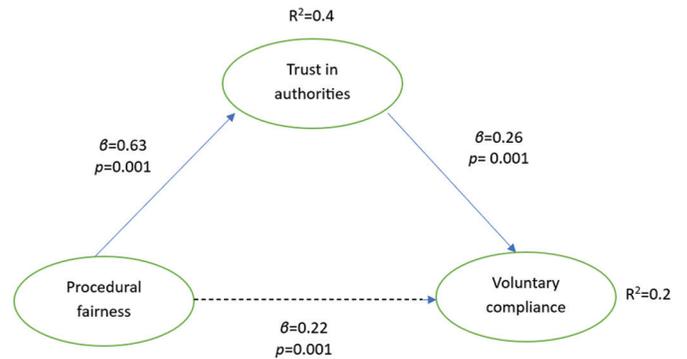
\*\*\*significant at 1%. PF: Procedural fairness, TR: Trust in authorities, VC: Voluntary compliance

**Table 6: Mediation effect test**

Structural path	Coefficient	P-value	Conclusion
Section A: Direct effect			
PF → VC	0.222	0.001***	Partial mediation
Section B: Indirect effect			
PF → TR → VC	0.166	0.001***	H <sub>3</sub> is supported

\*\*\*significant at 1%. PF: Procedural fairness, TR: Trust in authorities, VC: Voluntary compliance

**Figure 1: Partial least squares structural equation modeling analysis**



Our analysis unequivocally demonstrates the critical role of trust between authorities and employees in driving voluntary tax compliance. A strong trust-based relationship between tax authorities and taxpayers is essential for effective collaboration in funding public welfare. This result confirms Wahl et al. (2010), Appiah et al. (2024) and Agusti and Rahman (2023).

Furthermore, our research clearly shows that when authorities act fairly, taxpayers' fears of potential abuse of power are significantly alleviated. This fair behavior leads to trust in the relationship between the taxpayer and the authorities. The emergence of trust fosters robust voluntary compliance with tax regulations among taxpayers. This result confirms the process of achieving voluntary compliance through procedural fairness and trust (Murphy, 2004).

Our findings establish a definitive framework to achieve voluntary compliance for employees in a legal entity state university who feel unwilling to report an underpaid tax return, grounded in the principles of fairness heuristic theory (Lind, 2001) and slippery slope theory (Kirchler et al., 2008).

In Indonesia, employers, as withholding agents, collect income tax from employees' monthly salaries in accordance with Article 21 of the Indonesian Government Regulation Number 58/2023. Other payments to employees (such as dividends, interest, prizes, and awards) are also subject to income tax. These tax payments are treated as tax credits on their annual tax returns. Tax regulations require employees to report all kinds of income during a fiscal year. The perception that authorities allocate resources fairly will convince employees that they can be trusted to provide adequate public facilities. This belief emerges a commitment to obey tax regulations voluntarily. A voluntary commitment to comply is necessary, as employees' tax payments under a withholding system are treated as tax credits and will determine the tax payments due at the end of a fiscal year. The existence of voluntary compliance increases the likelihood that employees will report their annual tax returns honestly, even without enforcement.

Changes at the organizational level have consequences for the individual level. The change of a state university into a legally separate state university has affected its employee tax reporting. The employees of a legal entity state university feel unwilling to report underpaid tax return (Hamid and Christine, 2019). This feeling must be overcome to prevent the motivation to engage in tax fraud. Our findings provide a model of voluntary tax compliance among employees at a state university that must change its tax-reporting practices. In this study, the process of achieving voluntary compliance among these employees began with creating a perception of procedural fairness, which in turn fostered trust. The emergence of trust fosters a willingness to pay taxes voluntarily.

Consistent with the slippery slope theory Kirchler et al. (2008), the significant effect of trust on tax compliance indicates the presence of a synergistic tax climate that underlies the relationship between employees and tax authorities. The synergistic climate implied lower monitoring costs, since taxpayers would comply without enforcement. Moreover, Murphy (2004) stated that the enforcement mechanism, such as a tax audit, is costly. Overall, this study underscores an alternative approach to achieving compliance that did not rely solely on enforcement instruments such as audits and fines.

## 6. CONCLUSION

This research provides empirical evidence about the importance of procedural fairness and trust in achieving voluntary tax compliance among employees. This research also suggests that trust mediates the relationship between procedural fairness and increased employees' voluntary tax compliance. These findings are in accordance with the fairness heuristic theory and the slippery slope theory.

This research clearly indicates that, to achieve voluntary compliance, tax authorities must rethink their deterrence strategies in their interactions with taxpayers. These authorities must demonstrate fairness and neutrality in their tax policies. By adopting this approach, tax authorities will establish themselves as trustworthy entities that manage tax administration effectively and prioritize the public interest.

The limitations of this study are as follows. First, according to Bornman (2015), trust among taxpayers depends on their perceptions of legitimacy, procedural fairness, and identification with their group. This study has focused solely on procedural fairness. Future research could consider examining the other two factors. Second, the concept of fairness is a multidimensional construct. Farrar et al. (2020) recognized that the concept of tax fairness comprises the fairness of the tax assessment system, exchange equity, and vertical equity. Future research should examine the fairness in taxation using these dimensions.

In our setting, the university, as a withholding agent, is required to provide an informative system that supports tax administration for its employees, socializes the normative practice of tax reporting, provides facilities to support the filing and reporting of tax returns, and allocates tax incentives to its employees. These kinds of practical implications at the organizational level are critical to build a supportive environment for tax reporting and also eliminating the unwillingness to pay tax among employees.

This study also includes some policy implications. The number of employee tax payments may be small; however, the significant number of employee taxpayers who do not wish to pay tax will result in a loss of government revenue. Therefore, the directorate general of tax needs to develop strategies, other than merely the traditional enforcement strategies (such as audit and tax fines), to gain voluntary compliance, for example, determine a standard for tax administration, develop interpersonal skills in tax reporting, determine a code of conduct for taxpayers, and maintain good communication with the legal entity state universities. These steps are critical to building a perception of procedural fairness. The tax authorities also need to build trust by fostering positive communication between the tax account representative and the taxpayer; promoting a clean, non-corrupt tax administration; and allocating tax revenue to support citizens' interests.

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