

CHAPTER IV

CONCLUSION

The influence of public policies, especially economic freedom, on tax evasion is an exciting topic to study because it involves policymakers in many countries. No research has answered this in ASEAN countries to realize this research. The results of this study are expected to provide some new insights into the influence and relationship of a country's monetary, fiscal, budgetary, and expenditure policies on tax evasion that takes place in each ASEAN country. This research is expected to help design an appropriate taxation system that can help reduce tax evasion and increase government tax revenues.

First, this study found a negative correlation between monetary freedom and tax evasion. Nevertheless, the regression test results found an insignificant effect between the two variables. Furthermore, the negative relationship implies that when policymakers are not careful with high inflation policies and price control (lack of monetary freedom), it causes low purchasing power and a decline in company profits, and taxpayers evade taxes (high tax evasion). Second, the government must ensure that fiscal policies related to the top marginal tax rate on individual income, corporate income, and the total tax burden are within reasonable limits. This study found a negative correlation and a significant effect between the high tax rate (lack

of fiscal freedom) on tax evasion. Because people tend to be reluctant to pay taxes with increased tax rates, policymakers must be wise when changing tax rates in the economy. Finally, this study found a positive correlation between government spending on tax evasion but no significant effect. This positive relationship implies that in carrying out public policies, especially related to spending, the government must be more careful and plan well because the greater the government spending will impact the budget, which directly forces the government to increase taxes, which makes tax evasion more significant.

This research is hoped to provide new insight to governments and policymakers in ASEAN about fiscal freedom related to tax evasion. This research hopes that problems related to tax evasion and increasing tax revenue with the right strategy can be carried out by the government and tax authorities in the ASEAN environment. This study result is hoped to boost researchers and tax practitioners to conduct profound studies on tax forecasting, planning, and control that are useful in the future.