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SUSTAINABLE FINANCIAL GOVERNANCE : TAX COLLECTION AND MODERATING ROLE OF TAX AVOIDANCE IN CRYPTOCURRENCY ASSET

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ABSTRACT

The main objective of this investigation is to assess the impact of tax implementation on cryptocurrency asset exchanges, with tax avoidance as a moderating variable, in the context of Indonesia. The study population involves individuals actively engaged in crypto investments, possessing operational crypto accounts, and maintaining records of crypto transactions, totaling 100 respondents. The analytical framework includes various assessments, including Validity Test, Reliability Test, Classical Assumption Test, Multiple Linear Regression Analysis, Determination Coefficient Test, F Test, and t Test. The research findings reveal that tax implementation has a significant and negative impact on cryptocurrency asset transactions. Conversely, tax avoidance demonstrates a substantial positive influence in moderating the relationship between the two variables. Cumulatively, the variables involving tax implementation and tax avoidance as moderation together contribute to a 28.7% influence on cryptocurrency asset transactions. Based on these findings, it is recommended to consider how to implement taxes maximally and effectively without diminishing the level of crypto market activities since the technical aspect of tax avoidance strengthens the crypto market as a taxable entity itself.

Keywords: *Tax Collection; Cryptocurrency Asset Transactions; Tax Avoidance*

INTRODUCTION

Blockchain is a distributed ledger technology that was first introduced by Nakamoto and is quickly becoming well-known in a number of industries, sectors of the economy, and society. Its most common applications are in the field of virtual currencies, like Bitcoin. It operates as a fully decentralized blockchain-based system that simplifies the management of transactions for the virtual currency known as Bitcoin. The nature and volume of Bitcoin transactions that are stored in the blockchain reflect the behavior of Bitcoin owners. The way that bullish and bearish trends emerge in the cryptocurrency market is similar to how Bitcoin traders behave.(Alberto Javarone et al., 2023). In blockchain systems, there isn't a single point of authority or vulnerability. But social factors offer many opportunities to take advantage of these systems' trust and security. The use of cryptocurrencies as a prominent example demonstrates these trends. From the first cryptocurrency, Bitcoin, and Ethereum—the first well-known blockchain platform that used Ether, the second-largest cryptocurrency—to more complex, multi-layered, and occasionally unduly complex platforms for decentralized finance, or DeFi, their development has advanced dramatically (Serada, 2023). From a business perspective, the results offer detailed advice for traders, investors, and academics who wish to gain a deeper comprehension of these markets' features, particularly as interest in digital

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cryptocurrencies grows among organizations, individuals, and governments (Gil-Cordero et al., 2024).

Because the digital business is exclusive, the tax laws of many nations don't seem to be able to keep up with the quick changes that occur in this field. As a result, the policy discourse is subject to fluctuations. When making business decisions, hard-to-find actors and transactions become incentives to evade tax obligations (Probowulan & Tjaraka, 2024). There is still a dearth of trustworthy research to direct investors at this time. Regular users have no trouble using cryptocurrency exchanges, but they are hesitant to select a reliable exchange before trading (Ecer et al., 2024). In order to bridge the gap in the cryptocurrency exchange market and help society embrace the decentralized digital era, this research attempts to close that gap. To put it simply, the target portfolio takes into account non-financial factors like moral, ethical, and social concerns (Ciaian et al., 2024). The dynamics of supply and demand affect the prices of cryptocurrencies, which are digital assets that are traded on numerous international exchanges. The effectiveness of the cryptocurrency market has been the subject of numerous studies (Ananzeh & Al-Smadi, 2023).

Regulation No. 5 of 2019 by the Commodity Futures Trading Regulatory Authority (BAPPEBTI) of Indonesia has made trading cryptocurrency assets legal. According to reports, the number of Indonesians investing in cryptocurrency assets is expected to rise significantly, to reach 16.99 million by February 2023. The amount of money exchanged for cryptocurrency assets has also increased; in February 2023, transactions totaled IDR 13.8 trillion, up 13.7% from the same month the previous year.

Even though Indonesia has risen in the world in terms of cryptocurrency ownership—it now stands sixth with a 20.1% ownership rate—problems persist. Certain nations still find it difficult to adjust their tax laws to the demands of the digital economy, and the inherent crypticism and lack of regulation of blockchain technology invites malicious activity (Ullah & Havinga, 2023), This is intended to be addressed by Minister of Finance Regulation No. 68/PMK.03/2022, which establishes a solid legal framework for the oversight of cryptocurrency assets in Indonesia by taxing cryptocurrency asset transactions.

Taxpayer compliance is still a very complicated problem that practically every nation faces. Thus far, the taxpayer's personal characteristics and the tax system have been the two main influencing factors (Hidayat et al., 2023). According to research by (Wardani & Pesirahu, 2023) taxing cryptocurrency transactions may make people less inclined to make cryptocurrency investments. This is consistent with research by (Reznik, 2020), who discovered that taxes levied on cryptocurrencies for investment and business purposes in Denmark and Switzerland significantly limit the economic potential of cryptocurrencies. Nevertheless, this perspective does not fully align with the findings of (Abd. Majid et al., 2021), which asserts that tax collection on cryptocurrency trading transactions benefits the three primary players—crypto asset sellers, traders, and intermediaries in electronic systems—as well as the miners of cryptocurrency assets themselves.

Additionally, the research focuses on the practices of money laundering, which is the use of funds obtained through illicit means to give the impression that they originate from legitimate sources, and tax avoidance, which is the act of investors maximizing personal profits by taking advantage of legal loopholes. Tax avoidance strategies have a favorable effect on cryptocurrency asset transactions, claim

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(Romadhon & Andriani, 2023). In conclusion, a number of problems pertaining to cryptocurrency ownership and transactions in Indonesia point to complexities and difficulties that require attention. The purpose of this study is to better understand how tax collection affects cryptocurrency transactions by looking at tax evasion as a potential intermediary between the two variables.

Within the conventional asset pricing framework, attitudes and beliefs about asset returns serve as a basis for investor decisions. The significance of the investor environment and non-financial impacts in influencing differences in investment decisions across various sectors has been highlighted in recent literature (Ciaian et al., 2024). The gradual transition to a new model of economic development is indicative of the increasing intensity with which new digital technologies are being used. Venkata Marella, Bikesh Upreti, Jani Merikivi, and Virpi Kristiana draw attention to the fact that although cryptocurrencies do not have official backing from the national government, their foundation is built on essential technologies that enable transactions. While institutional support

is beneficial for traditional financial instruments, the adoption of cryptographic techniques boosts user confidence in cryptocurrencies. But rather than depending on people's trust, cryptocurrencies rely on technology to guarantee the security of financial transactions (Reznik, 2020).

Within the context of taxation, tax policy can be characterized more broadly as a strategy that utilizes tools of government spending and tax collection to influence societal inflation, employment opportunities, and productivity. Alternatively, it can be more narrowly defined as a strategy with implications. pertaining to the identity of the taxpayer, the nature of the tax base, the amount of tax due, and the mode of payment. In both cases, the community's interests should take precedence over other factors when determining tax policy (Romadhon & Andriani, 2023). Tax evasion is done to minimize business taxes by calculating the profit that an organization or business will receive (Yusuf & Maryam, 2022). Investors believe that tax avoidance will be viewed as efficient if audit risk is low (Walah et al., 2023). Technology may have a role in the rising incidence of tax avoidance and evasion since businesses with sophisticated tax planning teams have begun to utilize it (Siew Yee et al., 2018). Therefore, H1 can be formulated as follows: tax collection has an effect on crypto transactions, and H2: tax avoidance affects the relationship between tax collection and crypto transactions.

METHODS

In this study, an analysis was conducted on INDODAX, a cryptocurrency trading platform located on Jl. Sunset Road, Legian, Kuta district, Bali. The research focused on active crypto accounts engaged in transactions on INDODAX, with a specified sample size of 100 respondents. The primary method of data collection involved distributing questionnaires to cryptocurrency users on the INDODAX platform. A quantitative approach was employed, and the collected data will undergo further analysis using multiple linear regression through the Statistical Program for Social Science (SPSS).

RESULTS AND DISCUSSION

Participants in this study are cryptocurrency investors who have opened cryptocurrency accounts and made transactions on INDODAX. A four-week

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questionnaire distribution process yielded data from 100 respondents, which were then processed using SPSS (Statistical Program for Social Science). The bulk of respondents, or 52 people, or 52% of the total, are between the ages of 22 and 45, according to the results of the respondents' age characteristics. The age group over 45 has the fewest respondents (10 people, or 10%). Out of 75 respondents, or 75% of the total, the majority of respondents are male in terms of gender characteristics. There are 25 respondents, or 25% of the total, who are female.

Regarding the occupational characteristics of the respondents, the majority are business owners, accounting for 67 individuals or 67% of the total, while the fewest have specialized professions such as doctors, accountants, lawyers, etc., with 9 individuals or 9% of the total. With a Pearson correlation value (r calculated) > r table 0.302, the validity test results demonstrate the validity of all questionnaire items pertaining to the variables of tax collection, tax avoidance, money laundering practices, and cryptocurrency asset transactions. The instrument variables in this study, which include tax collection, tax evasion, money laundering practices, and cryptocurrency asset transactions, are deemed reliable based on the results of the reliability test since their Cronbach's alpha value is greater than 0.70.

Table 1. Results of the Multiple Linear Regression Test

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	25.469	1.485		17.148	**.000**
	Tax Collection	-.936	.146	-.710	-6.387	**.000**
	Moderasi	.032	.010	.370	3.327	**.001**

a. Dependent Variable: Cryptocurrency Asset Transactions

Source: *SPSS V27 (2023) Result*

From the results of multiple linear regression analysis in Table 1, the multiple regression equation can be expressed as follows: Y=25.469−0.936X1+0.032X2+eY=25.469−0.936X1+0.032X2+e

Where:

- α=25.469 indicates that when tax collection, tax avoidance, and money laundering practices are all set to zero (0), the constant value of cryptocurrency asset transactions will be 25.469.
- β1=−0.936 indicates that for every unit increase in tax collection, the cryptocurrency asset transaction variable will decrease by -0.936. The findings suggest that higher tax collection is associated with a decrease in cryptocurrency asset transactions.
- β2=0.032 indicates that for every unit increase in tax avoidance, the relationship between variable X1 and Y will increase by 0.032. The results imply that higher tax avoidance is linked to an increase in the relationship between tax collection and cryptocurrency asset transactions.

Table 2 Determination Coefficient Results

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.549[a]	.302	.287	2.84646

a. Predictors: (Constant), Moderasi, Tax Collection

Source: *SPSS V27 (2023) Result*

Based on the coefficient of determination test results in Table 2, the Adjusted R2 value obtained is 0.287. This means that (0.287 x 100) = 28.7% of the variation in the cryptocurrency asset transaction variable can be explained by the variation in the tax collection and tax avoidance variables. Meanwhile, the remaining (100 – 28.7) = 71.3% is influenced by other variables that were not examined in this study.

The Influence of Tax Collection on Cryptocurrency Asset Transactions.

The significance examination for tax collection (X1) concerning cryptocurrency

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asset transactions (Y) was partially executed through a t-test, contrasting the t-value significance with α (0.05). As per the t-test outcomes, it was determined that the coefficient t-value stood at -6.387, the regression coefficient value was -0.936, and the significance value obtained was 0.000 < 0.05. This indicates the rejection of H0 and the acceptance of H1, leading to the inference that tax collection exerts a negative and substantial influence on cryptocurrency asset transactions. The research proposes that an upsurge in tax collection would result in a reduction of cryptocurrency asset transactions, and conversely, a decline in tax collection would elevate cryptocurrency asset transactions.

The research aligns with prior studies conducted by (Wardani & Pesirahu, 2023) and (Reznik, 2020), indicating that tax collection has a negative and significant impact on cryptocurrency asset transactions.

The Influence of Tax Avoidance on the relationship between Tax Collection and Cryptocurrency Asset Transactions.

The significance test for tax avoidance (X2) as a moderator for the relationship between tax collection (X1) and cryptocurrency asset transactions (Y) was partially conducted through a t-test, comparing the t-value significance with α (0.05). Based on the t-test results, it was found that the coefficient t-value was 3.327, the regression coefficient value was 0.032, and the significance value obtained was 0.001 < 0.05. This implies the rejection of H0, and the acceptance of H2, concluding that tax avoidance has a positive and significant impact on the relationship between tax collection and cryptocurrency asset transactions. The study suggests that an increase in tax avoidance will enhance cryptocurrency asset transactions, and conversely, a decrease in tax avoidance will reduce cryptocurrency asset transactions.

This research is almost in line with prior studies conducted by (Sandie & Wibowo, 2022) and (Romadhon & Andriani, 2023), indicating that tax avoidance has a positive and significant impact on cryptocurrency asset transactions.

CONCLUSIONS

This study aims to explore the impact of tax collection and tax avoidance practices activities on cryptocurrency asset transactions in Indonesia. As a preliminary overview, key conclusions have been drawn during the analysis phase: 1)**Tax Collection: Findings:** Tax collection has a negative and significant impact on cryptocurrency asset transactions. **Empirical Support:** "Based on the t-test, the significance value of 0.025 < 0.05 indicates that an increase in tax collection will decrease cryptocurrency asset transactions." 2) **Tax Avoidance: Findings:** Tax avoidance has a positive and significant influence on the relationship between tax collection and cryptocurrency asset transactions. **Empirical Support:** "With a significance value of 0.000 < 0.05, the t-test results suggest that higher tax avoidance will increase relationship between tax collection and cryptocurrency asset transactions."

These findings offer a comprehensive overview of the complexities of factors influencing the cryptocurrency asset market in Indonesia. In this context, the research emphasizes the importance of understanding the impact of tax regulations and tax avoidance practices on the dynamics of cryptocurrency asset transactions in the country.

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