

Mental Accounting, Trust in Government, and Peer Effects on Generation Z's Tax Compliance Intention: The Mediating Role of Tax Morale

Linawati^{1*}, Susilawati², Hartono³

^{1,2,3} Pamulang University, Indonesia

**Corresponding Author: dosen01974@unpam.ac.id*

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ABSTRACT

This study aims to analyze the effects of mental accounting, trust in government, and peer effects on Generation Z's tax compliance intention, with tax morale as a mediating variable. A quantitative approach was employed using Partial Least Squares Structural Equation Modeling (PLS-SEM). Data were collected through a survey of 140 Generation Z respondents in South Tangerang City. The results show that mental accounting and tax morale have positive and significant effects on tax compliance intention. Peer effects do not directly affect tax compliance intention but have a positive and significant effect on tax morale. In contrast, trust in government has no significant effect on either tax compliance intention or tax morale. The mediation analysis shows that tax morale mediates the effects of mental accounting and peer effects on tax compliance intention but does not mediate the effect of trust in government. These findings suggest that Generation Z's tax compliance intention is more closely associated with moral internalization and social influence than with institutional legitimacy. This study contributes to the behavioral taxation literature by positioning tax morale as an important psychological mechanism in shaping young people's tax compliance intentions.

Keywords: *Mental Accounting; Trust In Government; Peer Effects; Tax Morale; Tax Compliance Intention*

INTRODUCTION

At the macro level, Indonesia's fiscal capacity continues to face considerable challenges. This is reflected in its tax ratio, which remains relatively low compared with that of G20 countries. Data from the OECD's Revenue Statistics in Asia-Pacific 2025 show that Indonesia's tax-to-GDP ratio stood at 12.0% during the 2022–2023 period. This figure remains below its historical peak of 12.9% recorded in 2008 and reflects a recovery process after the ratio declined to 10.0% in 2020. This condition indicates that there remains substantial room to improve the tax ratio, particularly by strengthening voluntary tax compliance among potential

taxpayer groups, including productive-age groups such as Generation Z. According to the OECD's Revenue Statistics in Asia and the Pacific 2025, Indonesia's tax-to-GDP ratio stood at 12.0% in 2023, below the Asia-Pacific average of 19.6% and the OECD average of 33.9%. The relatively low ratio not only reflects the suboptimal expansion and utilization of the tax base but also underscores the urgency of strengthening voluntary compliance within the self-assessment system, in which taxpayers assume primary responsibility for independently calculating, paying, and reporting their tax obligations.

This urgency becomes increasingly relevant when considered in relation to changes in Indonesia's demographic structure. According to Statistics Indonesia (BPS), Generation Z refers to individuals born between 1997 and 2012 and accounted for 27.94% of Indonesia's total population in the 2020 Population Census. This position makes Generation Z a strategic group in determining the sustainability of future state revenues. Unlike previous generations, Generation Z has grown up as digital natives in an economic environment characterized by digital platforms, digital payments, and social media as a primary space for interaction. Therefore, the formation of tax awareness and tax compliance intention among this group can no longer be understood solely through conventional approaches, but also needs to be analyzed through patterns of information consumption, opinion formation, and financial behavior that develop within the digital ecosystem.

In this context, trust in government institutions has become a particularly important issue. According to Transparency International Indonesia, the 2024 Corruption Perceptions Index (CPI) shows that Indonesia scored 37 out of 100 and ranked 99th out of 180 countries. The persistently low public perception of public-sector integrity may weaken the intrinsic willingness to pay taxes when citizens perceive that the public benefits they receive are not commensurate with the contributions they make. For Generation Z, which is highly sensitive to issues of transparency, fairness, and institutional legitimacy, this situation may substantially affect trust in government, which may subsequently have implications for weakening tax compliance intention.

Changes in patterns of access to public information have further reinforced these dynamics. A report by the Indonesian Internet Service Providers Association (APJII) shows that Indonesia has entered a hyper-connected society phase, with the number of internet users reaching approximately 221.6 million, or a penetration rate of 79.5% in 2024, while social media use remained highly extensive in 2025, with approximately 143 million active user identities. Short-video-based platforms such as TikTok have become increasingly dominant as a source of news for young people. The Digital News Report (2025) indicates that social media now functions not only as a means of entertainment but also as an arena for social and political discussion. Under such conditions, information concerning corruption, misuse of public funds, or fiscal injustice can spread rapidly and shape public perceptions almost instantly. This is consistent with the findings of Vosoughi et al. (2018), who show that misinformation and disinformation tend to spread faster than factual information because they are driven by emotional and sensational factors. The Financial Times (2025) further reported that, from

August to October 2025, the government temporarily suspended TikTok's license in relation to access to livestreaming data during protest actions, before the license was eventually restored following compliance with data requests. This phenomenon emphasizes that digital platforms are no longer neutral, but play a role in shaping policy-related opinions, including fiscal sentiment among younger generations.

On the other hand, the challenges of tax compliance among Generation Z are also related to the characteristics of their financial behavior. The 2024–2025 National Survey on Financial Literacy and Inclusion (SNLIK) conducted by the Financial Services Authority (OJK) shows an increase in financial literacy from 65.43% to 66.46% and in financial inclusion from 75.02% to 80.51%. However, OJK also emphasizes that Generation Z remains vulnerable to illegal online lending and investment fraud. This condition indicates that improvements in financial literacy and inclusion do not automatically correspond to an increased ability to fulfill tax obligations in a timely manner. In practice, Generation Z often faces uncertain income, particularly from freelance work, the gig economy, digital content creation, ride-hailing, delivery services, and other forms of digital employment. The OECD also notes that the sharing economy and the gig economy have created a population of platform sellers who are often unregistered or do not yet fully understand their tax obligations, making them vulnerable to non-compliance. This situation demonstrates that tax compliance issues among Generation Z are not solely related to regulatory dimensions, but are also influenced by the way individuals allocate and prioritize their financial resources.

This phenomenon indicates a shift in the tax compliance landscape from conventional taxpayers toward younger taxpayers living within a digital ecosystem. Generation Z is not only a consumer of information but is also increasingly becoming an actor in the digital economy through platform-based work, freelance work, content creation, and informal business activities conducted through social media. Therefore, Generation Z's tax compliance needs to be understood not only as a matter of tax knowledge, but also as an issue related to income management, financial priorities, and moral perceptions of tax obligations.

Within this framework, mental accounting becomes a relevant concept. Individuals do not treat money as fully fungible, but instead divide it into "mental accounts" based on specific purposes, such as consumption, savings, or obligations (Thaler, 1999). In the context of taxation, Muehlbacher et al. (2017) show that when individuals mentally separate taxes as obligations that must be paid, the tendency to report taxes honestly increases. These findings are consistent with the study by Fitriandi and Ahmar (2022), which revealed that the mental separation between income and tax obligations has a positive effect on compliance, as well as Nugroho et al. (2021), who emphasized that mental accounting is significantly correlated with tax compliance among MSMEs. Similarly, Mutanga et al. (2021) stated that mental accounting is positively associated with voluntary compliance, particularly when taxpayers' trust in tax authorities is strong. However, previous studies have focused more extensively on business actors or self-employed taxpayers, and therefore have not fully explained the tax compliance

behavior of Generation Z, which has distinct characteristics in terms of financial behavior, sources of income, and exposure to the digital environment.

In addition to cognitive factors, tax compliance intention is also shaped by the social context. Individuals generally tend to adjust their actions to the norms that develop within the social environments in which they interact. When individuals perceive that peers, family members, communities, or public figures demonstrate tax-compliant behavior, they are more likely to view compliance as normal behavior. Conversely, when the social environment demonstrates tax avoidance or a permissive attitude toward non-compliance, similar behavior may be perceived as commonplace. This phenomenon is known as the peer effect. Within the framework of conditional cooperation, individuals tend to be willing to participate when they perceive that others are also compliant. Among younger generations, dense social relationships and social trust formed through family and close friends become important factors in shaping tax morale and fiscal awareness. Alarcón-García et al. (2025) show that family behavior toward taxation has a significant effect on the fiscal awareness of young university students, indicating that social norms internalized through the social environment can foster tax compliance intention.

To explain the relationships among these social, psychological, and institutional factors, this study refers to the Slippery Slope Framework (SSF) introduced by Kirchler et al. (2008) and the Theory of Planned Behavior (TPB) proposed by Ajzen (1991). From the perspective of the SSF, tax compliance is formed through a combination of trust and power, in which the trust pathway promotes voluntary compliance, while the power pathway is more closely associated with enforced compliance. In the context of Generation Z, which is sensitive to institutional legitimacy and transparency, the dimension of trust becomes particularly important. Meanwhile, TPB explains that tax compliance intention is influenced by individuals' attitudes toward a behavior, subjective norms, and perceptions of their ability to control that behavior. In this study, mental accounting and trust in government represent factors shaping attitudes and perceived behavioral control, while peer effects represent subjective norms. These three factors are then assumed to contribute to the formation of tax morale, which subsequently influences tax compliance intention.

Research on mental accounting, trust in government, and peer effects in the field of taxation still shows several limitations. Most previous studies have focused more extensively on conventional taxpayers and have not specifically addressed the characteristics of digital generations such as Generation Z. In addition, studies on mental accounting have generally focused on actual compliance behavior rather than tax compliance intention. Previous research has also tended to examine psychological, social, and institutional factors separately, so the relationships among these variables have not yet been explained comprehensively. Therefore, this study offers a contribution by developing an integrative model that links mental accounting, trust in government, and peer effects with Generation Z's tax compliance intention through the mediating role of tax morale.

The research gap in this study lies in four aspects. First, tax compliance research has predominantly focused on taxpayers who already have formal tax obligations, such as MSMEs, self-employed taxpayers, employees, or individual taxpayers who are already active within the tax system. Studies that specifically position Generation Z as a potential future tax base remain relatively limited. Second, research on mental accounting in the context of taxation has tended to focus on actual compliance behavior rather than tax compliance intention. Third, previous studies have generally examined psychological, social, and institutional factors separately. Fourth, the contexts of social media and the digital economy have not been widely incorporated as part of the behavioral setting of tax compliance. Based on these conditions, this study offers a contribution by developing an analytical framework that integrates mental accounting, trust in government, peer effects, and tax morale in explaining tax compliance intention among Generation Z.

The urgency of this study lies in three main aspects. First, from a fiscal perspective, Indonesia's low tax ratio indicates that increasing state revenue cannot rely solely on regulatory changes and law enforcement, but also requires the strengthening of voluntary compliance from an early stage. Second, from a social perspective, public perceptions of government integrity may influence trust in government and tax morale. Third, from a digital perspective, Generation Z operates within an information environment that is rapid, open, and vulnerable to social influence. Therefore, strategies to improve tax compliance among Generation Z need to consider the psychological, social, and moral mechanisms that shape tax compliance intention.

The novelty of this study lies in the combination of psychological, social, and institutional approaches in explaining tax compliance intention among Generation Z. Psychologically, this study uses mental accounting to explain how Generation Z manages income and separates tax obligations from consumption needs. Socially, this study incorporates peer effects to explain the influence of peers, family, communities, and public figures on the formation of compliance norms. Institutionally, this study positions trust in government as a factor that determines the extent to which Generation Z perceives taxes as legitimate, fair, and worthy obligations to fulfill. In addition, tax morale is positioned as a mediating variable that bridges the relationships between mental accounting, trust in government, and peer effects and tax compliance intention.

This study is important because it extends the behavioral taxation literature by integrating psychological, social, and institutional dimensions into a comprehensive model, while also extending the application of TPB and SSF to the context of the digital generation in a developing country such as Indonesia. In practical terms, this study is relevant to the Directorate General of Taxes, fiscal policymakers, and educational institutions in designing more adaptive fiscal education and tax communication strategies for Generation Z, including through behavioral insights, social norm messaging, interactive digital education platforms, and collaboration with influencers or content creators. Thus, this study not only contributes to the development of behavioral taxation knowledge but also provides a foundation for more contextually relevant tax education strategies through the strengthening of mental accounting,

trust in government, and the formation of positive social norms to reinforce the foundation of voluntary compliance in the future.

Based on the background described above, this study aims to analyze the effects of mental accounting, trust in government, peer effects, and tax morale on tax compliance intention among Generation Z in South Tangerang City, Indonesia. This study also analyzes the effects of mental accounting, trust in government, and peer effects on tax morale, as well as examines the role of tax morale as a mediating variable in the relationships between these three variables and tax compliance intention among Generation Z. Thus, this study seeks to develop a more comprehensive model based on the SSF and TPB in explaining the tax compliance behavior of the young digital generation.

Based on the theoretical arguments and previous empirical findings discussed above, mental accounting, trust in government, peer effects, and tax morale are expected to play important roles in shaping Generation Z's tax compliance intention. Mental accounting influences how individuals allocate financial resources and perceive tax obligations (Thaler, 1999), while trust in government supports voluntary compliance through perceptions of institutional legitimacy and credibility (Kirchler et al., 2008). At the same time, peer effects reflect the role of social norms in shaping individual behavior (Cialdini & Goldstein, 2004). Previous studies have also linked these factors to tax compliance and tax morale (Fitriandi & Ahmar, 2022; Zainudin et al., 2022; Supriyati et al., 2024; Alarcón-García et al., 2025).

Tax morale, as an intrinsic motivation to fulfill tax obligations voluntarily (Torgler, 2007), is expected not only to directly influence tax compliance intention but also to serve as a psychological mechanism linking mental accounting, trust in government, and peer effects to compliance intention. Accordingly, the following hypotheses are proposed:

H1: Mental accounting affects tax compliance intention among Generation Z.

H2: Trust in government affects tax compliance intention among Generation Z.

H3: Peer effects affect tax compliance intention among Generation Z.

H4: Tax morale affects tax compliance intention among Generation Z.

H5: Mental accounting affects tax morale among Generation Z.

H6: Trust in government affects tax morale among Generation Z.

H7: Peer effects affect tax morale among Generation Z.

H8: Tax morale mediates the effect of mental accounting on tax compliance intention among Generation Z.

H9: Tax morale mediates the effect of trust in government on tax compliance intention among Generation Z.

H10: Tax morale mediates the effect of peer effects on tax compliance intention among Generation Z.

RESEARCH METHOD

This study employed a quantitative approach with a survey design to examine the effects of mental accounting, trust in government, and peer effects on Generation Z's tax compliance

intention, with tax morale as a mediating variable. The research data were analyzed using Partial Least Squares–Structural Equation Modeling (PLS-SEM) with the assistance of SmartPLS 3.5 software.

This study defined Generation Z residents of South Tangerang City as the research population. Based on data from Statistics Indonesia (BPS) of South Tangerang City in 2022, the number of individuals belonging to Generation Z was estimated at 448,735. This population was selected on the consideration that Generation Z represents a productive-age group that is closely associated with developments in digital technology and has the potential to become active taxpayers, both in the current taxation context and in the future.

The sampling technique used in this study was purposive sampling, with the following respondent criteria: (1) aged 17–29 years, (2) residing in South Tangerang City, (3) earning their own income from employment, business activities, freelance work, or digital economic activities, and (4) willing to complete the questionnaire in full. The sample size was determined using the Slovin formula with a 10% margin of error. Based on the Generation Z population in South Tangerang City of 448,735 individuals, the minimum sample size obtained was 99.98 respondents, which was rounded to 100 respondents. Accordingly, the number of respondents in this study was considered to have met the established minimum sample requirement.

All questionnaire items were measured using a five-point Likert scale, with responses ranging from strongly disagree to strongly agree. This scale was used because it enables respondents' perceptions to be collected in a structured and efficient manner to support hypothesis testing. The questionnaires were distributed directly through personally administered questionnaires, allowing the researchers to ensure that respondents met the study criteria and completed all questions in full. This approach was used to minimize non-response error, reduce the possibility of misunderstanding questionnaire items, and increase the questionnaire response rate.

The analysis was conducted by first assessing the adequacy of the measurement instruments, followed by testing the relationships among variables in the structural model. In the first stage, indicator quality was assessed based on loading strength, Average Variance Extracted (AVE), and the internal consistency of the constructs. After the measurement instruments were found to meet the required criteria, the analysis proceeded to examine the direction and significance of the relationships among variables, including the mediating role of tax morale.

RESULTS AND DISCUSSION

Respondent Data Description

This study involved 140 respondents from Generation Z. Based on age, the largest proportion of respondents was in the 21–24-year age group, comprising 79 respondents or 56.4%. This was followed by respondents aged 17–20 years, totaling 37 respondents or 26.4%, and those aged 25–29 years, totaling 24 respondents or 17.1%. In terms of gender, the

respondents were predominantly female, with 92 respondents or 65.7%, while male respondents totaled 48 or 34.3%.

Based on their highest level of education, the majority of respondents had completed senior high school, totaling 111 respondents (79.3%), followed by bachelor's degree holders with 26 respondents (18.6%), master's/doctoral degree holders with 2 respondents (1.4%), and junior high school graduates with 1 respondent (0.7%). In terms of employment status, respondents were predominantly professional employees, totaling 62 respondents (44.3%), followed by other employment categories with 57 respondents (40.7%), freelancers with 17 respondents (12.1%), and entrepreneurs with 4 respondents (2.9%). Based on income, the majority of respondents earned less than IDR 3,000,000, totaling 81 respondents (57.9%), followed by those earning IDR 3–5 million with 35 respondents (25.0%), IDR 5–7 million with 18 respondents (12.9%), and more than IDR 7 million with 6 respondents (4.3%).

Overall, this profile indicates that the respondents were predominantly Generation Z individuals who were in the early stages of entering the workforce, with a secondary education background and relatively limited income levels. This condition is relevant to the focus of the study because this group is beginning to engage in economic activities, manage personal income, and develop initial attitudes toward tax obligations.

Evaluation of the Measurement Model (Outer Model)

a. Reliability and Convergent Validity

Based on Table 1, all constructs in this study met the criteria for reliability and convergent validity. This is indicated by the Cronbach's Alpha, rho_A, and Composite Reliability values, all of which exceeded the minimum threshold of 0.70. In addition, the Average Variance Extracted (AVE) value for each construct was above 0.50, indicating that the indicators adequately represented their respective latent constructs.

Table 1. Construct Reliability and Convergent Validity Test Results

Construct	Cronbach's Alpha	rho_A	Composite Reliability	Average Variance Extracted (AVE)
Trust in Government	0.941	0.942	0.958	0.850
Mental Accounting	0.900	0.904	0.923	0.665
Tax Compliance Intention	0.927	0.927	0.945	0.775
Peer Effects	0.896	0.899	0.923	0.706
Tax Morale	0.903	0.909	0.928	0.720

Source: SmartPLS (Data processed, 2026)

In detail, the Cronbach's Alpha values ranged from 0.896 to 0.941, rho_A values ranged from 0.899 to 0.942, while Composite Reliability values ranged from 0.923 to 0.958. The AVE values also showed satisfactory results, ranging from 0.665 to 0.850. Therefore, the research instrument can be considered to have strong internal consistency and to meet the

requirements of convergent validity, making it suitable for use in the subsequent structural model analysis.

b. Discriminant Validity

Discriminant validity was assessed using the Fornell–Larcker criterion. The results show that the square root of the Average Variance Extracted (AVE) for each construct was higher than its correlations with the other constructs. As presented in Table 2, the square root of the AVE for Trust in Government, Mental Accounting, Tax Compliance Intention, Peer Effects, and Tax Morale was 0.922, 0.816, 0.881, 0.840, and 0.848, respectively. These results indicate that each construct was adequately distinct from the other constructs. Therefore, all constructs in this study met the discriminant validity criteria based on the Fornell–Larcker approach.

Table 2. Discriminant Validity

Construct	Trust in Government	Mental Accounting	Tax Compliance Intention	Peer Effects	Tax Morale
Trust in Government	0.922				
Mental Accounting	0.592	0.816			
Tax Compliance Intention	0.599	0.747	0.881		
Peer Effects	0.664	0.750	0.756	0.840	
Tax Morale	0.576	0.732	0.814	0.770	0.848

Source: SmartPLS (Data processed, 2026)

Structural Model Evaluation

R-Square (R^2)

Based on the results presented in Table 3, the Tax Compliance Intention construct obtained an R-Square value of 0.729 and an Adjusted R-Square value of 0.721. This indicates that mental accounting, trust in government, peer effects, and tax morale explain 72.9% of the variance in Tax Compliance Intention, while the remaining 27.1% is explained by factors outside the research model.

Furthermore, the Tax Morale construct obtained an R-Square value of 0.649 and an Adjusted R-Square value of 0.642. This indicates that mental accounting, trust in government, and peer effects explain 64.9% of the variance in Tax Morale, while the remaining 35.1% is explained by factors outside the research model. Overall, these results indicate that the structural model has substantial explanatory power for the endogenous constructs examined.

Table 3. R-Square Test Results

Construct	R Square	Adjusted R Square
Tax Compliance Intention	0.729	0.721
Tax Morale	0.649	0.642

Source: SmartPLS (Data processed, 2026)

F-Square (f^2)

In addition to the R-square value, the structural model was also evaluated using the f-square effect size. The f-square test is used to determine the magnitude of the contribution of each exogenous variable to the endogenous variables in the research model. In other words, f-square indicates the extent to which the model's explanatory power changes when a particular exogenous variable is removed from the model. According to Cohen (1988) and Hair et al. (2021), an f-square value of 0.02 indicates a small effect, 0.15 indicates a medium effect, and 0.35 indicates a large effect.

Table 4. Effect Size (f-square) Values

Exogenous Variable	Endogenous Variable	f-square	Category
Trust in Government	Tax Compliance Intention	0.013	Very small
Trust in Government	Tax Morale	0.005	Very small
Mental Accounting	Tax Compliance Intention	0.070	Small
Mental Accounting	Tax Morale	0.140	Small, approaching medium
Peer Effects	Tax Compliance Intention	0.032	Small
Peer Effects	Tax Morale	0.235	Medium
Tax Morale	Tax Compliance Intention	0.285	Medium

Source: SmartPLS (Data processed, 2026)

Based on Table 4, the f-square values show that Trust in Government has a very small contribution to Tax Compliance Intention, with a value of 0.013, and to Tax Morale, with a value of 0.005. These results indicate that trust in government does not yet provide a strong substantive contribution in explaining Generation Z's tax compliance intention or tax morale.

Furthermore, Mental Accounting has an f-square value of 0.070 for Tax Compliance Intention and 0.140 for Tax Morale. These values indicate that mental accounting has a small effect on tax compliance intention and a small effect approaching a medium level on tax morale. This means that Generation Z's ability to manage and separate tax obligations within their financial structure plays a stronger role in shaping tax morale than in directly shaping tax compliance intention.

Meanwhile, Peer Effects have an f-square value of 0.032 for Tax Compliance Intention and 0.235 for Tax Morale. These findings indicate that the influence of peers, family, communities, and the digital social environment makes a small contribution to tax compliance intention directly, but a medium contribution to the formation of tax morale. Thus, peer effects play a greater role in shaping tax morale than as a factor that directly encourages tax compliance intention.

Tax Morale has an f-square value of 0.285 for Tax Compliance Intention, which falls within the medium category. This value indicates that tax morale is the construct with the strongest contribution to explaining Generation Z's tax compliance intention compared with the other exogenous variables. Therefore, the f-square results reinforce the finding that Generation Z's tax compliance intention is shaped more strongly by the internalization of tax morale, while mental accounting and peer effects play important roles in building tax morale.

Path Coefficients

Hypothesis testing was conducted using the bootstrapping procedure to assess the significance of the relationships among variables in the research model. Based on the results presented in Table 5, Mental Accounting has an effect on Tax Compliance Intention, with a coefficient value of 0.227 and a p-value of 0.001. In addition, Tax Morale also has an effect on Tax Compliance Intention, with a coefficient value of 0.469 and a p-value of 0.000. Furthermore, Mental Accounting has an effect on Tax Morale, with a coefficient value of 0.341 and a p-value of 0.000. Peer Effects also show a positive effect on Tax Morale, with a coefficient value of 0.476 and a p-value of 0.000.

Meanwhile, the effect of Trust in Government on Tax Compliance Intention has a p-value of 0.187, while its effect on Tax Morale has a p-value of 0.407. In addition, the effect of Peer Effects on Tax Compliance Intention has a p-value of 0.078. These values indicate that these relationships are not statistically significant at the 5% significance level.

Table 5. Path Coefficient Test Results (Bootstrapping)

Hypothesis	Path	Coefficient (β)	T-Statistic	P-Value	Decision
H1	Mental Accounting → Tax Compliance Intention	0.227	3.334	< 0.001	Accepted
H2	Trust in Government → Tax Compliance Intention	0.081	1.322	0.187	Rejected
H3	Peer Effects → Tax Compliance Intention	0.171	1.765	0.078	Rejected
H4	Tax Morale → Tax Compliance Intention	0.469	5.854	< 0.001	Accepted
H5	Mental Accounting → Tax Morale	0.341	4.142	< 0.001	Accepted
H6	Trust in Government → Tax Morale	0.058	0.830	0.407	Rejected
H7	Peer Effects → Tax Morale	0.476	5.234	< 0.001	Accepted

Source: SmartPLS (Data processed, 2026)

To clarify the pattern of relationships among the constructs, the bootstrapping estimation results of the structural model are presented in Figure 1 below.

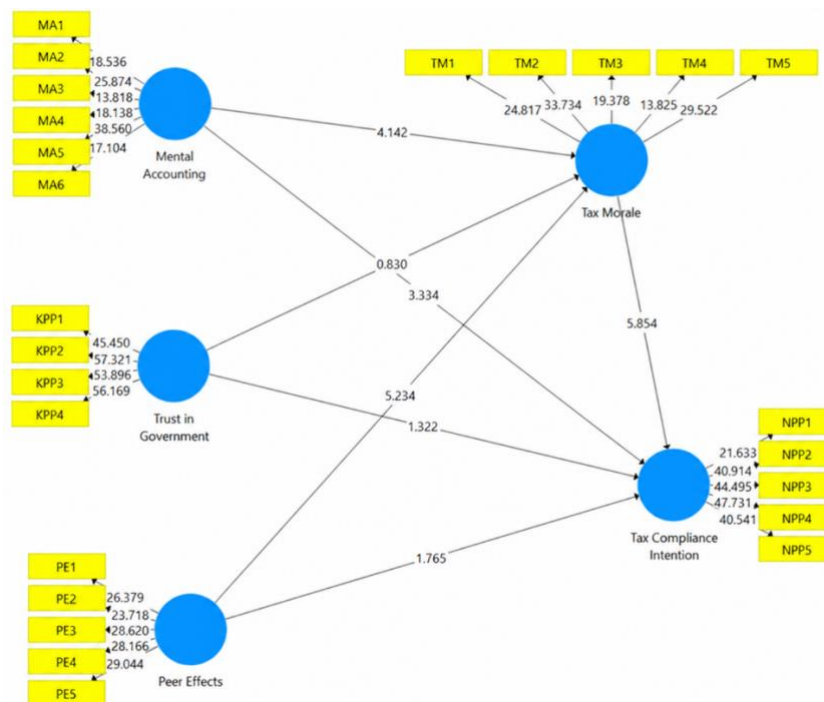


Figure 1. Bootstrapping Results of the Structural Model
Source: PLS data processing results.

Mediation Analysis

Mediation testing was conducted using the bootstrapping procedure based on the specific indirect effects to evaluate the role of tax morale in mediating the effects of mental accounting, trust in government, and peer effects on tax compliance intention. Based on Table 6, the indirect effect of mental accounting on tax compliance intention through tax morale had a coefficient value of 0.160, a T-statistic of 3.271, and a p-value of 0.001. Furthermore, the indirect effect of trust in government on tax compliance intention through tax morale had a coefficient value of 0.027, a T-statistic of 0.826, and a p-value of 0.409. Meanwhile, the indirect effect of peer effects on tax compliance intention through tax morale had a coefficient value of 0.223, a T-statistic of 3.676, and a p-value of 0.000.

Table 6. Mediation Test Results (Specific Indirect Effects)

Hypothesis	Mediation Path	Coefficient	T-Statistic	P-Value	Decision
H8	Mental Accounting → Tax Morale → Tax Compliance Intention	0.160	3.271	< 0.001	Accepted
H9	Trust in Government → Tax Morale → Tax Compliance Intention	0.027	0.826	0.409	Rejected
H10	Peer Effects → Tax Morale → Tax Compliance Intention	0.223	3.676	0.000	Accepted

Source: SmartPLS (Data processed, 2026)

Discussion

The Effect of Mental Accounting on Tax Compliance Intention among Generation Z

The results show that mental accounting has a positive and significant effect on tax compliance intention among Generation Z, thus supporting the first hypothesis. This finding indicates that the better individuals mentally manage their finances, the stronger their intention to comply with tax obligations. This result is consistent with the concept of mental accounting (Thaler, 1999) and the Theory of Planned Behavior (Ajzen, 1991), which position financial management and evaluation as a basis for forming attitudes toward behavior. Empirically, this finding supports Fitriandi and Ahmar (2022) and Wulandari et al. (2026), although it differs from Hikmah et al. (2021). This difference may be understood in light of the present study's focus on Generation Z, which has distinct financial management patterns and operates within a different digital context.

The Effect of Trust in Government on Tax Compliance Intention among Generation Z

The results show that trust in government does not have a significant effect on tax compliance intention among Generation Z, thus rejecting the second hypothesis. This finding indicates that the level of trust in government does not directly determine tax compliance intention among Generation Z. This result is not fully consistent with the Slippery Slope Framework (Kirchler et al., 2008) or the Theory of Planned Behavior (Ajzen, 1991), which position trust as a factor that can shape compliance. However, in the context of this study, Generation Z appears to be more strongly influenced by internal factors such as mental accounting and tax morale than by perceptions of government institutions. This finding is also consistent with Annisa and Wijaya (2024), who show that trust is not always significant, particularly among generations that tend to be more critical of public institutions.

This finding may be explained by the fact that not all members of Generation Z have extensive direct experience in fulfilling tax obligations. As a result, their evaluations of government may not yet constitute a primary factor in shaping tax compliance intention. Among younger individuals, the intention to comply may be influenced more by how they understand tax obligations, manage their finances, and perceive taxation as a moral responsibility. Therefore, higher or lower levels of trust in government do not necessarily directly determine tax compliance intention, particularly when tax awareness is still in the process of being formed.

The Effect of Peer Effects on Tax Compliance Intention among Generation Z

The results show that peer effects do not have a significant effect on tax compliance intention among Generation Z, and therefore the third hypothesis is not supported. This finding indicates that influences from peers, communities, family members, and the digital social environment have not directly encouraged tax compliance intention.

Theoretically, this result is not fully consistent with Social Norms Theory, which explains that individual behavior can be shaped through conformity with social norms within a group (Cialdini & Goldstein, 2004). This finding also does not fully support the Theory of Planned Behavior, which positions subjective norms as one of the determinants of behavioral intention (Ajzen, 1991). In addition, the result differs from the findings of Buzohera (2025) and

Vincent et al. (2023), which show that social influence can strengthen tax compliance through social norms, behavioral imitation, and group pressure. These differences may be understood because, in the context of Generation Z, tax issues may not yet constitute a major topic in everyday social conversations. Peer environments and digital interactions may play a greater role in shaping moral perspectives toward taxation rather than directly encouraging the decision to comply. Thus, in this study, peer effects are more likely to operate through the formation of tax morale than to directly influence tax compliance intention.

The Effect of Tax Morale on Tax Compliance Intention among Generation Z

The results show that tax morale has a significant effect on tax compliance intention among Generation Z. Thus, the fourth hypothesis in this study is accepted. This finding indicates that the stronger an individual's tax morale, the greater the tendency to voluntarily fulfill tax obligations.

Theoretically, this result supports the Theory of Planned Behavior, which explains that behavioral intention can be formed through the internalization of attitudes, norms, and individual beliefs toward a particular action (Ajzen, 1991). In the context of this study, tax morale acts as an internal moral motivation that strengthens Generation Z's willingness to view tax compliance as part of social responsibility.

This finding is also consistent with Puspitasari et al. (2025) and Supriyati et al. (2024), who show that tax morale plays an important role in encouraging tax compliance. Thus, among Generation Z, tax compliance intention is shaped not only by administrative considerations or legal obligations, but also by moral awareness and internal commitment to the importance of tax contributions for the public interest.

The Effect of Mental Accounting on Tax Morale among Generation Z

The results show that mental accounting has a positive and significant effect on tax morale among Generation Z. Thus, the fifth hypothesis in this study is accepted. This finding indicates that the better an individual's ability to manage and categorize financial resources, the stronger the moral motivation to fulfill tax obligations.

Conceptually, mental accounting helps individuals separate tax obligations as part of financial allocation that carries not only economic meaning but also moral meaning. In the context of Generation Z, the ability to place taxes within a specific obligation category may strengthen the awareness that paying taxes is part of social responsibility. This finding is consistent with Fitriandi and Ahmar (2022) and Rahayu et al. (2025), who emphasize that the mental management of financial resources is related to the formation of moral tax obligations. However, this result differs from Hikmah et al. (2021), who found that mental accounting had no significant effect. This difference indicates that the relationship between mental accounting and tax compliance may not always operate directly, but may work through certain psychological mechanisms, one of which is tax morale. Among Generation Z, who have grown up in a digital financial ecosystem, the way individuals manage income, separate needs, and interpret tax obligations becomes an important part of the formation of tax morale.

The Effect of Trust in Government on Tax Morale among Generation Z

The results show that trust in government does not have a significant effect on tax morale among Generation Z; therefore, the sixth hypothesis is rejected. This finding indicates that respondents' level of trust in government is not sufficiently strong to directly shape tax morale. This result is not fully consistent with the Slippery Slope Framework (Kirchler et al., 2008) or the findings of Ibrahim (2020), Supriyati et al. (2024), and Zainudin et al. (2022), but is consistent with Annisa and Wijaya (2024), who show that trust is not always significant, particularly among generations that are more critical of public institutions. In the context of Generation Z, which is closely connected to the digital environment, the formation of tax morale appears to be influenced more by cognitive and social factors than by institutional trust alone. This means that tax morale within this group is more likely to be shaped by how individuals understand tax obligations, manage their finances, and internalize social values from their surrounding environment, rather than solely by their level of trust in government.

The Effect of Peer Effects on Tax Morale among Generation Z

The results show that peer effects have a positive and significant effect on tax morale among Generation Z; therefore, the seventh hypothesis is accepted. This finding indicates that the social environment plays a strong role in shaping Generation Z's tax morale. This result is consistent with the Theory of Planned Behavior (Ajzen, 1991), Social Norms Theory, and the findings of Etchart-Vincent et al. (2023), Buzohera (2025), and Alarcón-García et al. (2025), which emphasize the importance of social norms and group influence in shaping fiscal awareness. In the context of Generation Z living within a digital social ecosystem, peer influence arises not only from direct relationships but also from interactions on social media and in online communities, thereby strengthening the formation of tax morale.

This finding indicates that social influence among Generation Z operates through a process of value internalization. In other words, interactions with peers, communities, or social figures do not necessarily encourage tax compliance directly, but instead shape the perception that paying taxes is ethical, normal, and responsible behavior. In the context of the digital generation, such social norms may also be formed through tax education content, discussions on social media, and collective experiences in online communities. Therefore, strategies aimed at strengthening tax morale among Generation Z need to utilize social norm-based communication that is closely aligned with the interaction spaces of younger generations. The Mediating Role of Tax Morale in the Relationship between Mental Accounting and Tax Compliance Intention among Generation Z

The results show that tax morale significantly mediates the relationship between mental accounting and tax compliance intention among Generation Z. Thus, the eighth hypothesis in this study is accepted. This finding indicates that mental accounting not only plays a direct role in encouraging tax compliance intention but also operates through the formation of tax morale.

Conceptually, this result is consistent with the view that tax morale represents an intrinsic motivation that encourages individuals to fulfill their tax obligations voluntarily (Torgler, 2007). This finding can also be explained through the Theory of Planned Behavior (Ajzen, 1991), which positions moral values as a mechanism for internalizing attitudes toward behavior. Empirically, this finding supports Fitriandi and Ahmar (2022) and Rahayu et al. (2025), who emphasize that the mental management of financial resources can shape moral tax obligations. Thus, tax morale serves as a psychological bridge that translates cognitive financial structures into tax compliance intention among Generation Z.

The Mediating Role of Tax Morale in the Relationship between Trust in Government and Tax Compliance Intention among Generation Z

The results show that tax morale does not mediate the relationship between trust in government and tax compliance intention among Generation Z; therefore, the ninth hypothesis is rejected. This finding indicates that trust in government has not yet been translated into tax compliance intention through tax morale. This result is not consistent with Fiscal Psychology Theory (Schmolders, 1959), the Slippery Slope Framework (Kirchler et al., 2008), or the findings of Supriyati et al. (2024) and Prastyatini and Rahmawati (2023), which position trust as an important pathway in shaping compliance through tax morale. In the context of Generation Z, trust in government appears not to be sufficiently stable to be internalized into moral commitment; therefore, tax morale is influenced more by cognitive and social factors than by institutional legitimacy alone.

The Mediating Role of Tax Morale in the Relationship between Peer Effects and Tax Compliance Intention among Generation Z

The results show that tax morale acts as a significant mediator in the relationship between peer effects and Generation Z's tax compliance intention. Thus, the tenth hypothesis in this study is accepted. This finding indicates that social influences from peers, communities, and the digital environment do not directly encourage tax compliance intention, but instead operate first through the formation of tax morale.

This result is consistent with the conditional cooperation model (Frey & Torgler, 2007) and the Theory of Planned Behavior (Ajzen, 1991), which position social norms as a basis for the formation of behavioral commitment. Empirically, this finding is also consistent with Alarcón-García et al. (2025) and Etchart-Vincent et al. (2023), who show that social influence can strengthen tax morale. In the context of Generation Z, this result confirms that social norms, including those formed in digital spaces, need to be internalized into tax morale before encouraging tax compliance intention.

CONCLUSION AND RECOMMENDATIONS

Based on the results of the analysis and hypothesis testing, this study shows that mental accounting and tax morale have positive and significant effects on tax compliance intention

among Generation Z, while trust in government and peer effects do not have significant direct effects. These findings indicate that Generation Z's tax compliance intention is shaped more strongly by internal psychological factors than by institutional or social factors that operate directly. In addition, mental accounting and peer effects have significant effects on tax morale, whereas trust in government does not show a significant effect. These results indicate that Generation Z's tax morale is shaped more by the way individuals manage their finances and by their social environment than by their level of trust in government. This study also finds that tax morale significantly mediates the relationship between mental accounting and tax compliance intention, as well as the relationship between peer effects and tax compliance intention. In contrast, tax morale does not mediate the relationship between trust in government and tax compliance intention.

The novelty of this study lies in integrating mental accounting, trust in government, peer effects, and tax morale to explain tax compliance intention among Generation Z. The findings indicate that tax compliance among younger generations needs to be understood through behavioral, moral, and social-norm perspectives, rather than solely through administrative or institutional approaches. Therefore, tax education for Generation Z should be directed toward strengthening tax morale, tax and financial literacy, digital social norm-based communication, and the simplification of tax administration through a digital ecosystem that is closely aligned with the lives of younger generations.

Future research may extend the scope of this study by using a longitudinal approach to examine changes in tax morale and tax compliance intention among Generation Z over time. In addition, future studies may develop the model by incorporating other variables, such as digital tax literacy, perceived fiscal fairness, the quality of digital tax services, or social media influence. Experimental studies may also be conducted to examine the effectiveness of educational and social interventions in strengthening tax morale and tax compliance intention among younger generations.

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