

ABSTRACT

This study uses two independent variables (audit probability and goal conflict) to provide a theoretical explanation for individual's tax evasion judgments. While there is ample evidence on the deterrent effect of increased tax audit probability on tax payer noncompliance, there is less evidence related to the potential role that goal conflict (i.e., when tax payer's interests conflict with the interests of tax collecting agency) may have on noncompliance behavior. Therefore, we examine the effect of tax audit probability and goal conflict in individual's tax evasion judgments.

The goal conflict was taken from a case in Indonesia which happened in the beginning of year 2010. It happened when an employee of tax collecting agency misused the money which should be paid for the government in great amount. It caused many people take a boycott action for paying tax to the government for their incredulity to the tax collecting agency.

Results indicate that audit probability and goal conflict influence tax payers' evasion decisions. This result indicates though the audit probability is high and the goal conflict is high, the tax payer's compliance decision is still lower than when the goal conflict is low and audit probability is high.

Keywords : tax, tax compliance, tax evasion, audit probability, goal conflict