

TAX COMPLIANCE OF INDIVIDUAL TAXPAYERS: A SYSTEMATIC LITERATURE REVIEW

¹MURAD ALI AHMAD AL-ZAQEBA, ²SUHAILA ABDUL HAMID, ³IZLAWANIE MUHAMMAD

^{1,2,3}Universiti Sains Islam Malaysia, Faculty of Economics and Muamalat, Nilai, Negeri Sembilan, Malaysia
E-mail: morad_zaqeba@yahoo.com

Abstract - Majority of previous studies are empirical, and researchers have no agreement regarding the factors that affect the compliance of tax by individual taxpayers. The purpose of this study is to review, consolidate and integrate the findings of previous studies to identify the factors that affect the tax compliance. More than 130 studies were identified, screened and refined. As a result, a total of 32 articles were included in this study. The articles were analyzed, and frequency analysis was conducted to identify the factors, theories, countries, methodological approach, sample size, and chronology of studies. The findings indicate that attitude, subjective norms, fairness, tax knowledge, trust, tax complexity, moral intensity are among the most important factors. The theory of Planned Behaviour and Fairness theory are the most used theories in the literature of tax compliance. Malaysia received the largest share of studies followed by Austria. Studies in developing countries outperformed the studies in developed ones. Majority of the studies are quantitative followed by experimental and mix methods. Decision makers can utilize the findings of this study to improve tax compliance.

Keywords - Tax Compliance, Theory of Planned Behavior (TPB), Fairness Theory

I. INTRODUCTION

The problem of tax compliance is almost as old as the taxes themselves (Castro and Rizzo, 2014). Tax compliance is an important issue for nations around the world as governments search for revenues to meet public needs (Andreoni et al. 1998). Countries depend on tax revenue to support their budgets and fund the public expenditures (Alaaraj et al., 2018). As a result, the factors that affect the tax compliance by taxpayers are of interest to the policymakers in the government as well as for the practitioners, the academics, and public. This is because given the increase of the duties of governments and the result of economic downturn worldwide, governments are striving to reduce tax evasion and increasing taxpayer compliance (Jimenez and Iyer, 2016).

Several previous studies attempted to find the factors that contribute to the compliance of tax by individual taxpayers. However, these factors are varied. Some research related the compliance to the religiosity of taxpayers (Benk et al., 2016; Raihana and Pope, 2010), procedural justice (Gobena and Van Dijke, 2016), trust in the government and tax authorities (Jimenez and Iyer, 2016; Wahl et al., 2010; Alaarj, Mohamed and Bustamam, 2017a, 2017b), tax knowledge and complexity of tax (Saad, 2014; Ibrahim, 2013; Hansford et al., 2012). In addition, researchers have deployed numerous theories to understand the tax compliance by individual, agents, and corporation taxpayers.

Nevertheless, previous studies have no agreement on the factors that affect the tax compliance by individual taxpayers. The previous studies also did not agree on a theory that can be used as a reference for understanding the taxpayers' behaviour. In addition, most of the previous studies are empirical in

nature using quantitative or qualitative approach. Review studies of existing previous studies are few in the literature. Accordingly, the objective of this study is to review, consolidate, and integrate the previous studies to identify the factors that lead to compliance of tax by individual taxpayers and to identify the theories that have been used in previous studies so that a direction of future work can be provided to future researchers.

This study consists of six sections. First section highlights the issues and the purpose of this study. In the next section, the method of conducting this study is elaborated. Review of previous studies is conducted in the third section followed by the findings of this study in the fourth section. The fifth section discusses the findings followed by the limitations and direction of future work in the sixth section. Last section concludes the findings of this study.

II. RESEARCH METHODOLOGY

This paper is a quantitative in nature and it reviews the literature to identify the factors that contribute to the compliance with tax by individual taxpayers. A systematic literature review was conducted to find the related articles to tax compliance. Search engine was used to extract the articles from the literature. To identify the related articles to the topic of this paper, key terms such as tax compliance, theories of tax compliance, factors affect tax compliance, taxpayers, and a combination of these terms were used. The search engines of database such as Emerald and Science Direct have been deployed. As a result, a total of 130 articles were extracted. Two screening was conducted. The first was to eliminate the unrelated articles. As a result, a total of 71 articles were removed from the database of articles. The

second screening involves a reading of the title, abstract, and the article. This resulted in removing 44 articles due to the scope and duplication. Figure 1 shows the process of selecting the articles.

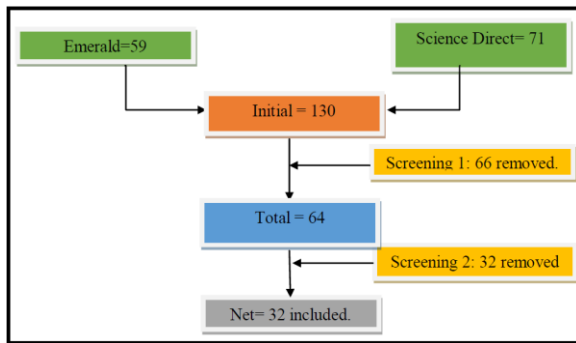


Figure 1: Process of Selecting Related Articles

The selected articles are analyzed and frequency analysis is conducted to identify the factors, theories, countries, approach, respondents, and sample size.

III. LITERATURE REVIEW

The refined articles that have investigated the factors that affect the tax compliance behaviour by individual taxpayers are few. To overcome this obstacle, articles that investigate the tax compliance in general were included. The articles were summarized in Table 1. However, a brief summary of each article is discussed. Gobena and Van Dijke (2016) in Ethiopia confirmed the effect of procedural justice, trust, and coercive power on tax compliance. Jimenez and Iyer (2016) found that social factors, trust in government and fairness are important factors for the compliance intention in US. Kogler et al. (2016) found that delay of feedback has a significant effect on compliance and fairness in Austria. Benk et al. (2016) pointed out that general religiosity affects tax compliance in Turkey. Factors of TPB are essential for the tax compliance in Indonesia (Damayanti et al., 2015). Sinnasamy et al. (2015) proposed that tax rate, penalty, tax fairness, and peer influence moderated by tax agents could increase the tax compliance in Malaysia. In Malaysia also, Raihana and Pope (2014) found that religiosity has significant effect on tax compliance for Saad (2014a), taxpayers in Malaysia has inadequate knowledge and perceive the tax system as complex. Abdul Hamid, (2014) found that attitude, ethical sensitivity, culture, perceived behavioural control has significant effect in Malaysia and New Zealand. Lau et al. (2013) concluded that money ethics affect tax evasion and religiosity

moderates their relationship in Malaysia. Peggy (2013) found that personal factors, trust, fairness affect tax compliance in US. Ibrahim (2013) found that usefulness and complexity of tax has a significant effect on tax compliance in Malaysia. Saad (2012) related the tax non-compliance to income, attitude, perceived behavioural control, tax knowledge, complexity and fairness in Malaysia. Smart (2013) found that TPB factors are important predictor of tax compliance in New Zealand.

In UK, Hansford et al. (2012) found that tax cost, and complexity affect the tax compliance. Kirchler and Wahl (2010) developed a measurement to measure tax compliance and non-compliance in Austria. Wahl et al. (2010) pointed out that the increase of trust lead to increase in compliance while increase in power leads to decrease in compliance in Austria. Saad (2009) found that attitude and subjective norms affect tax compliance while tax knowledge and complexity affect fairness in Malaysia. In Jordan, Khasawneh et al. (2008) found that the tax system in Jordan is fair. Peslak et al. (2007) found that moral intensity affects ethical judgement to comply with tax. Battiston and Gamba (2016) found that social pressure and peer pressure has significant effect on tax compliance in Italy. Dulleck et al. (2016) found that psychic stress is important factor for tax compliance in US. Fochmann and Kroll (2016) found that rewards has insignificant effect while public good contribution affects the tax compliance in Germany. Saad et al. (2016) proposed that knowledge, self-efficacy, service quality and interaction could affect the Zakah (Islamic Tax) compliance behaviour in Malaysia. Ling et al. (2016) pointed out that price and income inequity has negative effect on good and service tax compliance in Malaysia while government subsidies have a positive effect. Young et al. (2016) concluded that benefits, ethical value and incentives could affect the tax compliance in China. Castro and Scartascini, (2015) in Austria found that deterrence could lead to better tax compliance. Doerrenberg (2015) concluded that tax compliance is very much dependent on the use of tax revenue by government in Germany. Savitri (2015) found that tax socialization and knowledge affect the tax compliance in Malaysia. Mohdali et al. (2014) found that punishment does not affect tax compliance in Malaysia. Saad (2014b) found that attitude and subjective norm affect Zakah compliance. Kamleitner et al. (2012) found that small business in Austria are more likely not to comply compared with individual due to lack of tax knowledge.

Table 1: Summary of the Reviewed Articles

Author/ year/ country	Theory / Models Applied	Independent Variable	Dependent Variable	Sample size/methods	Findings
Gobena and Van Dijke,	Fairness Theory and	Procedural justice Trust	Tax compliance	Survey (n = 231)	Procedural justice fosters voluntary tax

Author/ year/ country	Theory / Models Applied	Independent Variable	Dependent Variable	Sample size/ methods	Findings
(2016), Ethiopia	Slippery Slope Frame work				compliance. Trust mediates the effect and coercive power of the tax authority is positively related with enforced tax compliance.
Jimenez and Iyer, (2016), US	Social norm and Fairness Theory	Injunctive Norms Descriptive norms Subjective norm Trust Fairness	Compliance intention	Survey (n = 217)	Social factors affect tax compliance. Social norms influence compliance intentions indirectly through personal norms. Trust in government has a significant influence on both perceived fairness of the tax system and compliance decisions. In addition, fairness has a direct effect on tax compliance.
Kogler, Mittone, and Kirchler, (2016) Austria	Nil	Feedback of audits Procedural justice	Fairness and compliance	Survey (n = 126)	Delay of feedback has a significant positive effect on the compliance with tax but it has negative impact on fairness.
Benk et al., (2016), Turkey	Nil	General Religiosity Interpersonal religiosity Intrapersonal Religiosity	Tax compliance	Survey (n = 403)	General religiosity affects significantly the enforced and voluntary tax compliance.
Damayanti et al., (2015), Indonesia	TPB	Attitude Subjective norms Perceived Behavioural control Behavioural intention	Tax compliance	Survey (n = 220)	Attitude, subjective norms, and perceived Behavioural intention affect the intention. In turn, the intention affects the tax compliance. Trust plays a moderating role while uncertainty does not.
Sinnasamy, Bidin, and Ismail, (2015), Malaysia	Nil	Tax system structure -tax rate -penalty rate Attitude and perceptions -tax fairness -peer influence	Tax compliance	Conceptual paper	The study proposed that tax rate and penalty as well as tax fairness and peer influence moderated by tax agents would increase the tax compliance of individual taxpayers in Malaysia.
Raihana and Pope, (2014), Malaysia	Nil	Religiosity Attitude	Tax compliance	Mix methods: Surveys (n = 300) Interview (n = 14)	Religiosity has a significant positive effect on voluntary tax compliance.
Saad, (2014a),	Nil	Tax knowledge Tax complexity	Tax compliance	Interviews (n = 30)	Results suggest that taxpayers have

Author/ year/ country	Theory / Models Applied	Independent Variable	Dependent Variable	Sample size/methods	Findings
Malaysia					inadequate technical knowledge and perceive tax system as complex
Abdul Hamid, (2014), Malaysia and New Zealand	TPB, Ethical, Rest, (1986), decision-making model, Hofstede's national cultural dimension	Attitude toward behaviour Subjective Norms Perceived behavioural control Ethical sensitivity Culture	Intention to comply with laws Compliance behaviour to tax	Mixed methods: Mix methods: Survey (n = 322 Malaysia, n =341 New Zealand Interview (n = 17 Malaysia, n = 14 New Zealand)	Attitude is the most important variables followed by ethical sensitivity, culture and perceived behavioural control has mixed findings while subjective norms has no significant effect on tax compliance behaviour to tax law in both countries.
Lau, Choe, and Tan, (2013), Malaysia	Nil	Money ethics	Tax evasion	Surveys (n = 387)	Money ethics affect positively the tax evasion. Only intrinsic religiosity has a moderating effect between the money ethics and tax evasion.
Peggy, (2013), US	Fairness Theory	Personal norm Descriptive norms Injunctive norms Subjective norms	Tax compliance	Surveys (n = 217)	Personal factors affect the tax compliance. In addition, tax fairness and trust in government has a significant effect on tax compliance. Trust in government fully mediate the effect of fairness on the tax compliance.
Ibrahim, (2013), Malaysia	TAM	Tax cost Usefulness Complexity Anxiety	Tax compliance	Surveys (n = 185)	Usefulness and complexity of tax law has a significant effect on tax compliance.
Saad, (2012), Malaysia	Nil	Nil	Tax non-compliance	Interview (n = 30)	Result of the interviews indicated that sources of income, attitude, perceived behavioural control, tax knowledge, tax complexity and fairness perceptions have partly contributed to taxpayers' non-compliance behaviour.
Smart (2013) New Zealand	TPB	Social distance Tax authority Tax system Attitude Subjective norms Societal norms Perceived Behavioural Control Compliance and penalties	Behavioural intentions Behaviour	Survey (n = 180)	Attitude is the most important predictor of tax compliance. Other factors such as subjective norms and perceived behavioural control are important factors as well.

Author/ year/ country	Theory / Models Applied	Independent Variable	Dependent Variable	Sample size/methods	Findings
Hansford et al., (2012), UK	Nil	Tax cost Tax complexity	Tax compliance	Surveys (n = 315)	Tax cost affect the growth of SMEs and the complexity of tax law make it difficult for the SMEs to comply.
Kirchler and Wahl, (2010), Austria	Nil	Nil	Tax compliance	Surveys (n = 219)	The study developed an inventory to measure the tax compliance and non-compliance. The inventory can be used to collect data using self-reports.
Wahl, Kastlunger and Kirchler, (2010) Austria	Nil	Trust Power of authorities	Tax compliance	Surveys (n = 219)	Increase of trust leads to the increase of voluntary compliance. While increase power leads to decrease in voluntary compliance. In addition, the decrease of trust leads to decrease in enforced tax compliance.
Saad (2009)	TPB	Tax fairness Complexity Tax knowledge Attitude Subjective norms	Tax compliance	Survey (n = 852)	Fairness has no significant effect on tax compliance while attitude and subjective norms affect significantly the tax compliance behaviour. Tax knowledge and complexity affect the fairness.
Khasawneh et al. (2008) Jordan	Nil	Fairness	Paying tax	Surveys (n = 246)	Findings indicate that the tax system in Jordan is fair.
(Peslak, Frank, Colton, Grant, and Ury, 2007)	Nil	Moral Intensity	Ethical judgment	Surveys (n = 143)	There is a significant effect of the moral intensity on the ethical judgement. The most important component is found to be consequences of actions.
Battiston and Gamba, (2016) Italy	Nil	This study is exploratory	Tax compliance	Experiment	Social pressure and peer pressure has an effect on the tax compliance by bakeries in Italy.
Dulleck et al., (2016) US	Nil	Exploratory	Tax compliance	Experiment	The results of laboratory experiments provide empirical evidence of a positive correlation between psychic stress and tax compliance, thus underscoring the importance of moral

Author/ year/ country	Theory / Models Applied	Independent Variable	Dependent Variable	Sample size/ methods	Findings
					sentiments for tax compliance. It also identifies three distinct types of individuals who differ in their levels of psychic stress, tax morale, and tax compliance.
Fochmann and Kroll, (2016) Germany	Nil	Rewards Public good contribution	Tax compliance	Experiment	Rewards have a negative overall effect on tax compliance and there is an inverse u-shaped relationship between public good contribution and tax compliance.
Saad, Wahab, and Samsudin, (2016) Malaysia	Nil	Internal factor Knowledge Self-efficacy External factor Service quality Interaction	Zakah compliance behaviour	Conceptual paper	The paper proposes that there are internal and external factors that affect the zakah (Islamic tax) compliance
Ling, Osman, Muhammad, Yeng, and Jin, (2016) Malaysia	Nil	Price Government subsidies Income inequity	GST compliance	357 customers using questionnaire using SPSS	Price and income inequity has negative effect on compliance while government subsidies have a positive effect.
Young, Lei, Wong, and Kwok, (2016) China	Nil	Literature review	Tax compliance	Literature review	Findings of the literature showed that benefits of the tax to families as well as the ethical value of people as well as the incentive could affect the tax compliance of individuals in china.
Castro and Scartascini, (2015) Austria	Nil	Deterrence	Tax compliance	Experiment	Results indicate that those taxpayers that received the deterrence message have a higher probability to comply than the taxpayers in the control group
Doerrenberg, (2015) Germany	Nil	Use of tax revenue	Tax compliance	Experiment	The compliance with tax is dependent on the usage of tax revenue.
Savitri (2015) Malaysia	Attribution theory, planned behaviour theory, social learning theory	Tax socialization Tax knowledge, service quality Expediency of tax	Tax compliance	100 respondents using SEM	Tax socialization, knowledge and service quality affects the awareness while the tax socialization and knowledge affect the tax compliance. In addition, awareness played a full mediating role.

Author/ year/ country	Theory / Models Applied	Independent Variable	Dependent Variable	Sample size/ methods	Findings
Mohdali, Isa, and Yusoff, Salwa (2014) Malaysia	Nil	Punishment	Tax compliance	Mix method including 302 questionnaires and interview	The findings indicate that punishment has insignificant effect on the tax compliance.
Saad (2014b) Malaysia	Theory of reasoned action (TRA)	Attitude Subjective norm	Tax compliance	227 questionnaires	Attitude and subjective norms has significant effect on the zakah compliance. In addition, intention mediates the effect of attitude and subjective norm on Zakah compliance.
Kamleitner, Korunka, and Kirchler, (2012) Austria	Nil	Nil	Tax compliance	Literature review	Small business owners are likely to perceive more opportunities not to comply than employed taxpayers are; they are more likely to experience a lack of meaningful taxation knowledge; and they are more likely to face decision frames that render taxes as painful losses.

IV. FINDINGS

The findings are based on a frequency analysis that was conducted on the 32 reviewed articles. The following presents the findings of this study.

4.1 Most important factor for Tax Compliance

Important factors extracted from the 32 articles and a frequency analysis was conducted to identify the

highly used factors in the literature. Figure 2 shows that the most important factor is attitude and subjective norms followed by tax knowledge and tax fairness, trust, tax complexity moral intensity is in the third rank in term of importance. Fourth important factor is the perceived behavioural control (PBC). Deterrence, tax system, peer influence, religiosity and procedural justice are the least important factors.

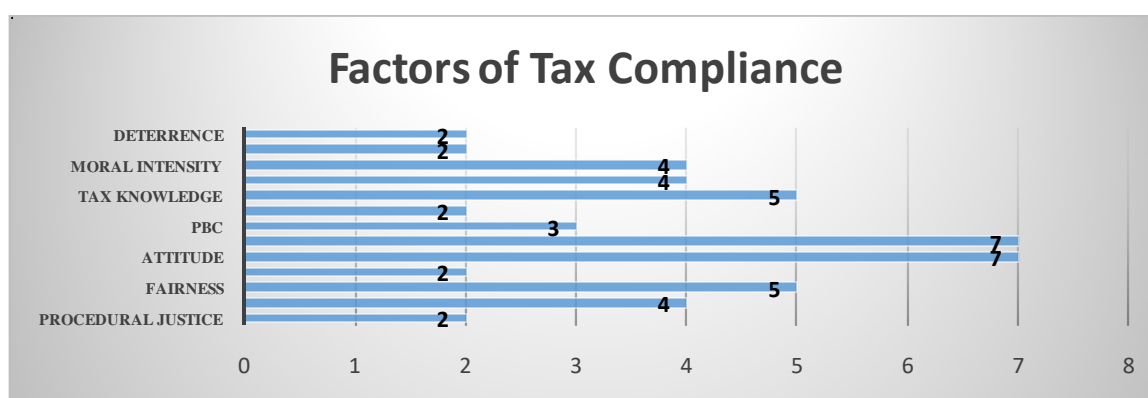


Figure 2: Factors of Tax Compliance

4.2 Theories of Tax Compliance

Several theories have been used to understand the predictors of tax compliance by individual taxpayers. Most notably is the use of the theory of planned

behaviour (TPB) with frequency of five times followed by the fairness theory with frequency of three time. Other theories presented in Figure 3 were used for one time.

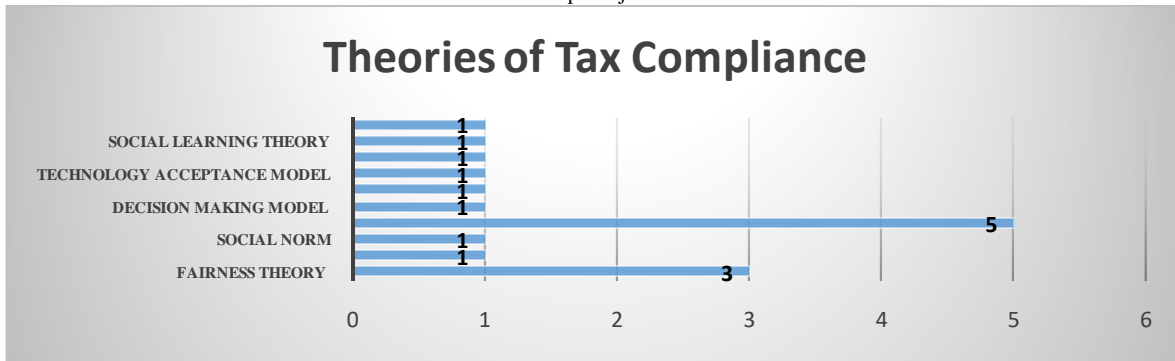


Figure 3: Theories of Tax Compliance

4.3 Countries of the reviewed studies

Among the 32 reviewed studies, Malaysia was the highest frequent countries for tax compliance studies (13 times) followed by Austria (5 times), US (3 times), New Zealand (2 times), and Germany (2 times). Figure 4 shows the countries where the studies were conducted.

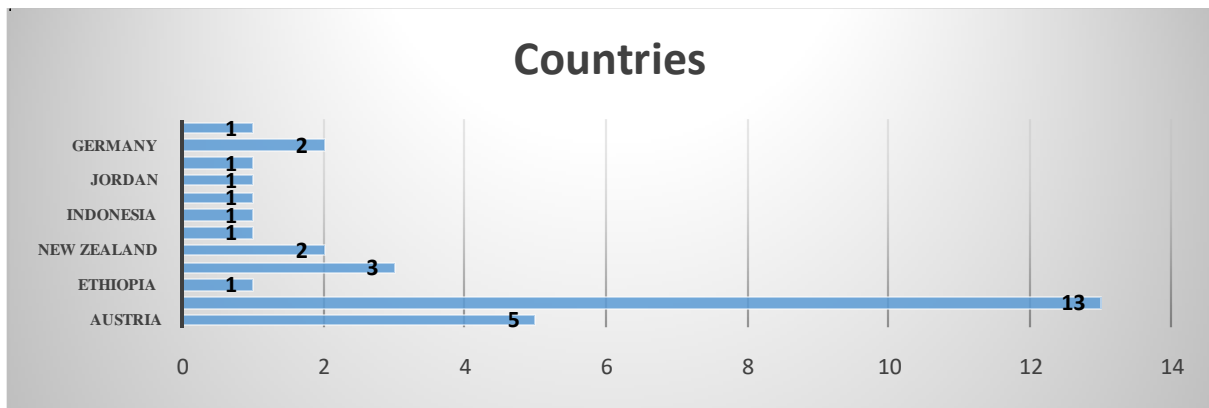


Figure 4: Countries of the Studies

Among these countries, the developing countries accounted to 56% while the developed countries received 44% of the studies. Figure 4 shows the distribution of the studies.

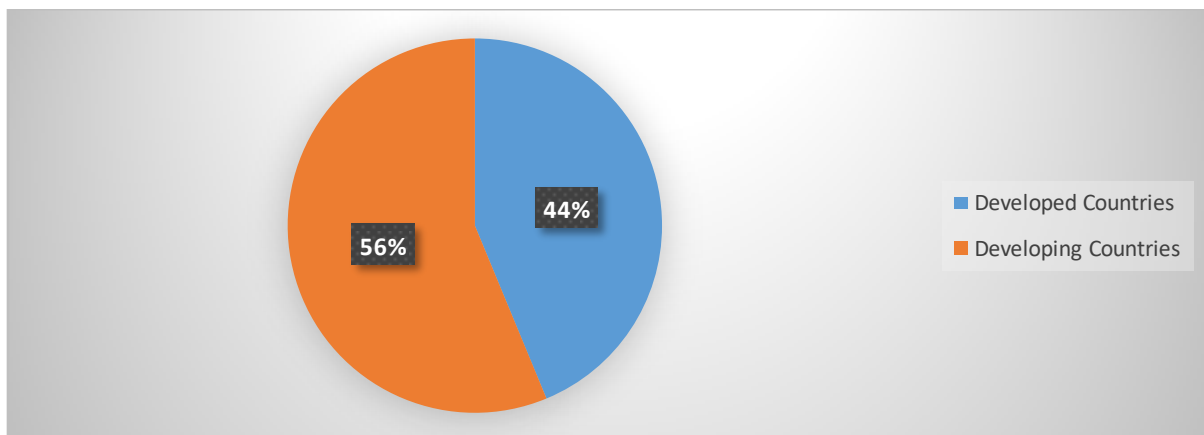


Figure 5: Distribution of Studies among Countries

4.4 Methodological Approach

The reviewed studies showed that researchers have used various methods to understand the factors that affect tax compliance. A total of 56% of the studies are quantitative using survey design followed by 16%

with experimental design, 10% used mix method approach while 6% have used qualitative, conceptual, and literature review approach. Figure 5 shows the methodological approach.

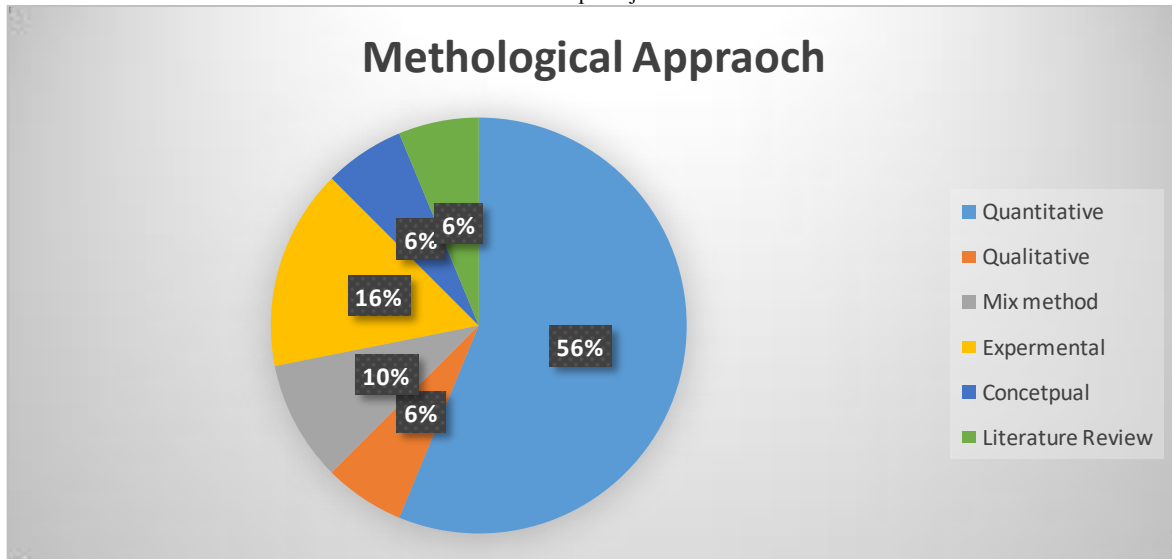


Figure 6: Methodological Approach

4.5 Sample size

The quantitative studies accounted for 56%. The sample size of these studies ranged from 100 respondents to 663 respondents. The mean of the sample size is 268. For the qualitative studies, interview was the medium of data collection. The sample size of the interviewee ranged from 14 to 30. The mean of the sample size is 21.

4.6 Chronology of the Studies

The studies were conducted between 2007 and 2016. Figure 6 shows the slope was steady during 2007 to 2009 and witnessed increases in 2010 while 2011 has no studies, the 2012 represents the increasing slope until 2016.

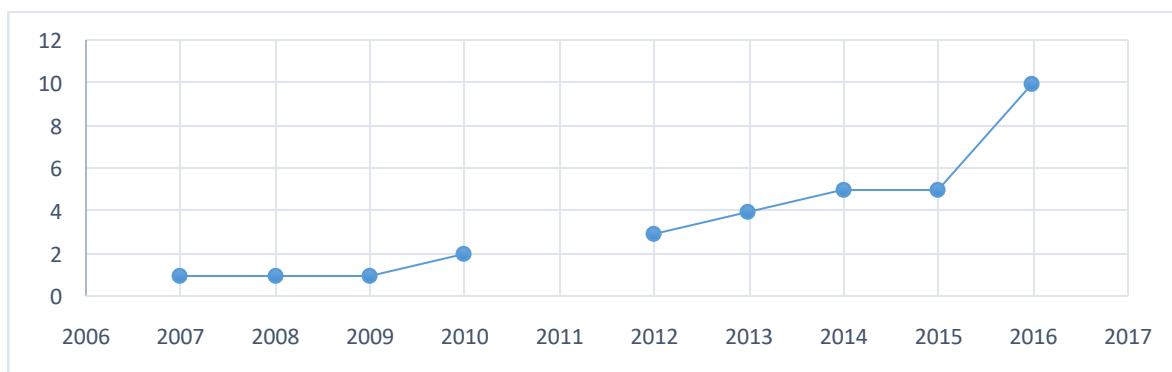


Figure 7: Chronology of Studies.

V. DISCUSSION

The findings of this study showed that the most important factors are those related to the TPB theory such as attitude and subjective norms. Recently, many researchers have pointed out the importance of using the TPB theory in the context of tax compliance (Abdul Hamid, 2014; Smart, 2013). Fairness is essential for tax compliance. Taxpayers who perceived that tax are fair are more willing to comply with tax (Jimenez and Iyer, 2016). Similarly, this study found that tax knowledge is also an important factor for tax compliance. Researchers agreed on the importance of tax knowledge for taxpayers to comply with tax law (Saad, 2014a; Savitri, 2015). The findings also indicate that trust is one of the important factors. Several studies pointed to the importance role

of trust and its emerging use in management studies as well as in tax compliance studies (Alarj et al., 2016, 2015; Gobena and Van Dijke, 2016; Jimenez and Iyer, 2016; A laaraj et al., 2018).

In accordance with this finding, previous studies focused on the use of TPB in explaining the behavioural intention toward tax compliance. Fairness theory is also being used in the literature. Other theories were marginally used. Almost 50% of the studies did not use any theory and used the exploratory approach or experimental approach. Malaysia received the largest number of studies. This contradicts with the literature that says the majority of previous studies focused on developed countries. This study found that the number of studies in developing countries is increasing dramatically. This could be

due to the importance of tax for the expenditure and survival of the governments in developing countries and due to the need for fund after economic crisis in 2008 and 2012.

Majority of the studies are quantitative in nature. This could be because this paper is focusing on individual taxpayers and the easiest way to extract the data from these respondents is by using questionnaire. Again, the importance of tax compliance is seen in the number of studies. From 2012 to 2016, the number increased dramatically. This could be a reflection of the importance of tax compliance.

Overall, this study has identified the factors that affect the tax compliance. Decision makers can benefit of this study by focusing on these factors so that the tax compliance can be increased. For researchers, this study summed up the findings of previous studies so that it is easier to identify gaps and extend the findings of this study.

VI LIMITATION AND FUTURE WORK

Some limitations are worthwhile to be mentioned. The number of reviewed studies was limited to 32 studies. To have broader view of the literature, future studies are suggested to expand the database of articles to increase the number so that the findings could be more generalizable. The findings are based on individual, corporate, and tax agent. The inclusion of tax agent and corporates is due to the lack of studies in individual taxpayers. This lead to the suggestion to extend the literature by conducting empirical studies on the individual taxpayers.

Most extracted studies were related to Malaysia and developed countries. Future works are recommended to conduct empirical studies on developing countries using the theory of TPB and fairness theory. The findings of this study need to be examined empirically. Thus, future work is recommended to add along with the factors of TPB, trust, complexity, fairness, moral intensity and religiosity because these factors belong to the behavioural approach of tax compliance and possibly able to explain the variation in the tax compliance by individual taxpayers.

CONCLUSION

This study was conducted to identify the factors that affect the tax compliance by individual taxpayers. The study also strived to provide the researchers with statistics related to the existing studies of tax compliance. A total of 32 articles were analyzed and frequency analysis was conducted to identify the factors, theories, countries, methodological approach, sample size, and chronology of studies. The findings indicate that attitude, subjective norms, fairness, tax knowledge, trust, tax complexity, moral intensity are among the most important factors. The theory of Planned Behaviour and Fairness theory are the most

used theories in the literature of tax compliance. Malaysia received the largest share of studies followed by Austria. Studies in developing countries outperformed the studies in developed ones. Majority of the studies are quantitative followed by experimental and mix methods. Mean of sample size for quantitative studies was 268 while 21 for qualitative studies. The number of studies in tax compliance increased after 2012. The findings were discussed and limitations as well as future works were highlighted.

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FACTORS INFLUENCING TAX COMPLIANCE IN INDONESIA

Apran Kurniawan¹⁾, Revi Novayanthi Br Meliala²⁾, Fernandus Roni Febrianto³⁾

^{1, 2,3)} Institute of Business and Informatics Kesatuan

E-mail: apran707e@gmail.com¹⁾, 222320025@student.ibik.ac.id²⁾

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ABSTRACT

This study examines factors like awareness, knowledge, obstacles, sanctions, and tax regulations impacting taxpayer compliance. There is an assumption that tax compliance in Indonesia is still in the low category, which causes state revenues in the tax sector not to meet expectations. This study uses the literature review method, where the results concluded that awareness, knowledge, obstacles, sanctions, and the existence of tax regulation have an indication or influence to increase tax compliance in Indonesia. The study provides knowledge about the current conditions regarding tax compliance in Indonesia based on existing factors and new information related to the recent tax regulation in the pandemic of 2022.

Keywords: Taxpayer Awareness, Tax Knowledge, Tax Obstacles, Tax Sanctions, Tax Regulation, Tax Compliance.

INTRODUCTION

According to Sumarsan (2013), Taxes are the people's direct, demonstrable contributions to the state's coffers under the law (and may be imposed), without gaining lead services (or other counter achievements), and are used to cover general expenses. The definition of tax changed to mean the transfer of money from the citizenry to the state treasury to pay for necessary expenses, with the surplus going toward public savings as a funding source for public investment. In terms of increasing revenue from taxes, the government certainly consistently makes all its power and efforts to improve both policy aspects and tax systems and administration, for example, the amendments to laws (Job Creation Law, Tax Harmonization), modernization of the tax office; Extensification and Intensification; Special handling in inspection and billing; Construction of an integrated

database; Provision of services through the use of information technology; Enforcement of employee codes of ethics to improve discipline and good corporate governance of the tax officers (Suandy, 2017).

Regarding the Fiscal Year 2021 State Budget and Expenditure independence, tax revenues have significantly grown to contribute to state revenues and reduce financing needs sourced from debt. Thus, taxes are the spearhead of the state budget (BPS, 2022), which is the primary choice for increasing revenue and has unlimited and inexhaustible potential to achieve optimal development. The community plays a role in paying taxes to finance the government in terms of building facilities and infrastructure to fulfill the public interest. Payment of taxes is an obligation, and awareness is needed to comply and not delay or even avoid paying taxes. Morals based on the desire and responsibility for paying taxes are absolute in tax collection. However, only some citizens know or still need to gain awareness of taxpayers paying their taxes.

**Table 1. Tax Revenue Under the Domestic Revenue Scheme
The year 2020, 2021, and Draft State Budget (DSB) Posture 2022
(in trillion rupiah)**

Description	2020		2021		2022 (DSB)	
	Rp	%	Rp	%	Rp	%
Domestic Revenue	1,628.95	100.00	1,733.04	100.00	1,840.10	100.00
Tax Revenue	1,285.14	78.90	1,375.83	79.40	1,506.90	81.90
Non-Tax State Revenue	343.81	21.10	357.21	20.60	333.20	18.10

Source: Financial Note and DSB, 2022

Table 1 presents the contribution of tax revenues compared to domestic revenues during the 2021 and 2020 periods, showing that tax revenues contribute almost 80.00% of domestic revenues, while in the 2022 state budget posture, there is an increase in the contribution target to 81.90%. The facts are based on the upward trend in realization before the Covid-19 pandemic occurred in 2018 and 2019, namely 78.77% and 79.08%, respectively (BPS, 2022).

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Taxpayer awareness is one of the factors considered in efforts to increase tax compliance, where the level of tax compliance has a priority role in the government's success in determining the amount of state revenue (Ragimun, 2011). It has been demonstrated that taxpayer compliance increases with increased awareness among them.

The dominance of tax contributions to the state makes the government do everything in its power and efforts to drive intensification and socialization to people who have met the requirements to meet their tax-payment obligations as taxpayers. In the implementation, there are obstacles in tax collection caused by non-compliant taxpayer behavior and other technical issues implementing the tax system. Numerous issues related

to increasing taxpayer compliance with tax laws require primary research. According to earlier research, the more aware taxpayers are, the more likely they are to comply with tax laws (Alasfour et al., 2017; Eddy & Carolina, 2015; Mansyuri et al., 2022; Sudrajat & Ompusunggu, 2015; Syafriel, 2018).

Regarding whether taxpayers know about taxation, several researchers have tested the relationship of taxation knowledge from taxpayers with tax compliance (Caroko et al., 2015; P. R. Putri, 2015; Syafriel, 2018; Ulfa & Rahmawati, 2015), resulting in a positive link between tax compliance and tax knowledge. Tax socialization is related to tax compliance by taxpayers (Ananda et al., 2015; Febriani et al., 2019; Sudrajat & Ompusunggu, 2015; Syafriel, 2018). Similarly, tax obstacles and policies facilitate tax management procedures that affect tax compliance (Istiqomah, 2017).

According to Mardiasmo (2013), tax sanctions prevent taxpayers from violating tax norms. The tax sanction is a negative punishment given to taxpayers who violate the regulations and aims to prevent the existing tax regulations and laws from a violation. Tax sanctions are one of the variables that influence the high level of tax compliance since they guarantee that the terms of tax laws and regulations (tax norms) are followed and respected. Several past researchers explain a connection between tax compliance and sanction (Aprilina et al., 2016; Ardy et al., 2018; Dharma & Ariyanto, 2014; Kusuma, 2016; Syafriel, 2018).

This study provides new information related to government regulation, which has no research before. This information is related to the latest tax amnesty program in 2022, known as the 2022 Voluntary Disclosure Program (VDP), which resulted in a positive impact on taxpayer compliance amid abnormal conditions, namely the Covid-19 pandemic. VDP held with the simple principles, predictability of the law, and speed to increase taxpayers' voluntary compliance (pajak.go.id, 2022). Ngadiman & Huslin's (2015) research backs up the impact of positive tax amnesty on tax compliance and is supported by Suyanto et al. (2016) and Pangkey et al. (2017).

Regarding the compliance ratio, the Directorate General of Taxes (DGT) noted that the percentage of taxpayers who file annual tax returns in conformity reached 84.07% in 2021, with tax returns of 15.90 million reported from 19 million taxpayers. This condition is still relatively low compared to other countries, despite an increasing trend over the previous five years. In 2017 the compliance ratio was 72.58%. In 2018, it fell to 71.10% total of 12.55 million people reported from 17.65 million taxpayers. In 2019 the compliance ratio rose again to 73.06%, with the number of people who submitted annual tax returns recorded at 13.39 million from 18.33 million taxpayers. Then in 2020, it increased again to 78.00%. A year later, the tax compliance ratio rose again to 84.07%.

This study aims to ascertain how efforts to increase tax compliance are influenced by taxpayer awareness, tax knowledge, tax obstacles, tax sanction, and tax regulation, as indicated by the preceding description.

Tax Awareness

The theory of planned behavior (TPB), according to Ajzen (2002) in Seprizah (2016), is a condition in which a person can act on his intentions only if he has control over his behavior; this theory itself is the person's intention to engage in certain behaviors. The Theory of Planned Behavior is crucial to explain how taxpayers behave while paying their taxes (Marjan, 2014). An individual will have faith in the outcomes of his activity before taking any action. Awareness of taxes is correlated with behavioral views. Tax-

aware taxpayers will be confident in the significance of paying taxes to support the coordination of the country's development.

Taxpayers more aware of their obligations will comprehend and carry out their responsibilities more effectively, leading to better compliance (Rahayu, 2020). The awareness of paying taxes must also be followed by a critical public attitude so that the government can provide returns that can be directly in the form of development in all aspects (Famami & Norsain, 2019).

Tax Knowledge (Socialization)

According to the theory of planned behavior, normative beliefs are another element that influences how people intend to act when they have faith in the good intentions or support of others (outsiders). The factors are part of the understanding process. Tax knowledge is the process through which a taxpayer acquires knowledge of taxation and uses that knowledge to comply with their tax payment obligation. Tax knowledge can be in the regulations form, procedures, tariffs, and other issues about tax laws. Understanding tax provisions is a component of the taxpayer's capacity to comprehend the tax laws. Higher levels of knowledge can gradually raise taxpayers' awareness of their tax rights and obligations, leading to greater compliance. Taxpayers' consistency in tax knowledge will also improve tax compliance (Famami & Norsain, 2019).

Tax socialization becomes the belief of taxpayers (individuals) to motivate them to become tax-compliant behavior (Marjan, 2014). The Director General of Taxes makes an effort called "tax socialization" to educate the public about taxes, mainly to help taxpayers understand all the rules and processes associated with paying taxes correctly. The Director General of Taxes always works to provide this information through counseling or socialization so that it is more widely known and understood by taxpayers. This effort is accompanied by the renewal of the Annual Tax Return (ATR) reporting system and online tax payments since 2014, namely e-filing and e-billing. Tax socialization must be carried out effectively and regularly to achieve the goal. With the right and efficient socialization, it will increase knowledge for taxpayers themselves. One example of the latest government program related to tax knowledge and socialization is the Socialization of the Harmonized Tax Regulations Law (HTRL) in 2022, which in the law expected to trigger Indonesia's economic improvement after the pandemic (pajak.go.id, 2022).

Tax Obstacles

The obstacles in the field of taxation can be divided into two points of view: the government's point of view in tax collection terms and the point of view of taxpayers in terms of tax payment obligations. Regarding the government, the obstacles of tax collection faced resistance efforts from taxpayers to avoid their tax obligations. The resistance can be in the form of passive and active. Passive resistance is a condition that complicates the collection of taxes arising from the economic structure, society, the intellectual development of the population, and the morals of citizens, and the taxes collection system is self-centric (Rahayu, 2020). Meanwhile, active resistance from the community includes community efforts to avoid, reduce, smuggle, manipulate, neglect, and pass taxes that are addressed directly to Fiscus and indirectly to the State (Rahayu, 2020). Active resistance can be in the form of tax avoidance and tax evasion. Dereliction of this tax is an attempt to refuse to pay the established tax and meet the formal conditions.

Tax Sanctions

Control beliefs in theory of planned behavior are also one of the determining factors for a person's belief regarding the existence of factors supporting or impeding a behavior, as well as his assessment of how strongly these factors have an impact. The sanctions are made to support behavior and compliance by being determined by the taxpayer's impression of the impact of solid sanctions (Marjan, 2014).

Taxpayers' compliance also can be improved by the imposition of taxation witnesses. Tax sanctions serve as a deterrent so taxpayers will not break the law. (Mardiasmo, 2013). Because the Indonesian government uses a Self-Assessment method to collect taxes, tax sanctions have additional advantages. The government has created signs governed by the relevant Tax Law for the deployment of this system to be orderly and by the anticipated targets. The purpose of imposing tax sanctions is to encourage taxpayer compliance with tax obligations (Saragih, 2013).

Tax Regulation

Normative beliefs are also a determining factor in the intention of the results of tax officer services through government programs related to tax regulation. The qualities of services by tax officers under tax law are an encouragement that gives confidence to taxpayers to behave obediently or obey taxes because taxpayers feel that they will be helped and facilitated in carrying out their tax obligations (Marjan, 2014). Government programs related to tax regulation carried in various forms like sunset policy, tax amnesty, and voluntary disclosure program (VDP).

The Ministry of Finance reported that the Voluntary Disclosure Program, which ended on June 30, 2022, had been attended by around 247.90 thousand taxpayers with a total net asset value disclosed of IDR594.82 trillion. Overall, the income tax collected from this program reached IDR61.01 trillion. According to a statement from the Ministry of Finance's Directorate General of Taxes, all taxpayers participating in the voluntary disclosure program will be free from administrative sanctions. Voluntary disclosure program participants also receive protection so that the property data they disclose cannot use as a basis for criminal investigation and prosecution. According to the Directorate General of Taxes, voluntary disclosure program organizes with simple principles, legal certainty, and expediencies to improve taxpayers' voluntary compliance before the law with enforcement. They carried out a database of Automatic Exchange of Information (AEOI) and Governance Agencies, Institutions, Associations, and Other Parties (GAIAO) owned by Directorate General of Taxes (Dihni, 2022).

Tax Compliance and Taxes Revenue

According to Kirchler et al. (2008), in the literature research of social science on tax behavior, many terms are used, including intended or observed tax morale, tax compliance, tax flight, avoidance, and evasion. Tax compliance terms are considered the most neutral term to describe the willingness of taxpayers to make tax payments. Tax compliance is a person's adherence to the applicable provision of taxes and obeying tax obligations following laws and regulations (Rahayu, 2020). The Republic of Indonesia's Minister of Finance established the following criteria for obedient taxpayers in Regulation 74/PMK.03/2012: First, timely submission of a notification letter for all forms of taxes; Second, there are no unpaid taxes other than those that are authorized to be paid or delayed; Third, financial statements are audited by public accountants or government financial oversight organizations for 3 years in a row with unqualified opinions; Fourth,

the taxpayer has never been found guilty of a crime related to taxes based on a ruling from a court that took effect within the last 5 years.

Taxpayers who match the criteria will get the Obedient Taxpayer (OT) predicate and get benefits in the form of: first, it takes precedence when returning or restituting Income Tax or Value Added Tax (VAT); second, it is not necessary to go through an examination when applying for restitution; third, on the tax restitution, can be received much sooner up to 1 month only, for taxpayers that do not have a predicate above the process can be as long as one year, while the period for determining OT compliance valid for two years (Maulida, 2018).

Regarding tax acceptance, it is a source of revenue that may be continuously acquired and developed ideally by governmental requirements and local conditions. Tax revenue is the government's income from the people's taxes and spending on initiatives that would increase national prosperity. The tax ratio compares tax revenue to gross domestic product and assesses a nation's tax performance (GDP). A survey from Indicator states that most respondents or the public (58.70%) know that the largest source of state revenue is tax revenue (Indicator Survey, 2022).

According to a report by the Ministry of Finance, Indonesia's tax ratio in 2021 is 9.11% of GDP. Although it has increased compared to 2020, Indonesia's tax ratio in 2021 is still below pre-pandemic levels. As for the trend of tax ratio in the previous four years, namely in 2017, Indonesia's tax ratio was at 9.89% of GDP. The figure then increased to 10.24% in 2018, fell to 9.77% in 2019, and slumped considerably to 8.33% in 2020. 2020 was the year in which Indonesia's tax ratio declined the deepest this happened because of the Covid-19 pandemic that made people's economic activities limited.

Meanwhile, in 2021, Indonesia's tax ratio began to increase in line with strengthening tax performance and recovering the national economy from the impact of the pandemic (Dihni, 2022). Thus, some factors simultaneously affect compliance and tax revenue, i.e., taxpayer awareness, tax knowledge and socialization, tax obstacles, tax sanctions, and tax regulation.

Conceptual Framework

There is an assumption that tax compliance in Indonesia is still in the low category, which affects state tax collections, which have fallen short of forecasts. Previous literature reviews and research stated that several factors immediately impact taxpayer tax compliance. These include taxpayer awareness, tax knowledge and socialization, tax obstacles, tax sanctions, tax regulations related to tax amnesty, and voluntary disclosure programs.

RESEARCH METHODS

This study focuses on the factors that influence tax compliance in Indonesia. The objective would be to identify the key factors that affect tax compliance like taxpayer awareness, tax knowledge and socialization, obstacles of tax, sanctions, and tax regulation. This study also provides new information about new regulation on tax and the latest survey about the compliance and explore their relationship with taxpayer behavior. Meanwhile, the method used is a literature review through data collection by reading and citing various theories and literature related to this research.

RESULTS AND DISCUSSION

The following will present the results and discussion of this study related to the factors that influence tax compliance in Indonesia.

Influence of Taxpayer Awareness on Tax Compliance

The more taxpayer awareness, the higher the taxpayer compliance. Which also favorably & significantly reflects or achieves taxpayer compliance. Paying tax awareness can lead to tax compliance and foster a caring and critical attitude in responding to tax policy issues set by the government. This taxpayer awareness reflected several things like knowledge and socialization carried out by the government regarding taxes, the quality and economic level of taxpayers, and how the tax system is seen.

With the taxes system adopting a self-assessment system, it is necessary to support the awareness of all taxpayers that taxes are mandatory and forced like all citizens who have met the criteria of taxpayers. It is a form of taxpayer compliance in realizing equality of development and creating the conditions of a just and prosperous country.

The study concludes that a reflection of taxpayer awareness can affect tax compliance. The higher and better the awareness, the higher the tax compliance of the taxpayers. Which indirectly affects the scale of tax revenues that increase. Several previous studies have shown that taxpayer awareness results in more significant compliance by taxpayers (Ardy et al., 2018; Eddy & Carolina, 2015; Sudrajat & Ompusunggu, 2015). It means awareness positively influences taxpayer compliance.

Influence of Tax Knowledge (Socialization) on Tax Compliance

Tax knowledge is the process by which a taxpayer is aware of the taxation and uses that awareness to comply with the obligation to pay taxes. The results showed that the ability to knowledge attributes is very supportive of tax compliance. The greater the taxpayers' concern for compliance, the more knowledge they have. The attributes of knowledge are the basis for consistent behavior change and formation in individuals and groups at a large scale. Tax knowledge becomes the domain of the taxpayer's ability to know and understand tax regulations as a whole. The consistency of taxpayer knowledge will also improve compliance in paying taxes.

The government made an effort through the Decree of the Director General of Taxes No.KEP-114 / PJ/ 2005 to socialize taxation. This regulation contains the formation of a tax socialization team as one of the government's efforts to educate the public regarding the familiarity and comprehension of tax laws. With the knowledge and socialization program, the public will have tax knowledge, where taxes function to collect funds from the community intended for state financing and as a tool to regulate the structure of people's income and wealth structures between economic actors. The involvement of taxpayers in making tax payments is evidence of the contribution of citizens to the development and economic growth of the country.

Based on the survey conducted by Indicator Survey (2022), most respondents still need to understand taxes (52.40%) and tax money benefits (57.70%). In comparison, those who understand taxes are around 45.3%, and those who understand tax money benefits are 39.80%. In the group that earns more than 4 million per month, the majority understand taxes (64.70%) and tax money benefits (62.60%) (Indicator Survey, 2022). The survey shows us there is much homework for the government to optimize tax

socialization so that people can understand knowledge about taxes. Research shows that tax socialization assistance indicates taxpayer compliance favorably and importantly. The more tax information is available, the greater the taxpayer's compliance with the individual concerned.

Caroko et al. (2015) in the research revealed that taxpayer knowledge positively affects taxpayer compliance. Same with Ulfa & Rahmawati (2015) and support research by Putri (2015) conclude that taxpayer knowledge influences taxpayer compliance. Tax socialization is a factor in raising awareness of tax compliance, either directly or indirectly providing information to taxpayers in the form of counseling, consultation, and socialization through various media. Another study about tax socialization that positively affects taxpayer compliance was conducted by Ananda et al. (2015); Ardy & Damayanti (2018); Febriani et al. (2019); Mansyuri et al. (2022); Maulindayani (2018); Sudrajat & Ompusunggu (2015); Syafriel (2018); Wardani & Wati (2018). Based on previous studies, it is concluded that taxpayer compliance is positively impacted by tax knowledge.

Influence of Tax Obstacles on Tax Compliance

There are two points of view on the obstacles related to taxation, from the government's side in tax collection and the taxpayer's side in tax payment obligations. The Obstacle on the governance side is in taxes collections that faced resistance efforts from taxpayers to avoid their obligations, which can be passive or active resistance. From the side of taxpayers, as mentioned in the survey, such as financial matters, difficulties in internet access, constraints on understanding regulations, inadequate human resources in the field of taxation, etc. Those factors need to be observed by the governments and provided solutions to minimize potential obstacles.

In taxpayers' terms, obstacles in fulfilling tax obligations based on a survey conducted by Indikator.co.id to 1.246 selected respondents via telephone interviews on July 9 – 12, 2022. The margin of error is approximately 2.80% at a 95.00% confidence level. Simple assumptions in random sampling found that 36.30% of respondents found it challenging to fulfill their tax obligations. Several obstacles that were felt by 36.30% of the respondents consisted of obstacles on unfavorable financial conditions (35.50%); tax regulations are hard to understand (12.10%); internet network obstacles (7.30%); difficult to-access application obstacles (6.40%); inadequate human resource obstacles (4.40%); other obstacles (3.50%). While those who chose no obstacles were 19.30%, and the remaining 11.40% answered that they did not know or did not answer (Indicator Survey, 2022). These obstacles negatively affect tax compliance, so it concluded that these obstacles make taxpayers not comply with the established taxation and unquestionably affect the scale of tax revenues that are not optimal.

Influence of Tax Sanctions on Tax Compliance

Because of tax sanctions, taxpayer compliance is significantly and favorably affected, and it is hoped that the public will become more compliant with taxation. Tax sanctions consist of a tax penalty where the taxpayer must pay a certain amount of money to the state for violating applicable regulations. Tax penalties issued in the form of criminal offenses, such as criminal fines, jail, or imprisonment, are known as criminal sanctions. The imposition of tax sanctions must be fair and the same in the eyes of the law. To create a powerful tax system, sanctions must be imposed on violators without tolerance.

Around 46.20% of the public knows about the sanctions imposed if they do not fulfill their tax obligations (Indicator Survey, 2022). The results illustrate that many people still need to understand the consequences of negligence in fulfilling tax obligations. The greater the public knows about tax sanctions, of course, the level of compliance will increase.

Tiraada (2013) found that one of the things that affect taxpayer compliance is tax sanctions. Other research also supported by Ardy et al. (2018) and Mutia (2014) found that tax penalties increase individual taxpayer compliance. Others several studies have also concluded that tax sanctions are relevant to taxpayer compliance and have a beneficial impact, as conclusion by Aprilina et al. (2016); Fajriyan et al. (2015); Hantoyo et al. (2016); Kusuma (2016); Pujiwidodo (2016); Septarini (2015); so did Syafriel (2018) and Ardy et al. (2018). It showed that tax sanctions increase taxpayer compliance. Existing studies conclude that tax sanctions are effective and relevant to taxpayer compliance. Positively and considerably supports the mirror of taxpayer compliance when consequences are considered. The stricter the sanctions can have a deterrent effect on violators, the higher the taxpayer's compliance.

Influence of Tax Regulation on Tax Compliance

Government programs related to tax regulation are in various forms: such as the sunset policy, tax amnesty, and voluntary disclosure program, research by Ngadiman & Huslin (2015) as well as the results of the voluntary disclosure program, the Directorate General of Taxes is organizing with the simple principles, legal certainty, and expediencies to improve taxpayer's voluntary compliance, showing that tax amnesty and voluntary disclosure program positively affect taxpayer compliance.

Some research by Maulindayani (2018); Ngadiman & Huslin (2015); Pangkey et al. (2017); Suyanto et al. (2016) show that tax amnesty has a positive impact on taxpayer compliance. Research by Ragimun (2011) shows the others side's perspective that Taxpayers have high expectations for tax amnesty and will start to expect it regularly, even though tax amnesty has been implemented in Indonesia but is less effective.

The latest 2022 survey related to voluntary disclosure program states that the majority of people believe/quite believe (61.60%) that the Voluntary Disclosure Program will improve taxpayer compliance. The result of this survey also states that many residents still need to learn about this program (Indicator Survey, 2022). These must concern the government because most believe the voluntary disclosure program improves taxpayer compliance. The results of this survey are certainly in line with previous studies from Suyanto et al. (2016), that tax amnesty has a positive effect on taxpayer compliance, and also research conducted by Pangkey et al. (2017). It shows that the compliance of taxpayers is improved by tax regulation.

Tax Compliance

According to the Directorate General of Taxes, the percentage ratio of taxpayer compliance in reporting annual tax returns reached 84.07% in 2021, with reported tax returns of 15.90 million reports from 19 million taxpayers.

For the past five years: in 2017, the compliance ratio was 72.58%. In 2018, the tax ratio decreased to 71.10% only 12.55 million people paying taxes out of 17.65 million taxpayers. In 2019 its compliance ratio rose again to 73.06%. The people who reported annual tax returns recorded 13.39 million from 18.33 million taxpayers. Then in 2020,

the tax compliance ratio increased again to 78.00%. A year later, the tax compliance ratio rose again to 84.07%. There is still considerable room to push and increase public tax compliance. The factors in this study, namely the attributes of awareness, knowledge, obstacles, sanctions, and tax regulations play a critical role and are tied up with tax compliance in Indonesia.

CONCLUSION

This study aims to understand better the factors that influence tax compliance. Considering the findings of the studies, we can conclude that: tax awareness positively influences taxpayer compliance, tax knowledge (socialization) has a positive impact on taxpayer compliance, tax obstacles negatively affect taxpayer compliance, tax sanctions positively increase taxpayer compliance, and the compliance of taxpayers is improved by tax regulation. Awareness, knowledge, obstacles, sanctions, and tax regulations influence each other and align with tax compliance. With high tax compliance, the increase in tax revenue can be more optimal.

Further research is suggested by conducting more comprehensive studies on the distribution of different respondents in the regions, adding other independent variables. The variables could be Tax Officer services, tax enforcement, and taxpayer satisfaction studies so that the hypotheses can be verified and the result can be more accurate.

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Tax Compliance and Digitalization of Nigerian Economy: The Empirical Review

Raphael Sunday Etim, PhD

Department of Accounting
University of Uyo, Uyo
Akwa Ibom State

Mfon Solomon Jeremiah, PhD

Department of Accounting
University of Uyo, Uyo
Akwa Ibom State

Patrick B. S. Dan

Department of Accounting
Federal University of Birnin, Kebbi
Kebbi State

Abstract

The paper examined the effect of digitalization of economy on tax compliance in Nigeria. The researcher adopted the survey strategy and use structured questionnaire to collect data. The data was sourced from the Federal Inland Revenue Service (FIRS) in Akwa Ibom State. The data was collected from the entire population of the staff at the FIRS, which was forty (40). The simple percentage, descriptive statistics, and linear regression techniques were used to analyze the data. The results suggest that tax compliance is negatively influenced when economy is digitalised. It is therefore recommended that the government of Nigeria should consider developing tax policy that would aid taxing e-transactions, tax education and including taxation of e-transactions in the tax laws. Doing so would likely improve tax compliance and thus boost digital transactions contribution to government revenue.

Key words: Taxation, digitalized economy, e-transactions, tax compliance in Nigeria

1. Introduction

Digitalisation is transforming many aspects of our everyday lives and the way our economy and society functions. The change brought about by this digital transforming is notable and it raises public policy challenges (Adewoye and Olaoye, 2014). It is also changing the nature of policy-making itself, through the emerging of new range of tools required to support the development and implementation of policies. Ubiquitous digital devices, connectively and smart technology are bringing significant changes that are profoundly affecting relationship and market.

Information and communication technology (ICT) have become part of the foundational infrastructure of business and society (Ibrahim, Jeremiah and Ithnin, 2008); the evidence is the heavy reliance on efficient and widely accessible online communication network and services, data, software and hardware (Adigbole and Olaoye, 2013). Enormous data is now generated by these constantly connected users and devices. These data being collected by businesses and government and combined with advanced data analytics and technology diffusion, are providing the insights necessary to transform and shape the way organisations operate. In this changing environment, the challenges for policymaker are complex. For tax matters, this means that policy development and implementation must be designed to allow for the changing environment. The policy should be clear to provide the certainty that would facilitate sustainable long-term economic growth.

Indeed, digital economy is becoming the world most innovative and far reaching economy. In 2018, the Nigerian investment promotion commission projected that the Nigeria's digital economy would generate \$88 billion dollar and create three million new jobs by the end of 2021. However, Nigeria may be unable to tax the huge income that the digital economy would generate unless it amends its laws to adapt to changing technological advancement (Adewoye, Ademola, Afolabi and Oyeleye, 2013).

Typically, the general rule under Nigeria tax laws for taxing income of foreign enterprises in a given jurisdiction is by establishing that the entity has a taxable presence or as permanent establishment (PE) in Nigeria. Given that digital transactions require little or no physical presence of the transacting parties, the income from the transaction may not be captured in the jurisdiction where the income is derived. Whilst, the Nigerian tax authorities are working towards ensuring digitalization of the tax collection process, it is unfortunate that this digitalization has not been extended to cover effective monitoring and collection of taxes from digital transactions. It is for these reasons that the study was conducted to ascertain the effect of digitalization of the economy on tax compliance in Nigeria.

2. Literature Review

The review of related literature was carried out under three sub-headings namely conceptual review, theoretical review and empirical review.

2.0 Conceptual Review

2.1 Taxation and its nature

Tax is a compulsory payment made by individuals and organisations to the government in accordance with predetermined criteria for which no direct or specific benefit is received by the taxpayer. (Bassey, 2016). The following are the features of tax: it is compulsory payment usually backed up by law, it is levied according to predetermined criteria, paid to government and not individual and it is for the common benefit of the citizens. It is obvious that countries, including Nigeria, impose taxes for a number of reasons. Government uses tax revenue as a means of financing government activities, reducing consumption of goods considered non-essential, reducing inequality in income distribution, ensuring price stability and helping to stimulate economic growth. In his book, *The Wealth of Nations*, Adam Smith laid down the basic cannons that should be observed by nations in fashioning out tax policies; these include equity, certainty, convenience and economy.

2.2.1 Digital Economy and Benefits

Digital Economy is defined as the part of economic output derived solely or primarily from digital technologies with a business model based on digital goods or services (Adimassu and Jerene, 2015). The digital economy is made up of various components, including a platform economy, data analytics, robotics and Artificial Intelligence (AI), machine learning, 3-D printing, and e-commerce among others (Ernst and Young, 2018). For countries in Africa, the digital economy offers opportunities, but also brings risks of being left behind. Improved digital connectivity can only achieve the desired transformational impact on economic opportunity and inclusive growth if combined with improvements in digital skills and literacy, the coverage of digital identity schemes, and access to digital payments and other financial services, as well as digital support to start-ups and existing businesses. With such capabilities, the African economy can harness digital data and new technologies, generate new content, link individuals with markets and government services, and roll out new and sustainable business models.

In most of the Africa countries today, too few citizens have digital IDs or transaction accounts-locking them out of access to critical public services, financial inclusion, and markets. Digital start-ups struggle to attract funding, and 'traditional' businesses are only slowly adopting digital technologies and platforms to boost productivity and sales (Amabali, 2009). There is a shortage of workers with the digital skills needed, and limited digital literacy holds back adoption and use of digital products and services. Inadequate policy and regulatory frameworks, including for data protection, cyber security, and competition, also constrain the development of a digital economy in Africa. Digital economies also introduce new risks-to consumers, creditors, or firms, on personal data and cyber threats, in ways systemic or otherwise, and would require safeguards to mitigate these risks and ensure robust job markets (Akintoye and Tashie, 2013). A key area of concern has been that widespread adoption of automation and other digital technologies can cause significant net job losses. However, in the aggregate, technological change has not led to a significant increase in joblessness, and global employment continues to expand in line with the growth in the labour force (ILO, 2018). Though it may displace jobs, automation using technology causes creative destruction, stripping some jobs while creating new ones.

Additionally, while digital economic development can be critical, the process is neither linear nor a panacea. Effective prioritization and sequencing are required, especially as they deal with the public sector. For example, if public service delivery is a key priority to improve the targeting of the poor, the development of government platforms will need to be prioritized. Key investments and reforms may also need to be prioritized as part of an overall development strategy. Shifting cash into digital accounts for government payments, remittances, Small and Medium Enterprise (SME) payments, and agricultural value-chain payments can enable broad-based participation in the digital economy (Amabali, 2009). Digital financial services can be more accessible for lower-income segments of the population, and for women and agricultural households-population segments often underserved by traditional financial services.

A digital economy has potential to enhance productivity and gains in multiple ways. A digital economy can change the way economies of scale are achieved, particularly with online service delivery, as the incremental cost of offering an additional product or service may become negligible (Dzidonu, 2012). The digital economy may provide better matching of buyers and sellers in a competitive marketplace. It may address certain concerns with asymmetric information, solving some principal-agent problems where buyers and sellers are separated by intermediaries, or even multiple levels of intermediaries (Batrancea, Nichita and Batrancea, 2012). It may strengthen people's trust in firms or governments by enabling some decentralized forms of trust where centralized authorities are not trusted. It may allow products and services to be customized and targeted-enabling better inclusion but also easier ways to exclude some too.

2.1.2 Electronic Tools for Managing Taxes in Digitalized Economy

Electronic tools for managing taxes are devices and resources used to communicate, create, manage, and share information. They include hardware (computers, modems, and mobile phones), software (computer programs, mobile phone applications), networks (wireless communications, Internet) and they are basically concerned with the purpose of collecting, processing, storing and transmitting relevant information to support the management operations in any organizations (Adewoye and Olaoye, 2014). It is a system that provides historical information on current status and projected information, all appropriately summarized for those having an institutions or firms (Adigbole and Olaoye, 2013). Obi (2003) conceptualized that electronic system is useful in the area of decision making as it can monitor by itself disturbances in a system, determine a course of action and take action to get the system in control. Adewoye and Olaoye (2014) stated that the future planning of electronic system is built using the following: people, data processing, data communication, information system and retrieval and system planning.

2.1.3 Tax Compliance in Nigeria

Tax compliance is perceived to be behavioural induced toward government actions on provision of basic infrastructural amenities. However, Batrancea, Nichita and , Batrancea (2012) identified social psychological issues, political, industry, business and economic among others as the determinant of tax compliance behaviour. Efunboade (2014) stated that introduction of tax week, filing tax returns, tax counselling, establishing tax electronic management system, regular auditing and examination, penalty provisions, tax education are capable of improving the satisfactory level of revenue in developing countries through self-assessment. While, Okello, (2014) identified education, provision of service- oriented attitude, enacting stringent deterrents to non-compliance, regular auditing and transparency on the part of government and tax authority will enhance voluntary compliance capable of improving revenue generation.

The plan of action to achieve compliance with tax laws without cohesion and enforcement is vital in improving the revenue of tax authority (Appah and Ogbonna, 2014). Strategically meeting taxpayers' needs through the provision of essential amenities, transparency and accountability and among others can induce voluntary compliance. Akintoye and Tashie (2013) conclude that the provision of infrastructural amenities, moral ethics, tax rate, tax accountability and confidence in government, the level of service delivery and the efficient system of tax payment in Lagos state Nigeria motivated the voluntary compliance to pay tax by taxpayers. Voluntary non-compliance has necessitated the compliance gaps in tax revenue of most states in Nigeria. Adimassu and Jerene (2015) identified economic, demographic, social, institutional, individual factors as the determinant of voluntary tax compliance behaviour in self-assessment system in Ethiopia. Appah and Ogbonna (2014) stated that revenue generation in Nigeria is significantly affected by self-assessment compliance. Thus, an efficient compliance strategy increases revenue generation positively.

2.1.4 Digitalization and Tax Systems in the World

Digitalization has a wide range of implications for taxation, impacting tax policy and tax administration at both the domestic and international level, offering new tools and introducing new challenges. As a result, the tax policy implications of digitalization have been at the centre of the recent global debate over whether or not the international tax rules continue to be fit for purpose in an increasingly changing environment. Before the release of Base Erosion and Profit Shifting (BEPS), political leaders, the media, and civil society around the world have expressed growing concerned about tax planning by multinational enterprises (MNEs) that take advantage of gaps in the interaction of different tax systems to artificially reduce taxable income or shift profit to low-tax jurisdiction in which little or no economic activity is performed. BEPS was structured around the following three (3) key pillars: Improving coherence in the domestic rules that affect cross-border activities; reinforcing substance requirements to ensure alignment of taxation with the location of economic activity and value creation and enhancing transparency and certainty for businesses and government.

2.1.5 Addressing the Tax Challenges of the Digital Economy Worldwide

The 2015 BEPS action one report, addressing the tax challenges of the digital economy, which was release in October, 2015 did recognize that digitalization and some of the business models that it facilitates present important challenges for international taxation. The report also acknowledged that it would difficult if not possible to ring-fence. The digital economy from the rest economy for tax purposes because of the increasingly pervasive nature of the digitalization (OECD, 2015). The 2015 Action 1 report identified a number of key features of digitalization that are potentially relevant from tax perspective. There was recognition that digitalization has also accelerated and changed the spread of global value chains in which MNEs integrate their world operations. More specially, the report observed new phenomena such as the collection and exploitation of data, network effects and the emergence of new business models. Multi-sided platforms, as exacerbating the challenges to the existing tax rules.

It was stated that digitalization presents no unique BEPS issues, but that some digital business models can exacerbate BEPS concerns. As such, there was a clear expectation that the consistent and widespread implementation of the BEPS package would substantially address many of the double non-taxation concerns raised by digitalization (Adigbole and Olaoye, 2013). In addition to BEPS issues, the 2015 Action 1 report also identified a number of boarder tax challenges raised by digitalization, notably in relation to connection, data and characterization. These challenges were acknowledged as going beyond BEPS and were also recognized as relating to the question of how taking rights on income generated from cross-border activities in the digital age should be allocated among countries.

In the area of indirect taxation, the 2015 Action 1 report recognized that new challenge arose in particular with respect to the collection of value-added tax/goods and services tax (VAT/GST) on the continuously growing volumes of goods and services that are purchased online by private consumers from foreign suppliers. To address these indirect tax concerns, it was recommended that countries should implement the OECDs international VAT/GST guidelines (OECD, 2017), and in particular the destination principle for determining the place of taxation of cross-border supplies, and consider implementing the mechanisms for the effective collection of VAT/GST presented in the Guidelines (Adewoye *et al*, 2013). The 2015 Action 1 Report also identified a number of possible approaches for a more effective VAT/GST collection on the significantly growing volume of import of low value goods from online sales

To tackle the broader direct tax issues raised by digitalization, it was concluded that countries could introduce whatever rules or options that work for them, provided they respected their existing international obligations, including those set out in their tax treaties. Further, it was recognized that the measures developed in the BEPS project would mitigate some aspects of the broader tax challenges and that the implementation of the measures to address the VAT/GST challenges would lead to a more effective and efficient collection of these taxes in the market jurisdiction.

2.1.6 Challenges of Taxing Digital Economy in Nigeria

The applicable rules for corporate taxation in Nigeria do not effectively capture the realities of a modern economy in our world of fast-paced digital transactions (Oseni, 2015). Given that non-resident companies are taxed in Nigeria based on profits derived from Nigeria, the question as to whether a foreign company is liable to income tax in Nigeria is usually controversial (Etim, Jeremiah and Jeremiah, 2019). Section 13 of Companies Income Tax Act (CITA) implies that a non-resident company must have physically performed activities in Nigeria, directly or indirectly, before such a company can be liable to income tax in Nigeria (Otieno *et al*, 2013). Thus, where a software company provides online data to users in Nigeria without being physically presence in Nigeria in any form, it may be difficult to conclude that such a company is liable to seen CIT in Nigeria although the company could have derived income from Nigeria. A major challenge is therefore determining at what point such non-resident would be deemed to have carried on business in Nigeria and thus liable to income tax in Nigeria (Wasao, 2014). This is because the absence of the required fixed based or physical operation in Nigeria under Section 13 of CITA as made it difficult for the FIRS to establish liability of such foreign companies to Nigerian tax.

To ensure that digital companies do not escape tax in Nigeria, the FIRS has often required Nigerian companies to withhold tax on all payment made to non-resident person regardless of the non-establishment of the tax presence specified under Section 13 of CITA (Saad, 2013). This requirement has encountered resistance from payers given that such non-resident persons may not be liable to tax under Nigerian laws. However, the FIRS seem to have succeeded in ensuring that VAT is deducted and accounted for on cross border payments for transaction between foreign companies and Nigerian companies. Thus, the absence of relevant provisions in the Nigeria tax laws covering taxation of digital activities is a major challenge that has resulted in loss of revenue to the government of Nigeria (Beeson, Soondram and Jugurnath, 2016).

Another problem is the use of electronic tax system in tax administration. One of the challenges of electronic taxation in Nigeria is that only the FIRS, which is the tax authority at the federal level, has fully automated its processes. Many tax authorities at the state level are still using manual tax processes, except for a few states such as Lagos State and Akwalbom State lately which has introduced e-filing, e-tax payments and e-tax clearance certificate systems (Dzidonu, 2012). This situation inhibits effective collaboration between tax authorities at the federal and state levels to prevent double taxation (Adimassu and Jerene, 2015). There is a need for state revenue authorities to automate their processes to provide the necessary synergy with the FIRS. The level of Tax Identification Number compliance in the states is not encouraging. The benefit of this is that it would contribute positively to the rating of Nigeria on the ease of doing business index as investors would find it easy to fulfil their tax obligations to the federal and state governments through convenient and transparent electronic tax payment platforms (Harrison and Nahashon, 2015). It would also assist tax authorities to easily share information on a taxpayer and build up a comprehensive tax history of a taxpayer and as well as capturing digital transactions into tax net (Marandu, Mbekomize and Ifezue, 2014).

2.2 Theoretical Review

The agency theory is concerned with the relationship between the principal and the agent of the principal. This advocates that the firm can be viewed as a connection of between resource holders. An agency relationship arises whenever one or more individual, called principals, hire one or more other individuals, called agents, to perform some service and then delegate decision-making authority to such agents. The agency theory concept was initially advanced by Berle and Means (1932), who argued that due to a continuous dilution of equity ownership of large corporations, ownership and control become more separated.

In accordance with the agency theory, governments (executive, judicial and legislature), irrespective of the level, are representatives of the people. They are seen as agents of the citizenry or tax payers, who in turn are their principal. They are by law and as a matter of social responsibility, accountable to the people (Jeremiah, 2018). They are expected to render stewardship reports in the form of timely, relevant, detailed and reliable financial reports to the people who have either elected or appointed them to represent their interests. Aside the people, benefactor agencies also see the government or their agencies as their agents. They owe them financial reports, detailing the how the amounts given to them were utilized. This theory is related to present study because of the fact that the study has to do with adequate revenue generation to government through taxation of digital transactions. Thus, the theory is adopted in this study.

2.3 Empirical Review

Saad (2014) examined tax knowledge, complexity and compliance based on taxpayers' view so as to uncover the reasons for non-compliance. A survey research design was used to obtain data for analysis with the aid of thematic statistical techniques. The result revealed that tax payers have inadequate technical knowledge and perceive tax system as complex and therefore contributing to non-compliance behaviour of tax payers.

Beeson *et al*, (2016) assessed the determinants of income tax compliance in Mauritius for individual tax payers. The study adopted primary survey design to obtain data which was analyzed with the aid of thematic statistical analysis. Their study result suggests that tax knowledge impact significantly on tax compliance and that statutory audit, penalties personal financial constraints perceptions of government expenditure influences compliance level. The study concluded that reduction of non-compliance should be some collaborative efforts between tax payers and tax administrative.

Maranduet *al*, (2014) examined the determinants of tax compliance from social marketing point of view. The study obtained data from 18 empirical studies published between 1985 and 2012 from across the globe, the study found lack of theoretical framework to help guide the selection of determinants of tax compliance from several researchers. The study suggested the development and use of theory-based set of relevant determinants of tax compliance and tax policy makers should desist from the use of conventional coercive methods used to compel tax compliance.

Palil and Mustapha (2011) evaluated the determinants of tax compliance in Malaysia. The study used survey method to obtained data for analysis. The result suggested that tax compliance is strongly influenced by tax payer's tax knowledge which varies significantly among respondents. It further revealed the probability of being audited, perception of government spending, penalties, personal financial constraints, and the influence of referent groups as determinants of tax compliance in Malaysia.

In all the studies reviewed and to the best of the researchers' knowledge, none of them examined taxation in a digitalized Nigerian economy with focus on the challenge of compliance. Hence, the need for the present study.

3 Methodology

The researchers adopted a survey research design with questionnaire used to collect the necessary data. Moreover, a cross-section data were obtained. Data were sourced from the Federal Inland Revenue Service (FIRS). The population of the study was the total number of workers, which is forty (40) FIRS in Akwalbom state. The security officers and those that do not have idea of the subject matter were excluded. The questionnaire was structured using the five-point Likert scale rated as follows: Strongly Agreed (SA) = 5; Agreed (A) =4; Disagreed (D)=3; Strongly Disagreed (SD) =2; Undecided (U) =1. The data were analyzed using SPSS version 25.

The simple percentage, descriptive statistics, and simple linear regression were used to analyze the data and to test the hypotheses. The level of significance considered was 5%. Cronbach's Alpha Statistics was also used to test the reliability of the data collected for the study. The model for the study is stated as:

$$TC = \beta_0 + \beta_1 DE + e_t$$

Where:

TC=Tax Compliance;

DE=Digitalization of Economy (DE);

β_0 =Intercept of TC;
 β_1 =Coefficient of DE, and
 e_t =Random error term.

4.0 Data analysis and discussion

In this section of the study, the researchers are concerned with data presentation, analysis and the discussion of findings.

4.1 Data Presentation

The data collected for the study were presented below:

Table 4.1:Digitalization of Economy and Tax Compliance in Nigeria.

S/N	Question	SA	A	D	SD	U
1.	Digital transactions are coming up in the economy of Nigeria.	30 75%	10 25%	0 0%	0 0%	0 0%
2.	Digital transactions are possible because of the level of technological improvement in the world.	20 50%	16 40%	0 0%	0 0%	4 10%
3.	Digitalization of the economy of Nigeria pave way for digital transactions to exist in the economy.	20 50%	16 40%	0 0%	2 5%	2 5%
4.	Digitalization of economy of Nigeria has tax implications.	24 60%	12 30%	2 5%	2 5%	0 0%
5.	The compliance habits in payments of taxes by companies that carry on e-transactions is low.	28 70%	12 30%	0 0%	0 0%	0 0%
6.	Negative compliance in payments of taxes affect the tax revenue yield of the economy of Nigeria.	24 60%	16 40%	0 0%	0 0%	0 0%

Source: *Field Survey, 2020*

From Table 4.1 above, digital transactions are coming up in the economy of Nigeria; digital transactions are possible because of the level of technological improvement in the world; digitalization of the economy of Nigeria pave way for digital transactions to exist in the economy; digitalization of economy of Nigeria has tax implications; the compliance habits in payments of taxes by companies that carry on e-transactions is low and negative compliance in payments of taxes affect the tax revenue yield of the economy of Nigeria. This was owing to the fact that the number of respondents that chose Strongly Agreed (SA) and Agreed (A) in each of the questions greater than the numbers of respondents that chose Disagreed (D) and Strongly Disagreed (SD).

4.2 Data Analysis

4.2.1 Reliability Test

The Cronbach's Alpha Statistics computed was presented on the table below:

Table 4.2: Reliability Statistics

S/N	Questions	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Squared Multiple Correlation	Cronbach's Alpha if Item Deleted
1.	Digital transactions are coming up in the economy of Nigeria.	22.2000	14.010	0.781	0.800	0.926
2.	Digital transactions are possible because of the level of technological improvement in the world.	22.7500	8.910	0.916	0.975	0.909
3.	Digitalization of the economy of Nigeria paves way for digital transactions to exist in the economy.	22.7000	9.549	0.935	0.983	0.895
4.	Digitalization of economy of Nigeria has tax implications.	22.5000	10.923	0.962	0.954	0.888

5.	The compliance habits in payments of taxes by companies that carry on e-transactions is low.	22.2500	13.833	0.787	0.841	0.924
6.	Negative compliance in payments of taxes affect the tax revenue yield of the economy of Nigeria.	22.3500	13.669	0.777	0.824	0.922

Source: Researchers' Computation, 2020

From the table 4.2 above, each of the data for each question collected was reliable owing to the fact that the statistics were all significant (greater than 60%).

4.2.2 Descriptive Statistics

The descriptive statistics was computed and presented on the table as shown on the Table 4.3 below:

Table 4.3: Descriptive Statistics

S/N	Question	N	MIN	MAX	MEAN	STD
1.	Digital transactions are coming up in the economy of Nigeria.	40	4.00	5.00	4.7500	0.43853
2.	Digital transactions are possible because of the level of technological improvement in the world.	40	1.00	5.00	4.2000	1.18105
3.	Digitalization of the economy of Nigeria pave way for digital transactions to exist in the economy.	40	1.00	5.00	4.2500	1.05612
4.	Digitalization of economy of Nigeria has tax implications.	40	2.00	5.00	4.4500	0.81492
5.	The compliance habits in payments of taxes by companies that carry on e-transactions is low.	40	4.00	5.00	4.7000	0.46410
6.	Negative compliance in payments of taxes affect the tax revenue yield of the economy of Nigeria.	40	4.00	5.00	4.6000	0.49614

Source: Researchers' Computation, 2020

The table above showed the number of respondents, minimum, maximum, mean and standard deviation of responses. In each of the question, deviation from the mean was not high.

4.2.3 Regression Analysis

The simple linear regression was computed and presented on the Table 4.4 below:

Table 4.4: Summary of Analysis

Variable	Beta (β)	P-Value	Remark	DW	R ²	Adjusted-R ²
DE	-0.532	0.000	Significant	2.354	0.707	0.704

Source: Researchers' Computation, 2020

Dependent Variable: TC

From the table above, digitalized economy (DE)wields a negative but significant effect on Tax Compliance (TE) in Nigerian Economy (p-value < 0.05). This indicates that a percentage increase in DE resulted in 53.2% decrease in TC. The DW statistics of 2.354 indicated that there was no first order autocorrelation in the model. R², which is the coefficient of determination, showed that 70.7% changes in TC was caused by the influence of DE.

4.3 Discussion of the Findings

The analysis indicates that digitalization of the economy of Nigeria had a negative implication on the tax compliance in Nigeria. Tax revenue is one of the sources of income to Federal government in Nigeria.

In this case, digital transactions do not affect the economy of Nigeria positively through payment of taxes to the government of Nigeria. In the economy of Nigeria, digital transactions known as e-transactions are growing at higher rate and the expectation is that it should affect the economy positively. One of the major challenges is that taxation of e-transactions is not part and parcel of the tax laws in Nigeria. This is why huge amount of tax revenue is evaded. Digitalization of the economy of Nigeria pave way for digital transactions to exist in the economy. Technological changes are felt in every economy in the world today. New ideas of doing things are used. Digital transactions in Nigeria came as a result of technological changes experienced in the economy of Nigeria. If the economy of Nigeria continues this way, the country as a whole will not feel the impact of digitalization of the economy. This is why tax payers must be educated well in respect of e-transactions (Palil and Mustapha, 2011).

5 Conclusion and Recommendations

The study was conducted to examine the effect of digitalization of economy on tax compliance in Nigeria. The simple percentage, descriptive statistics, simple linear regression and correlation were used to analyse the data. From the findings, the researchers concluded that digitalization of economy had negative effect on tax compliance in Nigeria as a result of issues surrounding its introduction and application. It is therefore recommended that the government of Nigeria should consider developing tax policy that would aid taxing e-transactions, tax education and including taxation of e-transactions in the tax laws. By so doing the digital transactions would fully impact the economy of Nigeria positively.

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The Role of the Media in Raising Tax Awareness among Taxpayers

Qasem Kadem Hamed,^aUniversity of Baghdad , Faculty of Science, Email: Qassim.hamed2000@scbaghdad.edu.iq

This study aims to identify the role of the media of all kinds in increasing tax awareness among the community in general, and on those charged with paying the tax in particular, by identifying the media with the most impact on society through a group of questions on a random sample of the questionnaire community. One of the most important conclusions reached through research is that the Internet has the greatest media influence in terms of impact, televisions come second and broadcasts are ranked third in their impact on taxpayers and that the administration Supreme (GCT) did not invest in media of all kinds for the purpose of increasing the tax awareness of the society. Among the most important recommendations were, working to enhance the role of the media by posting advertisements on the Internet, satellite channels, and radio stations that urge that taxes are a national duty for every taxpayer, working to publish and interpret laws and instructions for income tax through the media, and printing brochures and distributing them to taxpayers within departments Tax and its publication on the website of the Ministry of Finance and the General Authority for Taxes, clarifying the importance of taxes is one of the most important resources in supplying the country's budget and thus communicating an idea to those charged with the son of these taxes will spend a large part of it directly or indirectly on public services provided to citizens. Nin, the General Authority for Taxes should invest all types of media to increase tax awareness for society.

Keywords : *Media, Tax, Taxpayers, taxpayers, awareness, General Authority.*

Introduction

That the level of tax awareness is one of the important things that greatly affects the tax calculation process for those charged with paying the tax, and therefore on the amount of tax revenue, and the media is one of the most important tools that can be used to increase tax awareness for taxpayers because of its effective impact on the recipient. This responsibility lies with the financial authority represented by the General Authority for Taxes through the use of all types of audio and visual media and social networking sites and benefit from the Internet (if the Internet), if this is applied then it will work to raise the level of tax awareness, and not reduce the possibilities of tax evasion, thus increasing the tax amounts collected, in addition to raising the level of tax awareness. This will work to improve the relationship between the taxpayer and tax administration and achieve the principle of tax transparency in dealing with taxpayers when they are held accountable for their income sources.

Through this research, the role of the media of all kinds on the tax awareness of the Iraqi taxpayer was studied and the research consisted of two axes, one concerned with the theoretical side and the first topic dealt with the importance of the media, goals, characteristics and types, while the second topic dealt with the concept of tax and tax awareness; the second axis addressed the practical side. Through the study of the relationship between the media and tax awareness, it was concluded that the relationship between specialized tax media and tax awareness is an important relationship that has a significant impact on the tax accounting process, and this was evident by analyzing the questionnaire. The questionnaire contained a set of questions, a questionnaire designed for the distributed 100 questionnaires to a sample group of respondents, and SPSS was used to analyze the data. The researcher presented a set of suggested steps to increase tax awareness among the taxpayers.

Research Methodology

1- Research problem: The problem of the study is based on the main question what is the role of the media in raising tax awareness among taxpayers? How can a study of the spread of the media impact on social awareness of the concept and objectives of tax?

2- The importance of research: The media is a successful means of raising tax awareness among taxpayers if it is directed, prepared and utilized positively, but at the same time it can lead to negativity if it is not directed and dealt with properly. Tax payment awareness through the delivery of a message to the Community is intended to impress that the tax is a national duty and therefore there is obligation to pay. Tax leads to increased public revenues of the state and reduces the phenomenon of tax evasion and thus increase tax revenue and its contribution to the revival of the Iraqi economy; a contribution to the multi-source economy rather than a single source economy.

3- Research objectives:

1. Trying to figure out what the role of the media is and how to influence taxpayers in raising tax awareness.
2. learn how taxpayers interact with the media.

4- Research hypothesis:

There is a statistically significant relationship between the media and the increase of tax awareness among members of the Community which leads to an increase in tax revenue.

5- Community and Sample research :

The research community consists of a group of taxpayers. The research sample consists of random probability group of taxpayers, whether individuals or companies.

6- Search tool

The questionnaire will be used to identify the opinions of the selected taxpayers as a sample of the research.

previous studies

1. Study (Abboud and Ayes, 2013): "The relationship between tax awareness and tax evasion and its impact on the environment."

The study aimed to determine what tax awareness is and its impact on the obligation of the taxpayer and reduction in the amount of tax evasion, and the impact of tax awareness on the development of future development programs for society. The available statistics, and one of the most important results of the study is that there is still a weakness in individuals in seeing the tax laws that define their rights and duties.

2. Study (Jasim, 2011): "The relationship between the taxpayer and the tax administration and its impact on reducing tax evasion / case study of Iraq" The study aimed to clarify the relationship between the taxpayer and the tax administration by identifying the rights and obligations of each of them and the impact of that on reducing evasion. The study examined the relationship between the taxpayer and the tax administration. As for its applied side, a questionnaire was designed and distributed to a sample whose size was (100) respondents. It consisted of (26) paragraphs distributed in five areas, and the use of the SPSS program to analyze the data. Several conclusions were reached, and in light of these, recommendations were made that develop the relationship between the taxpayer and the tax administration, which contribute to reducing tax evasion and increasing tax revenue.

3. Study (Hassan and Sultan Study): "Advertising and its implications for increasing tax awareness" The study aimed to raise the level of tax awareness and reduce tax evasion among taxpayers by reducing the frequency of tax violations, as well as using all available means by the financial authority and spreading tax awareness and education. It was reported by the available advertising means, and the researcher used the descriptive inductive method, and one of the most important results of the study is to strengthen the sense of belonging, citizenship and sense of self by advertising institutions to achieve the public good.

4. A study (Bruno S. Frey & Lars P. Feel, 2002) “Tax Authority and Taxpayer, An Exploratory Analysis.” The study aimed to examine tax liability by looking at how the tax authority deals with taxpayers, and this study found that in order to obtain a tax obligation from the tax payer, the tax authority must treat the taxpayer with respect. Conversely, if the element of compulsion to pay is on the obligation it will generate a reaction with the taxpayer and make them avoid paying the tax in any way, then the psychological (psychological) relationship with tax officials explains the high extent of tax morale that helps solve GMO Commitment to tax. Whenever there was a positive relationship between the tax authority and taxpayers based on trust and mutual respect, this helped to resolve the Almhtalat and the difficulties facing the tax process as a whole.

Conclusion

Through the researched literature review of a set of previous studies, it became clear that what distinguishes this study is that it examined the impact of different media on society in general and taxpayers in particular. The aim of this study is to know how taxpayers interact with the media of all kinds, and there is a similarity between this study and that of Hassan and Sultan, who examined the effect of advertising on taxpayers and limiting tax evasion and did not address the media in general terms as covered in this study.

First: Definition of Media:

Regardless of the dozens of different definitions of the media, put simply and clearly it can be defined as a set of technical, material, artistic and scientific means leading to mass communication with people directly or indirectly within the frame work of the educational process and guidance to the community (AL- Khatib, 2001. 12). The media in the language to see the thing it is said to have seen and its meaning in the Current term is to inform the public to communicate information through specialized means and to do so conveying all the related news and information of interest in order to educate people and serve them throughout life (Her excellency, : 2006.15).

Second: Media objectives:

The media aims to achieve the following objectives. (Abu Ma'al 2006, 17).

1- Guidance and attitudes to achieve this main objective:

The media tries to gain the attitudes and attitudes of society or change some of them depending on the medium and its material directed to the community as well as on the recipients themselves and their fixed and changing attitudes and the extent to which they respond to the influences conveyed by the media in their various forms of audio or video, or audiovisual together, and in order to achieve this goal. Some of the media rely on hypotheses based on the psychological factor based on warning and intimidation that have been studies in this area and proved that this factor does not succeed in achieving the objectives of the media effectively because the likelihood of response to these influences is relative and very dependent on people's attitudes and mental emotional and sensual state.

2- Education:

Education is one of the main objectives pursued by the various media and by this it is meant the increase in the culture of a people who read listen or watch what is presented through it and people receive education spontaneously and inadvertently within the framework of planning and prior coordination.

3- Advertisements and advertisements:

Different media can play a vital and effective role in this field, and thus serve people of all categories, especially when they advertise colors of the goods that interest them so that they know through the publicity, the sources and places of sale and areas of use. In this way, every member of the community understands this commodity as needed by the media, which identifies the needs of companies, factories and public institutions especially for employees and workers and have led to their services to these entities, in addition to serving people looking for work.

4- Leisure and entertainment:

Media such as newspapers, radio, television and cinema, offer pages, angles and programs or movies that contain elements of humor with the aim of entertaining readers, listeners, or viewers. Social and other needs are met within the general framework of entertainment and entertainment.

5-Development of Social relations:

Different media play the role of social link between people, and deepen the social links between them to reach the positive goal of development on an ongoing basis, and newspapers can play an active role to be more effective in achieving this goal by publishing daily news weekly or monthly. News of a wedding, engagement, marriage or birth and congratulations for individuals and groups and publishing news of sorrows and joys and condolences and consolation, are all news that constitute a means of social communication between people, where they are provided with a service in deepening the social links between them.

6- Education:

Many studies have proven that media of all kinds and forms play the role of education in two fields (educational, educational) stressing that the various information presented leads to the education of people, and informs them, but some specialized studies indicate that the media has a specialized role in the presentation - targeted and directed educational matters, through educational or radio - television, newspaper or school magazine or through special programs in these fields, which are presented through public radio and television, newspaper or public magazine.

Third: the types of media:

There are two main types of media (media field and mass media)

1- Media field:

It can be divided into two part (internal domain, external domain)

- **Internal Domains:** This is a media article of guidance and education, a thought of a role within the specific official state bodies that oversees the specific community intended for this internal

media, where the press and television and radio agencies and news agencies theaters and exhibition and publishing houses and printing presses are subject to official Supervision. The information is presented by these various media programming programmers to serve specific objectives and this article directed information contains information and new methods for education, guidance and propaganda which seek to inform the community of what is happening in the world of news and information in addition to internal processes.

- **External Sphere:** This is the media of the State that informs the global communities of the local community, which oversees and is acquainted with its internal and external policies.

2- Mass Media:

It can be divided three main types:

1-print Media Newspapers and newspapers: issued by specialized media institutions in each country are a clear example of the role of the media and its importance in broadcasting all kinds of news, whether such news is at the local, regional or international level. Technical media contains the news and presents analysis of this news, as well as containing several articles through the introduction of writers and writers their opinions, and many angles such as advertising and these means rely on people who perform the task of reading and these means have an important impact because of the facilities granted by printing presses, publishers and authors widely distributed (Issa 2008, Internet). There is also another type of print media called (sign) where the sign is based on a clear expressive sentence and is usually used in the process of guidance and the goal of the sign is to promote something, and the significance and guidance of a particular place and there are other goals of the sign.

2-Audio-visual means: includes televisions video, cinema, theater and exhibitions and these means are no less important than their predecessors and depend on this type of photography and sound, which allows them a great opportunity to transmit accurate details of the media material, and delivered to many areas internal of time and place other audiences rely on cutting edge technologies that allow it to be easily handled by the public.

- **Television:** Television is one of the most important and modern means of communication. It transmits sound, image and movement from all over the world to millions of people in their homes it is characterized by the transmission of facts and events in their actual reality that is intolerable to torture of (Abo esbia'a 2004: 38).
- **Cinema:** Film is defined as a series of steady images of a particular subject problem or phenomenon printed on a tape wrapped on a reel ranging from two minutes to two hours depending on its subject and the circumstances depicted. It is an important means used to reach viewers of certain qualities and can use the film in the agricultural and industrial crate.
- **Internet:** The Internet means interconnected network link of tens of thousands of small computer networks which enables Computer users around the world send and receive messages and exchange information as the most important means of information communication of all time. The currency and the universality and ease of use in addition to the abundance of information

and the diversity of sources of this audiovisual medium ensures a high degree of realism and clarity are used to attract the attention of the masses and there is more power to fuse an effect than with only the audio or written words as when the two are used jointly memory to watch and list, it lends great confidence to the speaker (Abo esbia'a 2004: 40).

3- Audio:

It is based on sound and includes radios recordings, CDs, Cassettes and discs.

A- Broadcasting: means the broadcasting of news to a public audience and the reception of such material by means of public receivers. Most studies have confirmed that radio has been associated with the Italian scientist since it was born (Marconi). However the fact is that this discovery cannot be traced back to one person but that this discovery was the result of the efforts and research of Scientists in different (45 1993 Kotler).

B- sound recordings: Recordings as the process of keeping and storing in different ways and using various devices in order to re- hear them when needed, such as the recording of the of birds animals, music, human and any sound, whatever the source of the sound recordings are mostly musical and musical recordings are of an entertaining nature and can ensure that it is returned through high or low purchases and listener requests and is produced for a wide and varied audience (**Abo esbia'a 2004: 40**).

Fourth: Media characteristics:

There are several characteristics of the media including that they:

- have the ability to communicate a message to people.
 - deliver the message in a very fast time around the world
 - help promote the interests of professional groups in the community would and
 - have the ability to support or positively encourage individual and collective aspirations.
- (Abdel Hamid et.al, 2003.52).

The concept of taxation and tax awareness:

First: the definition of tax : Tax can be defined as "a monetary duty paid by an individual by force to the state or one of its national and local authorities a in a final manner, to contribute to the burden and public costs without obtaining a special benefit or benefit (AL-Qaisi 2011, 126 - 127).

Another definition of the tax is "a monetary financial duty imposed by the state Jabra from individuals free of charge in order to finance its expenses and achieve the objectives stemming from the content of its political philosophy (AL-Ali: 2009, 122). It can also be defined as the amount of a money that the state imposes on taxpayer as solidarity members of a common political organization that aims at public Services (Alwan 2008.81).

Second: the concept of tax awareness: Awareness is defined as the outcome of human thoughts, point of view and concepts of life at different levels. Although awareness announces the end as a result of the impact of material factors in life on a human, it can sometimes arise during periods of historical transition as a result of reflection of ideas and views and historical concepts on the

individual and therefore it can be said that awareness of data is only a historical stage and successive periods of time have involved human thought. Besanha through Fords and experiences of different practices dictated daily life and cooperation with all its contradictions, complexities and highlights in the emergence of signs of development and progress, and in turn in the overall public life. Tax awareness can be defined as the full awareness by individuals of their financial responsibilities to society and the state and the more that individuals feel their duties towards society, the greater their confidence in the government and the greater they accept the need to pay taxes. Selectors are force "private income tax. (AL - Marayati: 2005, Na 332).

Therefore the tax awareness of an individual is their awareness of the importance of contributing to the burden of public obligations and to pay the obligations arising from the services they provide and to enable them to carry out their various duties such that the tax obligation becomes a reparation and not the taxpayer feeling that it is preferable to the State to pay the tax as the state seeks the traditional objective of taxation is directly related to tax awareness. This explains the impact of tax awareness on increasing or decreasing tax revenues (Khadr. 2008, 59).

Therefore in the absence of a true understanding of the role of tax and the apparent ignorance of individuals in its conceptualization and objectives and the significance of its imposition, this reflects the intellectual backwardness of the foundations of the tax philosophy and the lack of accurate disclosure of the real financial position and the result of activity in a high proportion of taxpayers and the attempts of large tax evasion thereof and the scarcity of people to report smugglers. Although they have information about taxpayers who have tried to evade in various ways all of which are indicators of low tax awareness, which in turn is reflected in the decrease in tax revenues (Kemash 2010, 168). The issue of awareness of the importance of tax is important and is necessary with regard to taxpayers and workers to deduct it (31). Tax awareness can therefore be defined as the outcome of human thoughts, perspectives and concepts about life at different levels which are interrelated and affecting each other on Tax, Social and political Awareness. (Michael: 768, 1977)

Third Factors of poor tax awareness in Iraq: The lack of awareness:

Among citizens, their responsibilities towards society and the state were not born today but rather as a result of many complex, intertwined factors. The most important factors that led to the decline of tax awareness in Iraq are the following: (Mahmoud: 2009, 1)

1-financial and economic Factors:

Financial and economic factors have an influential role on society in general and taxpayers in particular and low or low tax awareness of help tax evasion. The society, which generated a sense of injustice from the payment of tax amounts as well as the deteriorating economic conditions experienced by Iraq contributed to the formation of a capitalist class controlling the economy, which generated a feeling of lack of social justice in the distribution of the wealth of the country.

2- Legal and legislative factors:

The modernization of the tax system is necessary for the purpose of keeping pace with the economic changes in the world in general and Iraq in particular and that the Iraqi tax system and due to the laws governing its work, made it very difficult to reconcile.

3-Cultural and educational factors:

Individuals with a certain level of education and intellectuals have a high level of understanding of their rights and duties understanding of their rights especially those related to tax. Therefore the lack of awareness and understanding of the duties of the individual towards the state with regard to tax is a national duty that has aroused a theme of strong opposition to private financial dues taxed.

4-political factors:

There is a close relationship between the tax awareness of the Society and the political system that governs the country and economic, financial and practical aspects.

First Analysis of the questionnaire:

1-Description of the questionnaire and Sample

The research methodology was based on a tool for collecting information and data represented by the question Nain I as well as the variables aimed at finding a relationship between the media and tax awareness. The questionnaire was prepared and presented to a number of judges and experts with a view to evaluating it. A final test of honesty and consistence was carried out to ensure the objective aspects of the questionnaire as an important tool in the research. Procedures for processing the questionnaire were determined using a Likert Scale as shown in Table 1 below.

Table 1: Likert Scale weights

the scale	Strongly Agree	Agreed	Neutral	I do not agree	Strongly disagree
The weight	5	4	3	2	1

The questionnaire consisted of a set of questions that enabled the researcher to imagine the possibility of using the media to increase tax awareness among taxpayers. The questionnaire included a definition of the purpose of the research. The questionnaire was distributed to a sample group of 120 individuals and 115 questionnaires were returned.

2 -Statistical Methods:

The statistical measures of data processors were used by employing a distribution program (SPSS) to calculate the validity of the questionnaire data by using the Alpha Chronbach coefficient and the Pearson correlation coefficient between the questionnaire questions. The analysis was then performed using the statistical scale arithmetic mean, standard deviation and percentage on each of the questionnaires.

3 -Tests of validity and reliability of the Standard questionnaire :

- **Alpha Cronbach stability factor test.** To measure the consistency of the questionnaire, the alpha Cronbach Coefficient was used as shown in Table 2 below. The same results were found (0.71) and this meant the part of questionnaire stayed the same.

Table 2: The value of the alpha-CR test

Reliability statistics	
N of Items	Cronbach's Alpha
8	.710

- **Internal consistency Validity test** - Pearson Correlation coefficient was used to measure the internal consistency of the questionnaire and the questions were verified by calculating the person Correlation coefficient between each of the questionnaire paragraphs and the overall average of the paragraphs as shown in Table 3 below.

Table (3): correlation coefficients illustrate the person test of resolution paragraphs with the overall vertebrate

Sig 2- tailed	Pearson correlation	Items	No
.000	.381	The top management (the General Authority for taxes) invested medias of all kinds purpose to increase tax.	1
.000	.828	awareness of the community.	2
.000	.694	The media has added to your information about tax.	3
.000	.439	Do you think the media play an influential role in the relationship between taxpayers and tax administration?	4
.000	.816	In your opinion, does the media cover highlighting the role of tax in the economy.	5
.000	.606	As a taxable taxpayer , do you think there is justice in the collection of tax amounts from taxpayers	6
.002	.282	The laws and regulations governing the tax process are unclear.	7
.001	.316	One of the reasons for not paying the amount of tax because it does spend on services directly or indirectly citizens.	8

From the table above it can be seen that all the correlation coefficients of the person test between paragraph and the overall rate of paragraph are statistically significant with a significant level (0.01).

The Correlation coefficients were between the minimum (0.282) and the maximum (0.828).

- **Descriptive statistics of the resolution paragraphs:** After verifying the validity and reliability tests of the questionnaire questions comes the Second Stage which are the calculation descriptive statistics for each of the questionnaire paragraphs which ensure both the mean and standard deviation iterations and the percentage of answer Likert Scale.

Likert scale

Table 4: Likert Scale

	Likert scale	Interval	Difference	Description
	1	1.00 -1.79	0.79	strongly dot agree
	2	1.80-2.59	0.79	Don't agree
	3	2.60-3.39	0.79	undecided
	4	3.40-4.19	0.79	Agree
	5	4.20-5.00	0.79	Strongly agree

Table 5: Descriptive statistics on the ranking of media by importance from the point of view of the research sample.

Type of medium	measurement	First class	Second class	Third class	Fourth class	Fifth class
Newspaper	Freq.	18	7	32	30	29
	Percent%	15.5	6.0	27.6	25.9	25.0
Magazines	Freq.	7	11	19	52	27
	Percent%	6.0	9.5	16.4	44.8	23.3
Radios	Freq.	4	9	33	16	54
	Percent%	3.4	7.8	28.4	13.8	46.6
TV	Freq.	33	57	18	6	2
	Percent%	28.4	49.1	15.5	5.2	1.7
Internet	Freq.	55	31	14	12	4
	Percent%	47.4	28.7	12.1	10.3	3.4

From the table above, it is of note that the order of the impact of the media means above from the point of view of the research sample was that internet came first in its impact on the respondents in their opinion and TV is ranked last in the impact of the media on the target sample in this research.

Table 6: Adjusted descriptive statistics

Average	Frequency	Percent %
Always	27	23.3
Sometimes	58	50.0
Rarely	20	17.2
weak	11	9.5

From Table 6 above it can be seen that 50% of the respondents in the sample are sometimes exposed to the media, 23% of them are always exposed to the media, 17% of them are rarely exposed to the media and 10% of them are less exposed to the media.

Table (7): Descriptive Statistics of daily media exposure (hours)

Hours No	Frequency	Percent%
Less than an hour	36	31.0
From one to three hours	48	41.4
from three to six hours	31	26.7
More than six hours	1	9

Note from the table above that the rate of exposure to the media at one to three hours was 41% and less than an hour was 31% and the rate exposure to the media for more than six hours was 9%.

4- Analysis of the results of the questionnaire: To answer the study questions through statistic - analysis and access to the result and a discussed .

Question 1: The Higher Administration (the General Authority for Taxes) has invested all kinds of media for the purpose of increase the tax awareness of the Society

Table 8 below shows that there is no significant dispersion in the answers and by comparison of the mean (2.24) with the scale of the pentagon, it is found that there is a low level to answer the question that the top management (General Authority for Taxes) did not invest the media of all kinds for the purpose of increasing tax awareness among the taxpayers as shown in Table 8 below.

Table 8: Descriptive table for the first question of the questionnaire

Item	strongly agree		Agree	undecided	Don't agree	Strongly Don't agree	S.D	Mean	level
the Senior management (the General Authority for taxes)	Iraq	7	13	9	59	28	1.12	2.24	Low Low
	Percent %	6.0	11.2	7.8	50.9	24.1			
has invested the media of all kinds for the purpose of raising tax									

The Second question: is the media working to raise tax awareness?

To answer this question, the mean Standard deviation and relative importance were calculated from the point of view of the study sample. The arithmetic weighted pentagonal scale shows that there is a high level of answer to the question le that (the media is working to raise tax awareness).

Table 9: Descriptive statistics for the second question

Item		strongly agree	Agree	undecided	Don't agree	Strongly dot agree	S.D	Mean	Level
The media Is working to increase tax awareness	Freq	37	33	14	8	24	1.51	3.43	High
	Percent%	31.9	28.4	12.1	6.9	20.7			

Question three: the media will add to your information about the tax?

To answer this question: the arithmetic mean, standard deviation and relative importance were calculated from the point of view of the study sample. The standard deviation (1.27), i.e. the absence of a large dispersion in the answers and by comparing the arithmetic mean with the weighted mean, the pentagonal scale shows that there is an average level of answer to this question.

Table 10: Descriptive statistic for the third paragraph of the questionnaire

Item		strongly agree	Agree	undecided	Don't agree	Strongly Don't agree	S.D	Mean	Level
The media Has added new information about the tax	Freq	9	39	34	8	26	1.27	2.97	undecided
	Percent %	7.8	33.6	39.3	6.9	22.4			

Question 4: in your opinion, does the media play an influential role in the relationship between taxpayers and tax administration?

In order to answer this question, the arithmetic mean, standard deviation and relative importance were calculated from the point of view of the study sample. Note from Table 11 below that the mean (2.13) and the standard deviation (1.11), indicate there is no significant dispersion in the answers and compared with the mean, the weighted arithmetic of the pentagonal scale shows that there is a low level of response to this question (i.e. the media plays a weak role in the relationship between taxpayers and tax administration).

Table 11: Descriptive statistic for the fourth paragraph of the questionnaire

Item		strongly agree	Agree	undecided	Don't agree	Strongly Don't agree	S.D	Mean	Level
In your opinion does the media play an influential role in the relationship between taxpayers and tax administration	Freq	7	11	6	59	33	1.11	2.13	low
	Percent %	6.0	9.5	5.2	50.9	28.4			

Question 5: in your opinion, do the media cover the most important role of taxes in the economy?

To answer this question the mean, standard deviation, and relative importance were calculated from the point of view of the sample and the weighted the study arithmetic of a pentagon scale shows that there is a high level of response to the question (i.e. the media cover the highlight of the role of taxes in the economy) according to the study sample.

Table 12: Descriptive statistic for the fifth paragraph of the questionnaire

Item		strongly agree	Agree	undecided	Don't agree	Strongly Don't agree	S.D	Mean	Level
In your opinion does the media play an influential role in the relationship between taxpayers and administration	Freq	42	36	17	5	16	1.36	3.71	high
	Percent%	36.2	31.0	14.7	4.3	13.8			

Question 6: As a taxable taxpayer do you think there is justice in collecting tax amounts from taxpayers?

To answer this question, the arithmetic mean standard deviation and relative importance were calculated from the point of view of the study Sample. The weighted measure of Crete pentathlon shows that there is a high level of answer to this question (i.e. there is justice in the collection of tax amounts from taxpayers according to the study sample).

Table 13): Descriptive statistics for the sixth question of the questionnaire

Item		strongly agree	Agree	undecided	Don't agree	Strongly Don't agree	S.D	Mean	Level
As a taxable taxpayer do you think there is justice in collecting tax amounts from taxpayers	Freq	38	46	18	8	6	1.10	3.67	high
	Percent %	32.8	39.7	15.5	6.9	5.2			

Question 7: Are the laws and regulations governing the tax process unclear?

To answer this question, the arithmetic mean, standard deviation and relative importance were calculated from the point of view of the study sample Measurement of the Creta pentagon shows that there is a very high level as most respondents supported their views that the laws and regulations governing the tax process are not clear.

Table 14: Descriptive statistics for the seventh question of the questionnaire

Item		strongly agree	Agree	undecided	Don't agree	Strongly Don't agree	S.D	Mean	Level
As a taxable person do High you think that there is justice in Collecting tax amounts from taxpayers	Freq	73	35	8	0.0	0.0	0.62	4.56	high
	Percent %	62.9	30.2	6.9	0.0	0.0			

Question 8: Is one of the reasons for not paying the tax amount because they spend on services directly or indirectly citizens?

To answer this question the mean, standard deviation and relative importance were calculated from the point of view of the study sample. The weighted arithmetic of the Crete pentagonal scale shows that (i.e. one of the reasons) there is a high level not paying the tax amount is because it does not spend on services directly or indirectly for citizens.

Table 15: Descriptive statistics for the eighth question of the questionnaire

Item		strongly agree	Agree	undecided	Don't agree	Strongly Don't agree	S.D	Mean	Level
one of the reasons for not paying the tax amount is because directly or in directly to citizens	Freq	47	60	9	0.0	0.0	0.61	4.32	high
	Percent%	40.5	51.7	7.8	0.0	0.0			

5- Arithmetic mean and standard deviation of the questionnaire questions

Table 16 arithmetic averages and standard deviations of the questionnaire

Item		strongly agree	Agree	undecided	Don't agree	Strongly Don't agree	S.D	Mean	Level	rank
The senior management (the General Authority for Taxes) has invested the media of all kinds for the purpose of raising tax awareness among the community	Freq	7	13	9	59	28	1.123	2.24	high	7
	Percent %	6.0	28.4	7.8	50.9	24.1				
The media is working to increase tax awareness	Freq	37	33	14	8	24	1.51	3.43	high	5
	Percent %	31.9	28.4	12.1	6.9	20.7				

The media has added new information about the tax	Freq	9	39	34	8	26	1,27	2.97	undecided	6
	Percent %	7.8	33.6	29.3	6.9	22.4				
in your opinion does the media play influential role in the relationship between taxpayers and tax administration	Freq	7	11	6	59	33	1.11	2.13	low	8
	Percent %	6.0	9.0	5.2	50.9	28.4				
in your opinion does the media cover highlight the role of taxes in the economy	Freq	42	36	17	5	16	1.36	3.71	high	3
	Percent %	36.2	31.0	14.7	4.3	13.8				
As a taxable taxpayer do you that there is justice in collecting tax amounts from taxpayers	Freq	38	46	18	8	6	1.10	3.67	high	4
	Percent %	32.8	39.7	15.5	6.9	5.2				
The laws and regulations governing the tax process are unclear	Freq	73	35	8	0.0	0.0	0.62	4.56	high	1
	Percent %	62.9	30.2	9	0.0	0.0				
on the reason for not paying the tax amount is that is does not spend on services directly or indirectly	Freq	47	60	9	0.0	0.0	0.61	4.32	high	2
	Percent %	40.5	51.7	7.8	0.0	0.0				
Weighted mean							3.40			
Std. Deviation							0.650			

Second: proposed steps to increase tax awareness among taxpayers:

The researcher believes the need for the financial administration in Iraq (the General Authority for Taxes) to carry out a set of procedures for the purpose of raising tax awareness among the general community, especially those charged with paying the tax according to the rule (the tax is a notional duty).

1 - Conducting extensive and intensive advertising campaigns in all media aiming at increasing duty which is not part of tax awareness among citizens by convincing them that tax is a national citizen's duties a towards his country and that this tax is a used to provide public services to the Community and without it will deprive society members of these services.

- 2- Publish the vocabulary of the general budget of the state in all media, especially the amounts obtained from tax revenues and the mechanism of distribution of these vocabulary to the public expenditure of the state and this is through the publication of revenues collected from each province and projects implement in these provinces of tax revenues so that the tax resources collected they were spent for service projects in their province.
- 3- the possibility of installment of the amount of the tax according to the taxpayers desire and give incentives to taxpayers committed to pay the tax in full, i.e. without premium by giving them a deduction from the tax amount or tax exemption for a specified period.
- 4- Facilitate tax collection procedures and the possibility of involving a third party by collecting tax amounts such as involving banks, for example in paying tax amounts according to a mechanism agreed upon by both parties (tax administration and taxpayers) the researcher believes that for the purpose of the spreading awareness among members of society, this requires motivating taxpayers to perform their tax duties on a voluntary basis and avoiding tax evasion, thus avoiding falling under penalty of penalties and legal sanctions the taxes they pay are therefore attributable to them through public goods and services of the main types and effective role as they have come directly to the members of the community as well as the dissemination of tax awareness for all age groups.

Conclusions and Recommendations

Conclusions:

The researcher reached a number of conclusions:

- 1-The Internet has the greatest influence of the media in its influence and television comes second with radio ranked third for impact on taxpayers in comparison with other media.
- 2- Sometimes those who are surveyed are exposed to the media.
- 3- 51% of respondents said that they are exposed to the media from one hour to three hours and 31% are exposed for less than one hour to the media.
- 4-The Seaca management (the General Authority for taxes) didn't invest in media of all kinds to increase tax awareness among the community.
- 5- The media are working to increase tax awareness of the tax payers.
- 6-The media plays a good role in the relationship between taxpayers and tax administration.
- 7- The media are covering the role of taxes and their importance in building the Iraqi economy.
- 8- One of the reasons for not paying tax indicated by the taxpayers is because they believe that these amounts are not spent on services directly or indirectly to citizens.

Second: Recommendations:

- 1**-strengthen the role of the media through the publication of advertisements on the internet and satellite channels and radios that urge that taxes are a national duty of every taxpayer.
- 2**-publish and interpret laws and instructions on income tax through the media and printing brochures and distributed to taxpayers within the tax departments and the General Authority for taxes.
- 3**-clarify the importance of taxation as one of the most important resources in supplying the country's budget and thus delivering an idea to the taxpayers. These taxes will be spent, for the large part directly or indirectly on public services provided to citizens.
- 4**-insist that the General Authority for taxes invest in media of all kinds to increase tax awareness of the community.
- 5**-expand the scope of spreading tax awareness through the use of the media by all audio visual means.
- 6**-organize seminars, conferences and tax courses for the public and work to increase the outreach media, especially for new registrants to educate them to avoid making mistakes in order to increase their tax awareness.
- 7**-follow the methods proposed by this research to increase tax awareness.
- 8**-activate the principle of a sense of belonging to the country and citizenship particularly, through the media, for the common good.

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*Corresponding author: Tye Wei Ling,
Taylor's Business School, Block B
Level 1 B1.12, Taylor's University, No.
1, Jalan Taylor's, 47500 Subang Jaya,
Selangor, Malaysia
E-mail: WeiLing.Tye@taylors.edu.my

Reviewing editor:
Collins G. Ntim, University of
Southampton, UK

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ACCOUNTING, CORPORATE GOVERNANCE & BUSINESS ETHICS | RESEARCH ARTICLE

Roles of tax planning in market valuation of corporate social responsibility

Tye Wei Ling^{1*} and Nor Shaipah Abdul Wahab¹

Abstract: This study aims to examine the roles of tax planning in market valuations of corporate social responsibility (CSR). Specifically, this study examines tax planning activities for their direct, mediating and moderating roles. As tax planning can undermine public's perceptions on company CSR due to the former's detrimental effects on society, understanding the nature of tax planning implications on shareholders' CSR valuations is crucial to draw a comprehensive conclusion on how tax planning can affect shareholders' perception on company CSR engagements. This study uses non-financial Malaysian-listed companies for 8 years from 2008 to 2015 as the sample. Tax planning is found to have significant negative direct and mediating roles in the equity valuations of CSR. On the contrary, tax planning is found to moderate the companies' market valuations of CSR positively, which suggests shareholders increasingly value company CSR and tax planning when shareholders consider both activities simultaneously in equity valuations. This study contributes to the body of knowledge by providing empirical evidence of a comprehensive view of tax planning effects on shareholders' CSR valuations. Practically, the findings are useful to industries, particularly in strategising the company CSR and tax planning activities. The findings can also benefit tax authorities in providing insights on potentials tax planning risks through CSR activities.

ABOUT THE AUTHORS

Tye Wei Ling is a lecturer at Taylor's Business School, Taylor's University, Malaysia. Her research interest includes taxation, corporate social responsibility and market valuation. Email: WeiLing.Tye@taylors.edu.my

Nor Shaipah Abdul Wahab is the Head of Department in Accounting, Finance, Economics and Actuarial Studies at Taylor's Business School, Taylor's University, Malaysia. Her research interests are taxation, corporate governance and market valuation. Email: NorShaipah.AbdulWahab@taylors.edu.my

PUBLIC INTEREST STATEMENT

This paper analyses shareholders' valuations of corporate social responsibility (CSR) in the presence of tax planning. Specifically, tax planning is examined for its direct, mediating and moderating roles in affecting the CSR-market value of equity relationship. Investigating the relationship is important following a recent phenomenon of low investors' confidence in the Malaysian market, which in turn causes instabilities in the country's economy. As CSR can help boost investors' confidence in the market, understanding the factors, including those of tax-related, which can influence shareholders' CSR valuations, is critical. Therefore, the findings are useful to signify the multiplier effects of company tax planning on market valuations. The findings also imply that taxation has multiple roles in the shareholder's CSR valuations and thus should be considered along with CSR when pricing the company equities.

Subjects: Accounting; Corporate Governance; Corporate Social Responsibility

Keywords: tax planning; corporate social responsibility; stakeholder theory; legitimacy theory

1. Introduction

This study aims to examine the roles of tax planning in shareholders' valuations of CSR. Specifically, this study examines tax planning for its direct, mediating and moderating roles in the CSR–market value relationship. Insights on the roles of tax planning in the market valuations of CSR are crucial given the increased concerns of responsible tax within the society.

In recent years, the urge for a responsible tax to be a part of social responsibility is becoming more prominent due to the significant loss of tax revenue caused by tax dodging, not only at domestic level but also within the international settings. For example, in 2016, Google, Apple, Facebook, Starbucks, IKEA, Amazon, GAP and Microsoft were accused because of their aggressive tax planning strategies, resulting into billions of euros revenue loss to the governments (Chew, 2016). While the authority accused Google because of its “double Irish, Dutch sandwich” strategy to reduce its tax liabilities, Apple was under fire for its manipulation of Ireland subsidiaries in the company’s attempt to reduce its corporate tax liability (Sommerlad, 2016). Other renowned multinational companies, including Facebook, Starbucks, IKEA, Amazon, GAP and Microsoft, were also accused because of their unacceptable tax planning activities. The public outcry on aggressive tax planning activities has become more apparent following the leak of *Panama Papers* of which media, NGOs and societies have demanded more responsible corporate tax practices (Webb, 2016).¹ In fact, recent CSR debates have developed discussions and arguments surrounding companies’ responsible tax as the future frontier of social responsibility practices (Mccluskey, 2015).

Various NGOs such as the ActionAid, Tax Justice Network, Christian Aid and Oxfam have been campaigning for responsible tax practices by discouraging aggressive tax planning as these practices are perceived immoral due to the activities’ detrimental consequences on provisions of public goods, irrespective of economic climate settings (Bbc News, 2013; Mccluskey, 2015). Given the sources of revenue of the developing countries are largely depending on tax collections, tax planning activities are particularly crucial to be clamped down by the authorities. The Malaysian government, for example, has doubled its effort to educate taxpayers on their shared responsibility to pay their fair share of tax, which eventually will be beneficial to the community and growth of the country (The Malaysian Reserve, 2017). The government’s investment to encourage socially responsible practices, particularly in terms of tax contribution, can help the country to achieve its objective to ensure the well-being of the nations. Despite this, the tax gap in Malaysia is consistently significant at 20% in recent years (Malaymail Online, 2017).² The gap is necessary to be addressed by the authorities as failures to do so will affect the provision of public goods, including the welfare provisions for underprivileged people (Jenkins & Newell, 2013) as a large tax gap increases income inequality and social unrest. Similarly, leaders of G8 countries have also been active in combating aggressive tax planning practices to ensure the “fair share of tax” across nations (Bbc News, 2013). These initiatives are to ensure the well-being of the society as governments redistribute taxes paid out of the companies’ profits to the society. Thus, by demonstrating responsible tax practices, companies are also fulfilling their CSR duties.

Intuitively, the awareness in risks of CSR performance, which shareholders consider tax planning as a part of the companies’ CSR activities, triggers shareholders to discount their CSR valuations. The evidence, however, is generally scarce within the CSR and taxation literature. CSR literature documents significant links between share prices and CSR performance (e.g. De Klerk, De Villiers, & Van Staden, 2015; Verbeeten, Gamerschlag, & Moller, 2016). Positively, shareholders value company CSR activities due to perceived “moral duties” performed by the companies (Schmeltz, 2012). In contrast, negative links between share price and CSR could be due to reflections on significant

costs incurred in performing the CSR activities (Attig, El Ghouli, Guedhami, & Suh, 2013). In the tax planning context, a UK study finds unfavourable shareholders' valuations on companies' tax planning levels (Abdul Wahab & Holland, 2012). The finding is in contradiction with the evidence using US setting in which tax planning relates positively with the companies' market value (Desai & Dharmapala, 2009). While the former relates the findings to the risks of tax planning, the latter is associating the findings with perceived increased after-tax returns. However, as these studies investigate the valuations of CSR and tax planning separately, the shareholders' valuations of CSR in the presence of tax planning are limitedly implied, hence the aim of this study to investigate the role of tax planning in valuations of CSR.

In summary, using a final sample of 373 Bursa Malaysia-listed companies for 8-year period (2008–2015), this study finds tax planning plays three significant roles, firstly in directly impacting market value of equity, secondly as a mediator to CSR in determining market value of equity, and finally, as a moderator on the relationship between CSR and market value of equity. This study contributes to the literature by providing empirical evidence of a comprehensive view of tax planning effects on shareholders' CSR valuations. The findings are also useful to industry players, who can strategise the companies' tax planning activities based on the roles of tax planning, particularly in considering the implications of the activities towards CSR performance. Tax authorities can also be benefited from this study as the findings provide insights on potentials of tax planning risks through CSR activities.

This paper proceeds as follows. The next section reviews relevant literature and discusses the hypotheses development. The following sections are research design, and findings and discussions. Discussions on further tests are in the subsequent section. Finally, conclusion section concludes the paper.

2. Literature review and hypotheses development

The root of CSR term is from the “social responsibility of business” terminology. CSR has long been established as a concept to express the need for companies to not only take heed of its financial responsibilities but also to perform its social responsibilities in their daily operations (Bowen, 1953). Literature also describes CSR as conducts of business operation that exceed public's expectations in ethical, legal and commercial contexts (Baker, 2004).

Stakeholder theory and legitimacy theory underpin previous studies in the CSR mainstreams. Stakeholder theory expands the scope of managers' responsibilities to all parties that can be affected by a company operation of which stakeholders' perceptions on the inclusiveness of the “impacting parties” definition can have significant influence on the companies' success, both economically and socially (Donaldson & Preston, 1995; Friedman & Miles, 2002; Mitchell, Agle & Wood, 1997). Applying stakeholder theory in taxation context reconciles CSR with legitimacy theory of which “good standing” image established within the tax authority's framework helps the companies to appear legitimate in the society's eyes (Holland, Lindop, & Zainudin, 2016; Jenkins & Newell, 2013; Rose, 2007). The appearance is crucial to the companies' existence as seeking for legitimacy is fundamental to sufficient supplies of labour, attracting future and retaining current customers, and adequate inflows of capital (Hybels, 1995).

Based on Scholes–Wolfson framework, shareholders value tax planning incrementally following the activities' potentials to increase the companies' after-tax returns (Scholes & Wolfson, 1992). However, as tax planning involves secrecy and obfuscation (Desai & Dharmapala, 2009), shareholders value tax planning in a detrimental manner to avoid tax- and non-tax costs, for example, reputational costs (Abdul Wahab & Holland, 2012). This argument is also in line with “under-sheltering puzzle” (Weisbach, 2002), which theorises that companies are not always engaging in tax planning despite the perceived benefits of the activities. Following the adverse relationship between tax planning and CSR (Hoi, Wu, & Zhang, 2013; Huseynov & Klamm, 2012), shareholders' valuations on companies' tax planning can be moderated and mediated by the extent of

companies' engagement in CSR. This argument is developed based on the premise of legitimacy theory (Dowling & Pfeffer, 1975) of which companies that involve in tax planning activities conduct CSR to appear legitimate in the eye of the shareholders. Consistent with the theories in tax planning and CSR, previous studies in linking CSR and tax planning find the latter can explain the extent of companies' involvement in the former in an adverse manner (Hoi et al., 2013; Huseynov & Klamm, 2012; Lanis & Richardson, 2012). The studies, however, do not comprehensively test the nature of tax planning effects on the market valuations of companies' CSR involvements, hence the aim of this study is to investigate the tax planning's direct, mediating and moderating roles in companies' market valuations of CSR.

2.1. CSR and tax planning as direct determinants of companies' market value of equity

Following Abdul Wahab and Holland (2012), we define tax planning as activities that can generate tax benefits. Due to the unclear line to categorise the activities based on their legality aspect (Fisher, 2014; Hartnett, 2008), this study attempts to analyse tax planning in its general context, i.e. without distinguishing the activities into avoidance and evasion. Debates on negative influences of tax planning activities span the implications of the activities on the government's revenue, which is the source for provisions of public goods and services to the society (Dowling, 2014; Freedman, 2003; Friese, Link, & Mayer, 2008; Landolf, 2006; Williams, 2007). It is thus worldwide accepted that tax payment is a social obligation of companies within their social responsibility and legal frameworks.

Previous taxation and CSR studies find shareholders' value tax planning (Abdul Wahab & Holland, 2012) and CSR (De Klerk et al., 2015; Verbeeten et al., 2016). The studies, however, limitedly address value relevance of tax planning as part of CSR obligation. In linking tax planning and CSR, significant negative relationships are documented across settings, suggesting negative effects of tax planning on companies' CSR commitments (Hoi et al., 2013; Muller & Kolk, 2015). Following this, shareholders are expected to value CSR in the presence of tax planning. The directions of the relationship however can be equivocal. Positively, shareholders value CSR and tax planning positively due to the activities' influence on company reputations both from social (De Klerk et al., 2015) and economic (Desai & Dharmapala, 2009) perspectives. On the other hand, there can be unfavourable shareholders' reactions on CSR and tax planning due to the perceived significant expenses (Attig et al., 2013) and risks of reputational costs (Abdul Wahab & Holland, 2012) of the activities respectively. Therefore, we expect that there is a significant direct relationship between CSR, tax planning and market value of equity as in Hypothesis 1:

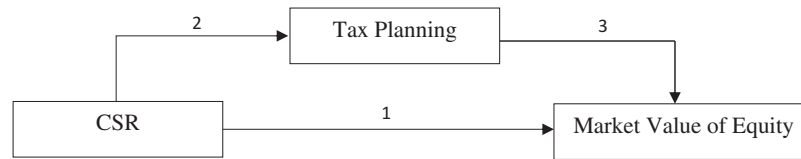
Hypothesis 1 (H_1): There is a significant direct relationship between CSR, tax planning and market value of equity.

2.2. Tax planning as a mediator of CSRs

As previous studies find a significant relationship between CSR and corporate tax planning activities (Hoi et al., 2013; Lanis & Richardson, 2012; Muller & Kolk, 2015), the extent of company tax planning activities can potentially be a mediator to CSR in affecting companies' market value of equity. Prior to the mediator hypothesis testing, three relationships are first to be confirmed (Baron & Kenny, 1986; MacKinnon, Lockwood, Hoffman, West, & Sheets, 2002). In the context of CSR and tax planning effects on companies' market value of equity, the first relationship is concerning a direct relationship between CSR and market value of equity. The second relationship is related to the significance of CSR in impacting tax planning. Thirdly, tax planning is significant in explaining companies' market value of equity. These assumptions are illustrated in Figure 1.

Within the first relationship framework, previous studies document that the relationship between CSR and market value of equity can be in both directions due to favourable valuations by shareholders on the affirmative effects of CSR on the society and the cost incurred in

Figure 1. Mediating role of tax planning on CSR–market value of equity relationship.



performing or conducting the CSR engagements (Attig et al., 2013; Dowell, Hart, & Yeung, 2000; Goll & Rasheed, 2004; Luo & Bhattacharya, 2006; Russo & Fouts, 1997). The second relationship, i.e. between CSR and tax planning, is evident to be more conclusive following the tendencies of companies with low (high) CSR engagement to conduct (avoid) tax planning activities (Hoi et al., 2013; Lanis & Richardson, 2012). Within the third relationship framework, i.e. between tax planning and market value, similar equivocal relationship with the relationship between CSR and market value of equity is expected. The relationship is due to the risks of tax planning as the activities involve obfuscations (Abdul Wahab & Holland, 2012) and the perceived potential outcome of tax planning on companies’ after-tax returns (Scholes & Wolfson, 1992; Toder & Viard, 2016). Following the collective establishment of the three relationships, we therefore hypothesise tax planning as a mediator to CSR in explaining market value of equity as in Hypothesis 2:

Hypothesis 2 (H₂): Tax planning is a significant mediator of CSR in explaining market value of equity.

2.3. Tax planning as a moderator of CSR–tax planning relationship

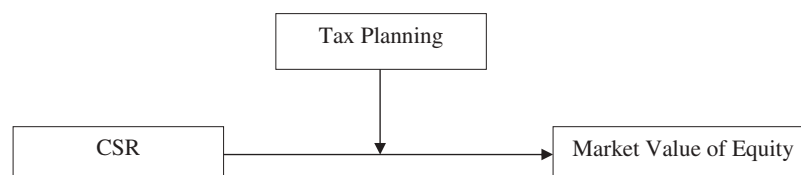
Tax planning can potentially moderate the relationship between CSR and market value of equity following the harms that tax planning activities can cause (Abdul Wahab, 2016; Feller & Schanz, 2017; Wilde & Wilson, 2018), including reputational risks, which then drive the tax planning-engaged companies to seek for legitimacy for their existence through CSR disclosure (Holland et al., 2016). This argument is in line with Lanis and Richardson’s (2015) findings on less tax planning engagement by more socially responsible companies. As shareholders value CSR (De Klerk et al., 2015; Verbeeten et al., 2016), the strength of the CSR–market value of equity relationship can thus be argued to be moderated by the extent of the companies’ engagements in tax planning. The moderating effect of tax planning on the relationship between CSR and market value of equity is illustrated in Figure 2.

We, therefore, hypothesise that tax planning activities can significantly moderate the relationship between CSR and market value of equity as in Hypothesis 3.

Hypothesis 3 (H₃): Tax planning significantly moderates the relationship between CSR and market value of equity.

In summary, previous studies that examine role of tax planning on the valuations of CSR comprehensively are limited. The findings on the tax planning implications within shareholder’s responses on CSR are crucial to inform investment decisions. Directly, shareholders may value tax planning along with CSR involvements. Shareholders may also react on CSR activities through the

Figure 2. Moderating role of tax planning on CSR–market value of equity relationship.



mediating effects of companies' engagement in tax planning given the significant findings by previous studies on the relationship between CSR and tax planning. Alternatively, tax planning may moderate shareholders' responses on company CSR due to the detrimental effect of tax planning activities.

3. Research design

3.1. Sample selection and data source

The sample of this study is non-financial Bursa Malaysia-listed companies from 2008 to 2015. Financial companies are filtered to control for bias due to variations of reporting requirements. The year 2008 is to reflect the year of Malaysian corporate tax reform, in which single-tier system replaced the imputation system. The period ends with 2015 to reflect the most current available data. We also filter the sample for inconsistencies in reporting currency and accounting year end to control for bias in financial disclosure. We control non-recurrence activities by filtering companies with extreme value of tax planning at the 5th percentiles. These result to the initial sample of 422 companies. Table 1 summarises the sample selection process.

As CSR and tax data is unavailable in machine readable format, the data is hand-collected from company annual report. We collect other financial from *Thomson Reuters Datastream*. Industry classification data is determined based on *Bursa Malaysia Main Market* industry classification.

3.2. Measurement of tax planning

This study measures tax planning using book-tax differences (BTDs), which reflects the dispersion of taxable income from accounting income (Abdul Wahab & Holland, 2015; Jackson, 2015; Noga & Schnader, 2013). As tax return data is not publicly available, following Abdul Wahab and Holland (2015), the estimated taxable income is measured by grossing up the company current tax expense with Malaysian statutory tax rates and, to capture differences between local and overseas tax rates, we sum this figure with statutory tax rates differences as in Equation (1).

$$TI = \frac{CTE}{MSTR} + STRD \quad (1)$$

where *TI* is taxable income, *CTE* is current tax expense, *MSTR* is Malaysian statutory tax rates and *STRD* is the income level of statutory tax rates differences, which are disclosed in tax reconciliation footnotes of financial statements.

Following Abdul Wahab and Holland (2015), BTD is then measured as the differences between profit before tax and estimated taxable income. Thus, we derive *BTD* by subtracting *TI* from profit before tax (*PBT*) as in Equation (2):

$$BTD = PBT - TI \quad (2)$$

Table 1. Sample selection	
	Number of companies
Non-financial companies listed throughout 2008–2015	608
Extreme tax planning value	137
Changes of accounting year end	41
Incomplete annual reports	7
Inconsistency in reporting currency	1
Initial sample size	422

3.3. Measurement of CSRs

This study measures a company's CSR involvement using CSR index which is developed based on *Asset4 ESG* from *Thomson Reuters Datastream*. We examine a balanced view of the company's CSR performance in economic, environmental, social and corporate governance using an equal-weighted rating index. As the company's profit, an indicator of economic performance, is used to compute *BTD*, the CSR index of this study comprises environmental, social and corporate governance elements. This measurement is to control for redundancy and bias between CSR elements. There are 295 indicators used to develop the index of which the environment, social and governance components comprise 79, 123 and 93 indicators, respectively.³ Each available indicator from the annual report is assigned "1" point. We calculate the CSR score by computing the percentage of the total sum of points (*m*) assigned to the indicators over a total possible maximum point of 295 as in Equation (3).

$$CSRscore = \frac{\sum_{m=1}^{295} m}{295} \times 100 \quad (3)$$

3.4. Regression models

The panel regression models of this study are developed based on Ohlson's (1995) equity valuation model in which book value of equity and abnormal earnings are theorised to be value relevant. The model is extended to include tax planning, CSR and other control variables. In examining the direct relationship of CSR and tax planning, we regress the variables on companies' market value of equity using a random-effect panel regression model as in Model 1.⁴

$$MV_{it+3} = \alpha_0 + \alpha_1 BV_{it} + \alpha_2 PBT_{it} + \alpha_3 TP_{it} + \alpha_4 CSR_{it} + \alpha_5 LEV_{it} + \alpha_6 CAPINT_{it} + \alpha_7 EM_{it} + \alpha_8 FS_{it} + \alpha_9 DIV_{it} + \alpha_{10} GTA_{it} + \alpha \sum_{r=11}^{20} IND_{it} + \varepsilon_{it} \quad (\text{Model 1})$$

where MV_{it+3} is market value of equity three months after the accounting year end. Consistent with previous market valuation studies (e.g. Abdul Wahab & Holland, 2012; Horton, 2008), the 3-month post year end is to allow for markets to reflect the company's preliminary financial performance.⁵ *BV* is book value of equity at the year end. *PBT* is profit before tax. *TP* and *CSR* are respectively tax planning and CSR score. The remaining variables are the control variables, which are found by previous studies (e.g. Abdul Wahab & Holland, 2012; Gunasekera et al., 2015; Heaton & Lucas, 2000; O'hanlon & Taylor, 2007) as can determine market value of equity and tax planning, and can control for firm-specific effects, consisting *LEV* for leverage, *CAPINT* for capital intensity, *EM* for earnings management, *FS* for foreign sales, *DIV* for dividends, *GTA* for growth of total assets and *IND* for industry classifications.

In examining the mediating role of tax planning, the direct relationship between *TP* and *CSR* is firstly determined. Following the significant relationships, firstly, between tax planning and *CSR*, secondly, between market value of equity and *CSR* (Model 1), and thirdly, between tax planning and market value of equity (Model 1), Model 2 is estimated using generalised structural equation model to determine the mediating effect of tax planning on the relationship between market value of equity and *CSR*.

$$MV_{it+3} = \alpha_0 + \alpha_1 BV_{it} + \alpha_2 PBT_{it} + \alpha_3 TP_{it} + \alpha_4 CSR_{it} + \alpha_5 LEV_{it} + \alpha_6 CAPINT_{it} + \alpha_7 EM_{it} + \alpha_8 FS_{it} + \alpha_9 DIV_{it} + \alpha_{10} GTA_{it} + \alpha \sum_{r=11}^{20} IND_{it} + \varepsilon_{it} \quad (\text{Model 2})$$

where *TP* is estimated using Model 2a:

$$TP_{it} = \beta_1 CSR_{it} + \varepsilon_{it} \quad (\text{Model 2a})$$

We insert an interaction variable between *CSR* and tax planning (*CSRTP*) in Model 1 to examine the moderating effect of tax planning on the relationship between market value of equity and *CSR* using a random-effect panel regression model as in Model 3.

$$MV_{it+3} = \alpha_0 + \alpha_1 BV_{it} + \alpha_2 PBT_{it} + \alpha_3 TP_{it} + \alpha_4 CSR_{it} + \alpha_5 CSRTP + \alpha_6 LEV_{it} + \alpha_7 CAPINT_{it} + \alpha_8 EM_{it} + \alpha_9 FS_{it} + \alpha_{10} DIV_{it} + \alpha_{11} GTA_{it} + \alpha \sum_{r=12}^{21} IND_{it} + \varepsilon_{it} \quad (\text{Model 3})$$

Table 2 summarises the variable measurements of this study. To control for size effect, all continuous variables, *MV*, *BV*, *TP* and *EM*, are scaled using prior-year book value of equity (BV_{it-1}).⁶

4. Findings and discussion

4.1. Descriptive statistics

Prior to the analysis, we test the data for outliers using studentised residual's excess value of |2| (Chen, Ender, Mitchell, & Wells, 2005; Hair, Black, Babin, Anderson, & Tatham, 2006). After controlling for outliers, the final sample is 2,992 firm-years. Table 3 presents the descriptive statistics of the sample.

Table 2. Variable measurements	
Variables	Measurements
Market value of equity (MV_{it+3})	Market value of equity 3 months after the year end
Book value of equity (<i>BV</i>)	Book value of equity at the year end
Profit before tax (<i>PBT</i>)	Profit before tax at the year end
Tax planning (<i>TP</i>)	Tax planning measured using <i>BTD</i> as in Equation (2)
CSR score (<i>CSR</i>)	CSR score measured using Equation (3)
Interaction of <i>CSR</i> and <i>TP</i> (<i>CSRTP</i>)	$CSR \times TP$
Leverage (<i>LEV</i>)	Long-term debt/total assets
Capital intensity (<i>CAPINT</i>)	Gross machinery and equipment/total assets
Earnings management (<i>EM</i>)	<i>PBT</i> —net cash flow from operation
Foreign sales (<i>FS</i>)	Percentage of foreign sales over total sales
Dividends (<i>DIV</i>)	(Dividend per share/earnings per share) × 100
Growth of total assets (<i>GTA</i>)	((Current year total asset/Prior-year total asset) – 1) × 100
Industry (<i>IND</i>)	Industry category coded as “1” for each classification and “0” otherwise

Table 3. Descriptive statistics				
<i>n</i> = 2,992	Mean	Min	Max	Standard deviation
MV_{t+3}	1.8209	0.0089	25.8082	2.0557
<i>BV</i>	1.0535	0.0622	27.9860	0.5710
<i>PBT</i>	0.1920	–0.3098	4.8502	0.2447
<i>TP</i>	0.0215	–0.2786	1.3865	0.1418
<i>CSR</i>	18.0578	8.1356	38.6441	3.9159
<i>LEV</i>	0.0804	0.0000	0.9812	0.1079
<i>CAPINT</i>	0.2625	0.0000	2.4508	0.3012
<i>EM</i>	0.0051	–1.8445	2.9363	0.2616
<i>FS</i>	18.4162	0.0000	100.0000	26.5612
<i>DIV</i>	0.4527	0.0000	175.2917	4.1779
<i>GTA</i>	7.9029	–72.9500	3654.9800	70.4334

The descriptive statistics show positive value of tax planning at 0.022, indicating a higher amount of PBT compared to the taxable income, which suggests, on average, Malaysian-listed companies do conduct tax planning activities. The average CSR score of the companies is 18%. With a minimum and maximum CSR scores of 8% and 39%, respectively, Malaysian-listed companies' CSR practice is below than average of 50%. The score is relatively lower compared to UK companies as documented by Adeneye and Ahmed (2015). The companies finance 8% of their total assets using long-term debt, suggesting significant utilisation of equity in raising the capital. The utilisation of capital expenditure that attracts significant capital allowances compared to others, i.e. machinery and equipment, is averagely at 26% of the total assets. The companies' total accrual earnings management magnitudes are positive in average, suggesting lower cash flow from operation compared to PBT. The companies' involvement in international operations is at the average of 18% of the total sales. The mean of dividends payout ratio is 0.5%, indicating a low return on investment at the average.

4.2. Multivariate results

Prior to the multivariate analyses, we test the model for multicollinearity and heteroscedasticity. The multicollinearity is tested using Pearson correlation coefficients and variance-inflation factor (Hair et al., 2006). Table 4 presents the Pearson correlation coefficients of continuous variables. Except for the bivariate relationship between *TP* and *CSRTP*, all correlation coefficients are below than 0.9 (Hair et al., 2006), suggesting insignificant initial multicollinearity between the variables, which is consistent with the variance-inflation factor of which only *TP* and *CSRTP* are found to be more than 10.0, i.e. 30.65 and 29.16, respectively. Following this, we conduct a further multicollinearity analysis using condition indices. The highest index for the *TP* and *CSRTP* is 18.95 with a variance decomposition of 0.92. Based on Belsley, Kuh, and Welsch (1980), it is therefore concluded that there is no significant multicollinearity between *TP* and *CSRTP*.⁷ In testing the models for heteroscedasticity, Breusch-Pagan and White tests are used (Breusch & Pagan, 1979; White, 1980). Both tests indicate significant heteroscedasticity at $p < 0.05$. The models are therefore estimated using robust standard errors.

Table 5 presents the results of the multivariate analyses. Column 2 is related to the results of a direct role of tax planning and CSR. Column 3 presents the results on the mediating role of tax planning on CSR in explaining the market value of equity. Results in column 4 are related to the moderating role of tax planning on the relationship between CSR and market value of equity.

The results indicate consistent significant ($p < 0.01$) positive relationship between CSR and market value of equity across models, suggesting incremental value relevance of CSR within Malaysian settings. In line with stakeholder theory's (Freeman, 1984) assertion on the responsibilities of the companies to perform their CSR duties while meeting their bottom line of financial statements objectives, shareholders incrementally value companies with higher level of CSR practices. On the company counterpart, CSR practices are crucial for their legitimate appearance in the eye of the shareholders. This finding is consistent with legitimacy theory's (Suchman, 1995) stance that social responsibility is a pathway for companies to ensure its legitimate position within the society, hence promises long-term survival of the companies. On the contrary, tax planning is found to be consistently significant ($p < 0.01$) across models and negatively related to market value of equity, which suggests that shareholders discount tax planning activities in their valuations. These detrimental effects of tax planning on shareholders' valuations are in line with Abdul Wahab and Holland (2012) in which shareholders are argued to be against tax planning activities due to the activities' potential risks to shareholders' wealth, including reputational risks, despite the activities' perceived benefits, i.e. increased in after-tax returns (Scholes & Wolfson, 1992). The findings of significant relationships between *CSR*, *TP* and MV_{t+3} thus support H_1 that hypothesises a significant direct relationship between CSR, tax planning and market value of equity.

In testing the mediating effect of tax planning on CSR in impacting companies' market value of equity, results from the generalised structural equation model presented in column 3 of Table 5

Table 4. Pearson correlation

	MV	BV	PBT	TP	CSR	CS RTP	LEV	CAPINT	EM	FS	DIV	GTA
MV	1.0000											
BV	0.3119***	1.0000										
PBT	0.7593***	0.4218***	1.0000									
TP	0.3895***	0.2245***	0.5715***	1.0000								
CSR	0.2794***	-0.0121	0.1460***	0.0423**	1.0000							
CS RTP	0.3827***	0.1694***	0.5349***	0.9801***	0.0693***	1.0000						
LEV	0.0620***	0.0070	0.0286	0.0156	0.1682***	0.0261	1.0000					
CAPINT	0.0117	-0.0249	-0.0491***	0.0766***	0.1077***	0.0907***	-0.0941***	1.0000				
EM	0.0570***	0.1892***	0.3051***	0.1897***	-0.0300	0.1681***	-0.0004	0.3172	1.0000			
FS	0.0494***	-0.0098	0.0433**	0.1338***	0.1031***	0.1398***	-0.0862***	0.2743***	-0.0929***	1.0000		
DIV	0.0185	-0.0024	0.0042	-0.0152	0.0265	-0.0150	-0.0237	0.0230	0.0036	0.0024	1.0000	
GTA	0.2372***	0.2348***	0.1202***	0.1633***	0.0262	0.1920***	0.0656***	0.0223	-0.0630***	-0.0163	-0.0033	1.0000

*** and ** indicate significance levels at 1% and 5%, respectively.

Table 5. Multivariate results

DV = MV_{t+3}	Model 1	Model 2	Model 3
BV	0.1513** (1.81)	-0.0411 (-0.50)	0.2226*** (2.71)
CSR	0.0969*** (7.99)	0.0788*** (10.57)	0.0923*** (8.22)
PBT	5.4767*** (12.44)	6.7830*** (32.00)	5.5038*** (12.70)
TP	-1.6121*** (-3.79)	-1.2196*** (-3.49)	-6.5571*** (-4.90)
CS RTP			0.2642*** (3.78)
LEV	-0.0016 (0.00)	-0.0300 (-0.12)	-0.0515 (-0.16)
CAPINT	0.0340 (0.17)	-0.0044 (-0.04)	0.0003 (0.00)
EM	-0.6997*** (-5.17)	-1.1636*** (-9.20)	-0.6987*** (-5.04)
FS	0.0002 (0.12)	0.0000 (0.03)	0.0000 (0.01)
DIV	0.0035** (2.29)	0.0056* (1.76)	0.0035** (2.32)
GTA	0.0045*** (9.46)	0.0042*** (9.56)	0.0040*** (9.09)
Constant	-1.4651*** (-6.67)	-0.0061 (-0.53)	-1.4513*** (-7.05)
R ²	73.34%	69.50%	73.36%
n	2,992	2,992	2,992
Wald χ^2	797.38***	2151.46***	954.67***
White	1119.60***	N/A	1182.44***
Breusch-Pagan	1886.39***	N/A	1950.55***

Cross-sectional clustered Eicker-Huber-White adjusted t-statistics are represented by the figures in the parentheses. ***, ** and * indicate significance levels at 1%, 5% and 10%, respectively. CSR in Model 2a is significant at $p < 0.05$, $\beta_1 = 0.0015$ ($t = 2.17$).

indicate a significant mediating role of tax planning ($p < 0.01$). In specific, tax planning is found to partially mediate the relationship between CSR and market value of equity negatively despite the incremental valuations of CSR by the shareholders. The overall effect of the tax planning mediating effect on the CSR valuations is at the rate of 0.04%. This finding supports H₂ in predicting a mediating role of tax planning on CSR in explaining market value of equity. The results are in line with Russo and Fouts (1997), Dowell et al. (2000), Goll and Rasheed (2004) and Luo and Bhattacharya (2006), in which additional CSR-related activities are argued to be able to mediate the impact of CSR. CSR is thus able to impact companies' market value of equity indirectly through tax planning in an adverse manner in which higher tax planning level undermines shareholders' valuations on CSR. This argument is also consistent with the negative relationship between CSR and TP documented by previous studies (Hoi et al., 2013; Lanis & Richardson, 2015).

Results from the estimation of Model 3 in testing the moderating role of tax planning on the relationship between CSR and market value of equity (column 4 of Table 5) show positive and

significant ($p < 0.01$) moderating effects of tax planning. This result supports H_3 that predicts tax planning as a moderator in impacting shareholders' valuations on the extent of companies' involvements in CSR. Despite the potential risks of tax planning, including reputational risks (Abdul Wahab, 2016; Feller & Schanz, 2017; Wilde & Wilson, 2018), shareholders' valuations on CSR activities are incremental in manner when tax planning activities are present, which suggests that shareholders trust companies with a high extent of tax planning activities when the level of CSR involvement is also at the higher end. This compensating perspective is in line with Holland et al. (2016) that tax planning-engaged companies seek for legitimacy for their existence through CSR disclosure. Tax planning activities are thus can be concluded as playing a moderating role in CSR-companies' market value of equity relationship.

Results on control variables from the three estimations indicate consistent significant ($p < 0.01$) negative relationship between earnings management and market value of equity. The results suggest that shareholders value earnings management in a decreasing manner, which could be due to low earnings quality (Fang, Huang, & Karpoff, 2016; Katmon & Al Farooque, 2017) and high earnings manipulation (Cohen, Cornett, Marcus, & Tehranian, 2014; Shafer, 2015) when earnings management activities are present. On the contrary, we find dividends are significantly ($p < 0.05$ for Models 1 and 3, and $p < 0.10$ for Model 2) and positively related to market value of equity. This finding is in line with value relevance theory (Ohlson, 2005) that differences in dividends are able to explain the variations in share price.

In summary, the results of this study provide evidence on the significant roles of tax planning in CSR valuations. Tax planning is found to have direct, mediating and moderating effects on shareholders' valuations of companies' CSR involvements. The results provide further evidence to support stakeholder theory and legitimacy theory in terms of shareholders' appreciation on companies' social responsibility duties in the presence of tax planning activities. In its direct role, tax planning impacts companies' market value of equity negatively along with the positive effect of CSR. Indirectly, tax planning mediates CSR negatively in explaining the variations of companies' market value of equity. In its moderating role, the strength of tax planning positively moderates the relationship between CSR and market value of equity.

5. Further tests

In testing the robustness of the initial results, further tests consisting alternative lag times of companies' market value of equity, deflator effect and fixed-effect estimation are carried out. Results in Table 5 are from the multivariate analyses when we regress the independent variables on companies' market value of equity 3 months post companies' accounting year end. The lag period is to allow for the lag time for shareholders to reflect on the release of the companies' preliminary results. The lag is also to control for excessive noise in market valuations. We re-estimate the models using companies' market value of equity 4 and 6 months post accounting year end to allow for a longer time of reflection. The findings indicate similar qualitative results with the initial results in Table 5 when the independent variables are regressed on companies' market value of equity 4 and 6 months post accounting year end, suggesting that the initial results are robust upon the time lag of the market value of equity.

The second robustness test, deflator effects, is run using total assets as the deflator of the continuous variables (MV , BV , TP and EM). Similar to sensitivity analysis using lag time of companies' market value of equity, the initial results are also robust when the continuous variables are deflated using total assets. These qualitatively similar results suggest that total assets are an alternative deflator of prior-year book value of equity when regressing CSR and tax planning and other control variables on companies' market value of equity.

We use random estimation to derive the initial results in Table 5. We re-estimate the models using fixed-effect estimations to test for the sensitivity of the results upon model specifications. Similar to the previous sensitivity tests, the results are also qualitatively identical to those of

random-effect estimations. This finding suggests that the results presented in Table 5 are robust upon specifications of model estimations.

In line with the literature in the area, we relax the assumptions of autocorrelation in the initial estimations. In testing the robustness of the results upon controlling for autocorrelation, we test the stationarity of the variables using Wooldridge test (Wooldridge, 2002) and subsequently re-estimate the model using cross-sectional time-series feasible generalised least squares (FGLS) regression.⁸ The re-estimation results indicate similar qualitative results of *TP* and *CSR* with the initial results, which suggest that the initial results are robust upon controlling for the autocorrelation.⁹

6. Conclusions

This study seeks to investigate three roles of tax planning, i.e. direct, mediating and moderating roles, on *CSR* in explaining market value of equity. The results indicate that tax planning directly explains market value of equity in decreasing manner along with positive effects of *CSR* on companies' market value of equity. In its indirect role, tax planning is found to mediate the extent of *CSR* involvement negatively despite positive effect of *CSR* on companies' market value of equity. On the contrary, tax planning moderates the relationship between *CSR* and market value of equity in an incremental manner. Thus, this study concludes that tax planning plays three roles on shareholders' valuations of companies' *CSR* involvements.

The results provide further evidence to support stakeholder theory and legitimacy theory. In specific, the results contribute to the literature in suggesting additional dimension in evaluating the stakeholder-relevant activities of which *CSR* is to be valued together with companies' tax planning activities as the former is found to impact the extent of the latter. The results also provide further evidence on shareholders' valuations of companies' legitimate appearances through *CSR* when tax planning activities are present. This study also provides evidence to the literature in extending the boundary of the value relevance of *CSR* and tax planning knowledge by providing evidence that the comprehensive effect of tax planning is necessary when investigating the relationships between *CSR* and market value of equity. In addition, the results are of use to the tax authorities when revising tax planning-related policies as the risks of tax planning activities, in specific, those that are conducted by large companies, are not only impacting the government's revenue but also the shareholders' wealth. The results of this study also enhance the knowledge of managers in managing company stakeholders' interests of which the awareness on the complexities of tax planning consequences on firm value following tax planning's multiple roles are important in establishments and revisions of company *CSR* and tax policies.

As this study uses a specific country setting, the generalisation of the results to other settings can be limited. Researchers can conduct future studies by replicating this study using multiple country settings. In addition, as this study is investigating *CSR* and tax planning in an aggregated manner, the effects of *CSR*'s and tax planning's components on companies' market value of equity are limitedly examined. Future studies, therefore, can be carried out to further investigate the roles of components of tax planning in explaining the value relevance of disaggregated measure of *CSR*.

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Author details

Tye Wei Ling¹

E-mail: WeiLing.Tye@taylors.edu.my

Nor Shaipah Abdul Wahab¹

E-mail: NorShaipah.AbdulWahab@taylors.edu.my

¹ Taylor's Business School, Block B Level 1 B1.12, Taylor's University, Subang Jaya, Malaysia.

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Notes

1. *Panama Papers* are documents that were leaked by an anonymous individual in 2015 in Panama. The papers contain more than 11 million classified documents relating to offshore financial activities of prominent world figures, in which, among others, information relating to tax dodging activities of government officials, relatives of government officials, members of parliaments, members of the International Federation of Association Football, sportsmen, entertainment celebrities and multinational corporations is disclosed (ICIJ, 2016).

2. The tax gap, a measure of differences between tax theoretically due and collected, is consistent at 20% for 2015 and 2016, i.e. a revenue loss of RM47 billion (Malaymail Online, 2017).
 3. In the interest of economy the list is not included in this article but available from the author upon request. The full list of indicators used in Asset4 ESG is also available from https://uvalibraryfeb.files.wordpress.com/./asset4_esg_data_glossary_april2013.xlsx.
 4. We test the robustness of the results using fixed-effect estimation and the results are discussed in further tests section.
 5. To test for the sensitivity of the results upon variations of lag time after the disclosure of company financial information, the variables are also regressed on market value of equity 4 and 6 months after the year end. This is discussed in further tests section.
 6. To test for the sensitivity of the results using an alternative deflator, the models are re-estimated using continuous variables that are scaled with total assets. The results are discussed in further tests section.
 7. The threshold level of insignificant multicollinearity is when the condition index is above 30 with variance decomposition of 0.5 or more (Belsley et al., 1980).
 8. The Wooldridge test is suitable due to the panel data design (Wooldridge, 2002). Following the rejection of the H_0 at F -statistic of 108.192 ($p < 0.01$), we re-estimate the model using a cross-sectional time-series FGLS regression with Wald of 6138.00 ($p < 0.01$).
 9. In the interest of economy, the results of further tests are not tabulated but available from the author upon request.
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The Dualism of Tax Consultants' Roles in the Taxation System

Yenni Mangoting^{1*}, Retnaningtyas Widuri², Tonny Stephanus Eoh³

^{1,2,3}Department of Tax Accounting, Petra Christian University
Jl. Siwalankerto 121-131, Surabaya 60236, Indonesia

*Corresponding author; Email: yenni@petra.ac.id

ABSTRACT

The dualism of tax consultant's role as the agent of taxpayers and governments becomes a phenomenon in this research. Therefore, this research aims to understand the meaning of the dualism role of tax consultants in the taxation system. This study uses a qualitative approach to interpretive methods. The interpretive method assumes that reality does not stand alone but is constructed by the research subject. The method of data collection is done by interviewing two taxpayers and three tax consultants. The data analysis focused on the sentences and phrases that directly allude the researched phenomenon. The result of the research tells that there is an effort to balance the dualism of the role so that tax consultants can still protect the taxpayer's interests, while ensuring that their services do not harm the nation. The balance of the dualism of the role is reflected into four meanings, namely: taxpayer advisors, mediators of taxpayer and government conflicts, aligning taxpayer and government relations and controlling taxpayer compliance.

Keywords: Tax consultant; taxpayer; self-assessment.

INTRODUCTION

Tax consultants have a strategic position in the taxation system to support taxpayer compliance. This important role becomes more significant when the taxation system of a country is based on self-assessments that give full authority to taxpayers to carry out their own tax obligations, i.e. calculating, paying and reporting their tax due. Self-assessment requires taxpayers to perform tax obligations independently, voluntarily, and prioritize honesty. Independence, willingness, and honesty are difficult to achieve if the taxpayers are having difficulties in understanding the tax provisions which contain high complexity and are rapidly changing as the adaptations to the changes of business environments. [20] and [22] explained that the complexity and ambiguity of tax provisions are the obstacles in implementing self-assessment. This complexity and ambiguity will cause multiple interpretations of the articles in taxation provisions. For taxpayers, this condition will be detrimental because it causes high tax compliance costs and mistakes in calculating the tax due which then leads to sanctions and administrative fines.

To overcome the difficulties in interpreting tax provisions that will provide risks for the emergence of sanctions and tax administration fines, the taxpayers use the role of a tax consultant. [5] described that the main reason for taxpayers to use

tax consultant services is to help them in interpreting tax provisions which are considered complicated and difficult to interpret. Furthermore [8, 25,35] explained that taxpayers need the competency of tax consultants who are considered to be capable of solving the problem of uncertainty caused by the complexity of tax provisions.

The important role of tax consultants in the taxation system becomes complicated when the tax authorities make tax consultants into partners to support quality and increase tax compliance. On a different side, the existence of a tax consultant can be influenced by the motivation of taxpayers to fulfill their tax obligations [32], who generally have the perception that tax is a burden that should be minimized. With this perception, taxpayers can actually use the competency of tax consultants to do tax avoidance [5]. The contradictory objectives of taxpayers who want to maximize profits and the government's goal of maximizing the state revenues have placed tax consultants in a dilemma position.

The explanation above shows the dualism of the role of tax consultants in the taxation system. On one hand, the tax consultant is an agent of compliance that becomes the representative of the governments in building tax compliance. On the other hand, a tax consultant is an agent of the client. As an agent of clients, it is not uncommon for tax consultants to actually weaken taxpayer compliance through aggressive tax avoidance. The

dualism of the role of the tax consultant brings a hidden meaning to how tax consultants actually interpret their roles simultaneously. The first role is as a representative of the governments to enforce tax compliance, but at the same time, be a part of the taxpayers to carry out their tax compliance as a client.

How tax consultants interpret that dualism role will be influenced by attitudes, motivations, values, personality traits, and the interactions between the tax consultant with the environment [1, 2]. The dualism role of a tax consultant as a research object is part of a social reality that is formed from time to time through the process of communication, interaction with the environment, and part of the past events [7]. Therefore, this study uses an interpretive approach to answer the research questions on how tax consultants interpret the dualism role in the taxation system. The importance of exploring the role of tax consultants will help the government in repositioning the role of tax consultants in the taxation system in Indonesia

RESEARCH METHOD

Science is not just meant to test, to predict or to explain a theory. Science seeks to solve real problems that occur through interaction in the social world that uses humans as subjects and objects. Therefore, it is necessary to look at and examine a phenomenon from another perspective by involving individuals and perceptions to understand the reality or originality which is actually not dependent on the representation of the population, which is the focus of qualitative research [33].

This study uses qualitative interpretive methods. It focuses on understanding the way humans interpret their social life, and how humans express their understanding through language, sound, parables, personal styles, and social rituals [7]. Interpretive research will produce meaning, obtained through a process of subjective interpretation expressed by each individual, which in the context of this study are two taxpayers and four tax consultants [40]

The method of data collection is done through interviews with research subjects, namely two taxpayers and four tax consultants. The data analysis in this study focuses on making interpretations to get the meanings inherent in the interview text in order to get overall meaning. The analysis is focused on sentences and phrases that directly discuss the phenomenon observed. The stages of data analysis in this study are: 1) conducting the interpretation of the first stage by labeling the results of the interview. In the labeling process, the researcher marks the important statements from the research subjects, 2) interpreting the second stage

by giving a description of the meaning of each research subjects to a phenomenon, 3) interpret the stage three. At this stage, the researcher associates one meaning with another to get the final meaning about the phenomenon of how tax consultants interpret the dualism of their role in the taxation system [40].

RESULT AND DISCUSSION

One of the many reasons why taxpayers use tax consultant services is because of its efficiency in terms of time and cost [34]. However, from the results of the interviews with the research subjects, namely taxpayers Joko and Damara, it is known that the main consideration in using tax consultant services because of the lack of mastery in the field of taxation. For the subjects of this study, the tax provisions are considered difficult and confusing, which makes them need a tax consultant who can help them to settle their tax obligations, as stated below:

"I hired tax consultants because honestly [I don't really understand] tax regulations. I think tax regulation is quite [complex, so it is difficult to understand]"

"Generally they want to pay taxes, at least taxpayers used consultants so that they know the tax aspects. Whether I want to pay or not, it is my own business. [Compared to the situation where I do not know anything if I do not hire a consultant]"

The words in parentheses of each interview result with the research subjects are a form of labeling, which is done to get the client's important statements as the object of meaning at the next stage of interpretation. Then, the interpretation of the second stage is done by giving meaning to the expressions of the research subject that were found on the words in the parenthesis.

The statement above reveals the limitations of taxpayers in understanding tax provisions, which are considered complex and make it difficult to understand. However, the desire to obey did not decrease because of the existence of tax consultants who could help settle their tax obligations. The choice of using a tax consultant service is also motivated by their belief, that a tax consultant can bridge the information barriers regarding tax provisions, compared to meeting and utilizing the Account Representatives, namely tax officers provided at the Tax Office to overcome taxpayer difficulties.

The complexity of tax provisions faced by taxpayers is a fact of obstacles in the field that might disrupt the enforcement of taxpayer com-

pliance. These obstacles are basically not in accordance with the principle of fairness in tax collection, which requires a simplification in tax provisions. Simplification of tax provisions becomes absolute because taxpayers run a tax system based on Self-Assessment. The Self-Assessment that relies on volunteerism, independence, and honesty of taxpayers in fulfilling the obligation to calculate, pay, and report their tax due will be difficult to achieve if the taxpayer does not understand the provisions of the taxation itself.

The lack of understanding about the tax provisions actually creates a taxpayer's resistance attitude. They act passively so that they submit all settlement of tax obligations to the tax consultant. It can be seen from the statement of the research subject namely Andika, who is a tax consultant:

"[Tax consultants must play a role], because taxpayers would actually follow what the tax consultant said. For example, the tax consultant will suggest the tax costs and asks whether the taxpayers agree with that number or not. If the taxpayer approves, [the tax consultant will adjust to the tax calculation"]

Andika's statement above is part of the experience when dealing with a passive taxpayer. If the taxpayer is being passive, the tax consultant can direct the behavior of taxpayer compliance. Apart from being clueless and considering that the tax provisions are complicated, the tax consultants are asked to regulate the tax payments based on the taxpayer's ability to pay, not based on the records or bookkeeping that report on the economic ability of taxpayers. The attitude of taxpayers who tend to be apathetic as in the results of the interviews above can affect the behavior of the tax consultant itself.

[4] realized that the characteristics and motivation of taxpayers as clients become the tax consultant's considerations of advocacy and decision making.

This complexity issue does not only happen in Indonesia but also in other countries, like Malaysia. In order to overcome the problems in this complexity, tax authorities in Malaysia or the Inland Revenue Board of Malaysia (IRBM) were asked to formulate the standard and the simple taxation provisions to reduce ambiguity in order to improve the quality of voluntary compliance [14]. The complexity of tax provisions can also make it difficult for tax authorities because it can disrupt the consistency of the operationalization of tax provisions and different law enforcement efforts between them [13].

Aside from helping to settle taxpayers' tax obligations as clients, there is a tendency that

taxpayers might use the tax consultants to conduct aggressive tax avoidance. One of the research subjects, Chaca, as a tax consultant provides the following information:

"There are always those who persuade to [help taxpayers pay taxes based on the targets that are specified in advance], but my answer is, "I only have one heart, no backup" principle of a tax consultant who approves the client's wishes is "[anything that makes you happy]"

The above statement shows the existence of aggressive behavior that is shown not only by taxpayers but also by tax consultants. Both of them cannot avoid having economic or transactional relationships. Economic dependence is indeed an obstacle to enforce the attitude of the independence of tax consultants to be able to reject the wishes of clients who are not in accordance with the tax provisions and ethics codes of tax consultants and fulfill the wishes of clients. If the motivation that underlies the attitude of tax compliance is the principle of "tax is the cost for doing business", then the desire of the taxpayer to disobey will never be gone. Thus, to actualize this urge, the taxpayers can use the tax consultant's expertise and competence to carry out tax avoidance. [4] explained that for certain clients, tax consultants can consider the risks in order to use the ambiguity in tax provisions to create tax avoidance strategies.

Personal interest conflicts and professionalism as a tax consultant sometimes become the obstacles for tax consultants in doing the client's duties in accordance with the professional code of ethics. That is also stated by Widi, a tax consultant, as can be seen below:

"When I am accepting a request to do the client's duties, I asked myself, [is it wrong to cheat] work like this?"

[9] and [10] explained that tax consultants have a unique position because they work for two bosses with different behalf, i.e. the government and taxpayers. In line with the above opinion, [30] also admitted that the dual role of tax consultants, who on the one hand are the allies of taxpayers, but on the different side, they are the government's allies, who are obliged to fulfill the client's tax obligations in accordance with the tax provisions.

It is not easy for a tax consultant to balance their position between the taxpayer's behalf as clients and the government as a tax authority. [39] stated that the dual role of the tax consultant is difficult to be avoided. The dilemma of the intermediary position with different responsibilities leads to strong pressure, so it tends to place tax

consultants in a difficult position to act based on the objectives expected by both parties [6,34]. Not only in Indonesia, the Australian tax authority, named Australian Tax Officers (ATO), realizes that tax consultants do not only function to provide advocacy and prepare client's tax reporting, but also provide a risk management service in order to minimize the tax payments [4,24].

As a tax consultant, Chacha knows the behavior of a tax consultant who sometimes acts out of their duties and responsibilities, as it is said in the following statement:

"[More people are using tax planning by using the weaknesses of tax provisions]. But it does not rule out the possibility for tax consultants to become a wholesale consultant, by making financial reports while calculating their taxes, in order to make it easier to regulate the amount of the tax due".

The above statement is an affirmation that a client preference is that taxpayers become one of the factors that can influence ethical decision making. Many studies explain that when tax provisions have a double meaning, there is a risk of tax audits, low tax sanctions, high taxable income, then there is a tendency for tax consultants to consider preparing an aggressive tax reporting [25]. Even though tax consultants in their assignments provide objective advocacy to clients, it is possible that tax consultants can implement aggressive tax avoidance strategies when dealing with clients who are economically capable of paying large amounts of their services [4].

Not all tax consultants fulfill the behalf of taxpayers, even with a large fee, as in the statement of Chaca's below:

"He used a tax consultant before using our services. Its profit is huge. [But the fact is that this company has downplayed their taxes]. And it does not make sense, for example, it does not have stocks. [Finally, as a tax consultant, I resigned myself from this assignment] with the excuse that the taxpayer is not open to his tax matters."

As a tax consultant, Chaca realizes that her work can give her economic benefits easily if she wants to fulfill the client's behalf, even if it takes a high risk to do it. Many taxpayers are willing to pay the tax consultants who can do aggressive tax avoidance with a low risk of detection. But for Chaca, high pay is not comparable with future risks if the aggressive tax avoidance is detected by the tax authorities.

This uncertainty can have an impact on the behavior of taxpayer compliance. Taxpayers can

make a reason that their negligence in fulfilling tax obligations is caused by the difficulties in understanding taxation provisions. The uncertainty of the complexity of tax provisions can also change the character of the taxpayer's risk. [14] explained that the complexity of taxation provisions would confuse taxpayers, even they could intentionally disobey because it was intended to exploit these difficulties. Taxpayers who like to take a risk will use the conditions of this uncertainty to increase or decrease their taxable income, while those who do not, the uncertainty becomes a loss, so they strive to minimize the impact by seeking information on tax provisions as much as possible [3,15].

For taxpayers, this uncertainty must end by involving the role of a tax consultant. The consequence is the cost of tax compliance with the existence of a tax consultant becomes higher. However, the choice to use tax consultant services to settle the tax obligations becomes a priority for taxpayers in anticipating the consequences of future sanctions due to errors in fulfilling tax obligations [18]. The role of a tax consultant is believed to be able to facilitate the settlement of taxpayer problems, as they have competent competences in solving the complex problem of tax provisions that can disrupt the performance of tax compliance.

[8] in his research proved that there is a significant effect on the increase of taxpayer compliance with the role of a tax consultant. In fact, the central role of tax consultants is not only from the perspective of taxpayers but also by tax authorities [37]. [27] admitted that even though a tax consultant is not a party who directly involved in the relations between taxpayers and tax authorities, its existence actually has the capacity as a facilitator who provides the taxpayers with advocacy and becomes a taxpayer's challenge in interacting with tax authorities.

Tax Consultants are Mediators of Taxpayer Conflicts and Tax Authorities

Conflict in the relationship between taxpayers and tax authorities is not a coincidence. [11] underlined the disharmony between taxpayers and tax authorities. The disharmony of this relationship is underscored by the different perceptions regarding tax payments. Taxpayers, as rational beings, assume that tax payments are an additional burden that can reduce economic capacity. Moreover, the tax payment does not get the compensation that can be directly appointed. Meanwhile, the tax authorities get the legitimacy to secure state revenues by increasing taxpayer compliance.

[31] described the ambiguity of tax provisions, injustice in law enforcement, and social exchange can be the factors that cause conflict so that taxpayer factors justify aggressive tax avoidance. In fact, the leaking of state finances problem which is caused by the corruption done by public place-man can lead to a conflict of dilemmas that have an impact on taxpayer compliance [26]. Taxpayers become less interested in paying taxes because the state does not provide direct incentives for taxes that have been paid. In fact, what might happen is that taxpayers will hesitate to pay taxes. The conflict which has an impact on the behavior of taxpayer compliance has been debated in many studies which then led to some compliance modeling, especially when the government uses its legitimacy to give sanctions on taxpayers.

An open conflict also happens when complex tax provisions create a different interpretation between taxpayers and tax authorities, which then leads to disputes that must be solved in a court [36]. Therefore, these conflicts need the role of intermediaries, i.e. tax consultants. The phenomenon illustrated in the analysis of interview data with research subjects shows that the tax consultant can act as a mediator. It is difficult for the intermediaries to be in the uncertainty because of the difficulty in understanding the provisions of taxation and mediators when taxpayers want to act aggressively in doing the tax obligations by exposing legal risks in the future.

Tax Consultants are the Relations Synchronizer of Taxpayers and Tax Authorities

[9] and [10] explained that tax consultants have a unique position as they work for two clients, i.e. government or tax authorities, and taxpayers with different objectives and interests. This position can put them in a difficult situation to balance themselves.

The dilemma in the position as an intermediary that brings different interests and objectives causes the tax consultant to get strong pressure from both sides [6].

[38] also gives close attention to the dualism in the tax consulting profession, that tax consultant is a taxpayer advisor who helps to fulfill the tax obligations based on its provisions. On the other hand, tax consultant is a profession which is regulated by the Ministry of Finance and it is has a professional bond so that they have ethical and legal responsibilities given to them. It is not easy for tax consultants to be neutral when they are in the middle of two different interests. As clients, taxpayers sometimes want the aggressive tax avoidance actions that can provide tax savings

with low risk [34], but on the other hand, they are the representative of the governments with the mission to improve the tax compliance. This phenomenon will place the tax consultant in a dilemma position, as [30] explained that the dilemma will be faced by tax consultants because on the one hand, they are the allies of taxpayers but on the other hand, they are the allies of the government in increasing the state revenues through tax compliance

In maintaining the function of a tax consultant as the agent of compliance, they must be bounded by the code of ethics as a guide to fulfilling the client's request. The code of ethics is a moral code that would guide the tax consultants in thinking, behaving and acting. [12] illustrated that an organization which has accustomed itself to work and make decisions based on the professional code of ethics will influence the ethical behavior of the tax consultants themselves.

Although tax consultants have sufficient competence in doing client's request through mastery of taxation provisions, it does not mean that they take aggressive actions to side with the interests of clients. The engagement with an ethics code would be able to control the behavior of tax consultants to do the taxpayer duties according to taxation provisions. This is proven in the research of [10] which explained the tendency of tax consultant behavior in New Zealand to act conservatively in giving advice to clients. They understand that taxpayers will ask for their responsibilities in the future if their aggressive actions endanger the client's business. In addition, [10] explained that tax consultants in New Zealand would provide complete advice and explanations to taxpayers to avoid future claims. Although tax consultants are aware of the dualism of their role, they are still required to balance their position between the two parties, so that there will be harmony in realizing the goals of each party.

According to [29], tax consultants are actually considered as independent parties and can be a tool to harmonize the different interests between taxpayers and tax authorities. That statement is relevant when the government keeps striving to improve the quality of their relations with taxpayers so that taxpayers can change their perceptions that the tax is a burden and having no contravention on their tax payments. These perceptions and views will be changed by the government in order to create a good relationship between the two. However, this effort would be difficult to be done without an independent party who can harmonize the interests of both. Therefore, [29] argued that it is necessary to present the role of tax consultants in facilitating and bridging dialogue bet-

ween taxpayers and the government to create common perceptions so that each has the confidence to create a quality relationship.

Tax Consultant is a Taxpayer Compliance Controller

Taxes can change the behavior of taxpayers to be obedient or not. Like some studies, [21] identified several taxpayer characteristics called "legal" tax evaders, tax evader by fraud, evader by simple omission, and abusive planner (illegal avoidance) legitimate planner (legal avoidance), simple compliant taxpayer, Under-compliant taxpayer, and Illegitimate withholder. The research above explains that not all taxpayers are compliant to do their obligation to pay taxes. Obedient and disobedient behaviors can also be identified from the character of the tax consultant. [32] described the characteristics of tax professionals, i.e. creative consultants, honest consultants, and cautious consultant, and Machiavellian. The description of the character of taxpayers and tax consultants above indicates that there is a motivation in doing tax avoidance, whether it is exploiting or opposing the taxation provisions.

[37] explained that the behavior of obedient or disobedient taxpayers can also be influenced by the role of the tax consultant. Tax consultants do not only act as intermediaries between taxpayers and tax authorities but more like influencing the taxpayer compliance behavior. However, there are also taxpayers who exploit the weaknesses of tax provisions aggressively, which then makes the state lose revenue and causes damage to the taxation system [19].

Although it does not explicitly say that tax consultants conduct aggressive tax avoidance, [24] believed that the taxpayer's dominance can direct them to do so. The study results of [28] also believed that the role of tax consultants as an intermediary has a major influence on the behavior of taxpayer compliance. According to [19], economic interests are fundamental issues that still become obstacles for tax consultants to maintain their independence. It also becomes a motivation for taxpayers in making both parties dare to act aggressively in tax avoidance. Economic interest is a pressure, not only for taxpayer, in particular the multinational companies that want to earn profits as much as possible for the stakeholders interest, but also for tax consultants, aside from receiving the benefits from the success of tax saving also as an effort to maintain their existence in the competitive service market.

This condition was realized by [23] that tax consultants play a role in overcoming the taxpa-

yer's information barriers and helping in completing tax calculations. However, tax consultants also have the expertise to take advantage of non-compliance opportunities. In situations where tax provisions do not contain ambiguity, the tax consultants are more likely to take positions as law enforcers and choose to act conservatively in doing tax provisions. However, according to [17], when the tax provisions are complex and containing ambiguity, tax consultants can actually exploit the provisions of the tax law to do an aggressive tax avoidance, even if it against the taxation provisions.

Taxpayers who want to do tax avoidance will use the services of a tax consultant because they are considered to have the professional ability in understanding the weaknesses of tax provisions [5]. Even though a tax consultant is an agent of compliance, the taxpayer's pressure would still make it difficult for tax consultants to do the duties independently. Especially when the pressure is related to the financial problem of the tax consultant. Therefore, it is difficult to expect the freedom of tax consultants to do the duties in a neutral way, and there will be a partiality position on one of the interests. As stated by [8], statistically, a tax consultant has a significant influence on tax compliance.

The explanation above concludes that the dualism position of tax consultants as both government and taxpayer agents are not balanced. Thus, from this explanation, it can be said that tax consultants act as controllers of taxpayer's compliance and non-compliance behavior. The difficulty of a tax consultant to take a balanced position in having two roles as the representative of the governments or an agent of compliance that will help to increase taxpayer compliance [16] and as an agent of the taxpayers. Tax consultants' economic dependence on taxpayers is an obstacle to do their role as an agent of compliance so that there is a tendency for tax consultants to approve the taxpayer's desire to do aggressive tax avoidance.

CONCLUSION

Tax consultants consider their role as taxpayer advisors. This interpretation is formed when taxpayers have difficulty in implementing tax obligations because of the lack of understanding of the taxation provisions and worries about getting sanctions in the future. Trust is the key for taxpayers to have tax consultants as parties who are considered capable of completing tax obligations. Taxpayers choose to entrust their settlement of tax obligations to get comfort, convenience and time efficiency in doing their company's operationa-

lization. However, tax consultants are also aware that the formation of a taxpayer's perception that tax is a burden will give them an opportunity to provide aggressive advice for them.

Tax consultants interpret their role as mediators of conflicts with the government or tax authorities. Conflicts arise because the taxpayers are in a tax system that is not conducive for doing their tax obligations based on Self-Assessment. The complicated tax provisions that make it difficult to understand and the lack of socialization create the resistance of taxpayers to implement tax compliance. Then, conflicts also happen when the benefits of tax payments have not been felt through public services or the high number of corruption cases of public placeman. Besides, conflict is very likely to happen in an engagement relationship, including the relationship between the taxpayers and tax authorities. While in the case of tax audits, objections and appeals, the tax consultant will play an important role as a mediator.

Tax consultants interpret their roles as a synchronizer of the relationship between taxpayer and tax authorities through a code of ethics. The code of ethics is the basic foundation of tax consultants in doing taxpayer duties. Different interests between taxpayers who seek to minimize tax payments and tax consultant responsibilities as government agents to build awareness of taxpayer compliance. In synchronizing this dualism of the role, the tax consultant must internalize the rules of the game set out in the code of ethics. Although the relationship between tax consultants and taxpayers is transactional, the tax consultants are required to work by upholding the professional code of ethics. Tax consultants still declare partiality to taxpayers within the corridor of tax law, so that it would not interfere with the interests of the tax authorities whose duty is to maintain tax revenues.

Tax consultants interpret their role as controlling taxpayer behavior. The tax provisions that contain ambiguity can be used as loopholes to create an aggressive tax avoidance strategy. Taxpayers who consider that tax is a burden can communicate this desire to competent tax consultants in order to use that flaw as a tax avoidance strategy.

This research is a reference for the tax authorities to formulate policies in order to re-regulate the central position of tax consultants in the taxation system. In addition, the tax authority is expected to be able to formulate simpler tax provisions and not containing ambiguity, to minimize the possibility for tax consultants to exploit these flaws as a tool to do the tax avoidance.

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**Ahmad Nurkhin¹, Ine Novanty¹,
Muhsin Muhsin¹, Sumiadji
Sumiadji²**

¹Department of Accounting
Education Faculty of Economics
Universitas Negeri Semarang

Kampus Sekaran, Gunungpati
Semarang, 50229, Indonesia

²Department of Accounting State
Polytechnic of Malang
Jl. Soekarno Hatta No.09, Malang,
65141, Indonesia

✉ Corresponding Author:

Ahmad Nurkhin:

Tel. /Fax: +62 24 8508 015

E-mail: ahmadnurkhin@mail.unnes.ac.id



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**Ahmad Nurkhin (Indonesia), Ine Novanty (Indonesia),
Muhsin Muhsin (Indonesia), Sumiadji Sumiadji (Indonesia)**

The Influence of Tax Understanding, Tax Awareness and Tax Amnesty toward Taxpayer Compliance

Abstract

Taxpayer compliance is still an interesting topic to study since the government has launched tax amnesty program. This study aims at examining the influence of tax understanding, tax awareness and tax amnesty perceptions toward taxpayers' compliance in East Semarang Pratama Tax Office, Semarang City, and Central Java. The research population is taxpayers that are registered in East Semarang Pratama Tax Office. This study used convenience sampling as a sampling technique. This study used 200 (samples) units. Data collection technique used in this research is questionnaire which is developed from some previous studies. The writer then used descriptive statistical analysis and multiple linear regression analysis as the analysis method. The results of this study showed that the understanding of tax, taxpayer awareness and the perception of tax amnesty proved to have a positive and significant effect on taxpayer compliance. The taxpayer understanding and awareness become variables that have a stronger influence than a variable of tax amnesty perception. The other results indicate that gender can influence taxpayer compliance as well. Female taxpayers are more compliant than male taxpayers. It is then suggested that the tax office always enforce tax education programs to taxpayers regularly and continuously to increase the taxpayers' understanding and awareness.

Keywords: Tax Amnesty; Taxpayer Awareness; Taxpayer Compliance; Tax Understanding

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Abstrak

Kepatuhan wajib pajak masih menjadi topik yang menarik untuk diteliti dengan hadirnya program amnesti pajak yang diselenggarakan oleh pemerintah. Penelitian ini bertujuan untuk menguji hubungan pemahaman perpajakan, kesadaran wajib pajak dan persepsi amnesti pajak terhadap kepatuhan wajib pajak di KPP Pratama Semarang Timur Kota Semarang Jawa Tengah. Populasi penelitian adalah wajib pajak yang terdaftar di KPP Pratama Semarang Timur. Teknik pengambilan sampel yang digunakan adalah convenience sampling. Diperoleh sampel sebanyak 200 unit. Teknik pengumpulan data adalah kuesioner yang dikembangkan dari beberapa peneliti terdahulu. Metode analisis data yang digunakan adalah analisis statistik deskriptif dan analisis regresi linear berganda. Hasil penelitian menunjukkan bahwa pemahaman perpajakan, kesadaran wajib pajak dan persepsi amnesti pajak terbukti berpengaruh secara positif dan signifikan terhadap kepatuhan wajib pajak. Pemahaman perpajakan dan kesadaran wajib pajak menjadi variabel yang mempunyai pengaruh lebih kuat daripada variabel persepsi amnesti pajak. Saran yang diberikan diantaranya adalah kantor pelayanan pajak senantiasa meningkatkan program edukasi perpajakan kepada wajib pajak secara terprogram dan berkelanjutan untuk meningkatkan pemahaman perpajakan dan kesadaran wajib pajak.

Kata kunci: Amnesti Pajak; Kesadaran Wajib Pajak; Kepatuhan Wajib Pajak; Pemahaman Perpajakan

The Influence of Tax Understanding, Tax Awareness and Tax Amnesty toward Taxpayer Compliance

Ahmad Nurkbin, Ine Novanty, Muhsin Muhsin, Sumiadji Sumiadji

Taxes are financial resources of a state and have an important role in the state's development. The Government has taken various efforts to increase the realization of state revenues sourced from taxes. However, the amount of state revenues from the tax has been taken is not by the target of the State Budget (APBN). One of the causes of low tax revenue in Indonesia is due to low taxpayer compliance in delivering and paying taxes. Rahayu (2013) explains that tax compliance constitutes obedience, submission, an agreement to taxation provisions.

The Annual Report of the Directorate General of Taxes (DGT) in Table 1 shows the taxpayer compliance ratio index having fluctuated changes since 2012. In 2013 the person's taxpayer compliance ratio increased significantly by 7.16 percent. In 2014 the taxpayer compliance ratio of individuals decreased by 1.99 percent to 58.87 percent. By 2015 the personal taxpayer compliance rate has increased by 1.55 percent. The increase of taxpayer compliance ratio occurs in 2016, at 2.7 percent. This indicates that taxpayer compliance is highly sensitive and volatile.

Table 2 shows the realization of national and central Java tax revenues in the year 2012-2016. The year 2016 becomes the year of significant increase for the national tax realization, which raised 42 percent compared to the year 2015. This is due to the government's tax amnesty program. In Central Java, the year 2014 is the year of realization of tax revenue which grew up very significantly, that is equal to 22 percent. The year 2015 step up significantly by

11 percent. Yet, in 2016, the realization of tax revenues decreased by 4 percent.

Table 1. Taxpayers Obedience Ratio and Realization of Income Tax Revenue

Year	Taxpayer Compliance Ratio (%)
2012	53.70
2013	60.86
2014	58.87
2015	60.42
2016	63.15

Source: DGT (Directorate General of Taxes) Annual Report

The decrease of income tax 21 revenue in Central Java Province also appears on the submission of Annual Tax Return (TR). In 2011, the taxpayer compliance level in submitting the Annual Income Tax Return in Central Java region was only 52 percent. As many as 801,695 registered taxpayers, only 412,987 taxpayers submit annual tax returns. The process of submitting an annual tax return (SPT) in Central Java region can be done through the service of KPP (Tax Office) Madya, and also KPP Pratama.

One of the Pratama tax offices (KPP Pratama) which provide taxation services in the region of Central Java is East Semarang Pratama tax office. East Semarang KPP Pratama is a tax office that provides services for working areas of some villages and sub-districts in East Semarang sub-district and some part of North Semarang sub-district. Tax compliance problems are also found in East Semarang Pratama Tax Office. The level of taxpayer compli-

Table 2. Realization of National and Central Java Income Tax Revenue (in billions of rupiah)

Year	Realization of National Income Tax Revenue	Realization of Central Java Income Tax 21 Revenue
2012	465,069.50	2,064.82
2013	506,442.80	2,208.27
2014	546,180.90	2,699.45
2015	602,308.13	3,000.97
2016	855,842.70	2,881.47

Source: bps.go.id and jateng.bps.go.id

ance that is still problematic becomes one of the causes of unrealized tax revenue. Table 3 shows the number of targets and realization of tax revenues in East Semarang Pratama tax office and Table 4 presents taxpayer compliance level in East Semarang Tax Office which carries out its tax obligations. Table 3 shows that the realization of tax revenues during year period 2015-2016 has decreased drastically. It is also shown in table 4 that taxpayer compliance rates have declined during year period 2015-2016.

Taxpayer compliance is a condition or a time when the taxpayers can fulfill the tax obligations and do their taxation rights. Devano & Rahayu (2006) revealed that taxpayer compliance is influenced by several factors, namely, conditions of the tax administration system of a country, service to the taxpayer, tax law enforcement, tax audit, and tax rate. Febriani & Kusmuriyanto (2015) pointed out that factors causing low taxpayer compliance are: (1) public dissatisfaction with public service; (2) unequal development of infrastructure; and (3) number of corruption cases conducted by the governments. Gunarso (2016) empirically proved that tax audit and sanctions might affect tax pay compliance. Muslichah

(2015) successfully proved the influence of tax simplification on tax compliance behavior. Mangoting & Sadjiarto (2013) confirmed that motivation using motivational posture indicator in the form of game playing variable partially influence compliance of individual taxpayer in implementing tax compliance. Yee, Moorthy, & Choo (2017) found a positive influence of tax justice on taxpayer compliance.

One of the factors affecting taxpayer compliance level is the level of taxation understanding. The taxpayer understanding of tax laws is the ways of taxpayers comprehend the existing rules. The lack of taxpayer’s understanding of the tax laws causes them to be unable to comply with their obligations, so they become non-compliant taxpayers (Hardiningsih & Yulianawati, 2011). Several researchers have proven that tax understanding is able to influence taxpayer compliance positively and significantly (Adiasa, 2013; Saad, 2014; Ananda, 2015; Andinata, 2015; Andreas & Savitri, 2015; Nurhayati, Halimatusadiyah, & Diamonalisa, 2015; Agustiningsih & Isroah, 2016; Ilhamsyah, Endang, & Dewantara, 2016; Nugroho, Andini, & Raharjo, 2016; Oladipupo & Obazee, 2016; Redae & Sekhon, 2016; Olaoye,

Table 3. Target and Realization of Tax Revenue

Year	Target (IDR)	Realization (IDR)	Percentage
2012	105,425,267.00	96,326,627.00	91.37
2013	112,541,000.00	122,440,911.00	108.80
2014	321,813,285.00	306,017,380.00	95.09
2015	478,182,000.00	327,862,722.00	68.56
2016	597,594,265.00	172,323,176.00	28.84

Source: East Semarang Pratama Tax Office

Table 4. Taxpayer Obedience Level in East Semarang Pratama Tax Office

Year	Number of Taxpayer	A Taxpayer with Obligatory Tax Return	Compliant Taxpayer	Percentage
2012	33,417	26,965	18,287	67.82
2013	34,523	24,910	19,171	76.96
2014	38,285	25,944	20,084	77.41
2015	40,138	22,657	20,536	90.64
2016	42,096	27,094	17,494	64.57
Total	188,459	127,570	95,799	75.10

Source: East Semarang Pratama Tax Office

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Ayeni-agbaje, & Alaran-Ajewole, 2017). Meanwhile, Andinata (2015) found different perspectives, the understanding of taxation rules has no significant effect on the personal compliance of taxpayers.

Saad (2014) stated that a lack of taxation understanding could cause taxpayer noncompliance behavior. Agustingsih & Isroah (2016) mentioned that taxpayer compliance could be measured through how much taxpayers understand all prevailing tax laws and regulations, and how taxpayers can carry out the procedure of submitting the tax correctly. Then, they proved that the level of taxation understanding affects positively and significantly to taxpayer compliance. Yee, Moorthy, & Choo (2017) stated that the understanding of taxation was a crucial factor that can influence taxpayer compliance behavior.

Taxpayer compliance is also influenced by taxpayer awareness. Self-awareness of taxpayers is needed because the prevailing collection system is a self-assessment that provides full opportunity for taxpayers to complete their tax obligations. Suryarini & Tarmudji (2009) emphasized that the taxpayer with his awareness should have paid the tax correctly (all income already reported). But in reality, everyone tends to avoid paying taxes. Many researchers have proven the positive and significant influence of taxpayer awareness on taxpayer compliance (Palil, Rusyidi, & Ahmad, 2013; Andinata, 2015; Andreas & Savitri, 2015; Fajriyan, Endang N.P., & Prasetya, 2015; Agustingsih & Isroah, 2016; Ilhamsyah, Endang, & Dewantara, 2016; Savitri & Musfialdy, 2016). While Nugroho, Andini, & Raharjo (2016) underlined that awareness has no partial effect on tax compliance.

The year 2016 is the starting year of implementation of the tax amnesty program in Indonesia. This phenomenon becomes interesting when it is associated with the reality of tax payment compliance. It means that the government publishes a breakthrough in increasing tax state revenues. Widodo (2010) highlighted the tax amnesty is one

of the innovative ways to increase tax revenue without adding new tax expense to society, business world and workers. Through tax amnesty policy, it is expected to increase either tax subject or taxable object. Indonesian Law No. 11 Year 2016 dealing with tax amnesty explains that tax amnesty is a forgiveness program granted by the government to taxpayers including the abolition of taxes that ought to be owed, the abolition of tax administration sanctions, and the elimination of criminal sanctions in the field of taxation on property acquired in 2015 and before which has not been reported in the tax return, by paying off all tax arrears and paying off the tax penalties as well.

The tax amnesty policy is still controversial even though it is considered to be an instrument to raise tax revenue swiftly. The problem of social jealousy for compliant taxpayers to noncompliant taxpayers who do evasion or violation also cannot be avoided. Widodo (2010) remarked that for most honest taxpayers may be annoyed or disappointed with the tax amnesty program. If most of the taxpayers have volunteered to become compliant taxpayers, granting tax amnesty to a group of people who have been tax evasion may be interpreted as a violation of the concept of justice in taxes. During this time, compliant taxpayers often see that the tax amnesty policy is something that injures a sense of justice and can provoke them to misbehave or even become disobey in the future.

The research results about the effect of tax amnesty on taxpayer compliance are still varied. Gerger (2012) conducted a study on tax amnesty in Turkey stated that tax amnesty has a negative influence on the attitudes and behavior of taxpayers that reduce tax compliance. Junpath, Kharwa, & Stainbank (2016) also mentioned that tax amnesty has a negative effect on compliance rates of compliant taxpayers and noncompliant taxpayers. While other researchers considered that tax amnesty has a positive and significant effect on taxpayer compliance (Rechberger et al., 2010; SaraÇoĐlu &

ÇaPkurlu, 2011; Ngadiman & Huslin, 2015; Suyanto, Intansari, & Endahjati, 2016).

The description in the introduction indicates that there are many types of research that have been done on taxpayer compliance. Nevertheless, research on taxpayer compliance is still interesting to study. The various results may be due to the measurement of different variables. The phenomenon of the implementation of the new tax amnesty program is also an interesting variable to test. The difference in this research is the addition of independent variables, namely tax amnesty. This variable was developed from the previous studies (Rechberger et al., 2010; SaraÇoĐlu & ÇaPkurlu, 2011; Ngadiman & Huslin, 2015; Suyanto, Intansari, & Endahjati, 2016).

This study tries to reexamine the influence of three variables (understanding, awareness, and tax amnesty) on tax payment compliance by adding a deeper study. Gender factors become interesting to be associated with taxpayer compliance. Women are considered more compliant in paying taxes than men (Marino & Zizza, 2012; D'Attoma, Volintiru, & Steinmo, 2017).

This research is based on attribution theory. Attribution theory is a theory that explains the reasons that cause a person to behave. Attribution theory was developed by Fritz Heider who stated that one's behavior is determined by a combination of internal forces and external forces. Internal forces are the factors that derive from the inside of an individual such as talent, ability, and effort. Meanwhile, external forces are factors that come from outside or from the environment around an individual, such as luck or difficulty experienced by individuals at work. Robbins (2002) elaborated that attribution theory states when we observe a person's behavior, we try to determine whether this judgment is due to internal or external factors. The behavior caused by internal factors is a behavior that we believe is under the control of the person. Whereas the behavior caused by external factors is

generated by the external attenuation; that is, the behavior of a person which is known as a result of the pressure of the situation.

This study examines the influence of taxation understanding, taxpayers' awareness, and tax amnesty toward taxpayer compliance.

HYPOTHESES DEVELOPMENT

Taxpayer compliance in paying taxes is influenced by his understanding of tax laws. A taxpayer who knows and understands about his taxes and regulations will have more compliant behavior. Understanding is an aspect derived from the cognitive process of the individual. Taxpayers will have an understanding of the tax laws because they are the result of thinking (cognitive reasoning) from within themselves, and not because of coercion from others. The understanding of taxation is in line with the theory of internal attribution that explains that a person in his decision to behave is influenced by factors that are under individual personal control. The understanding of taxation is related to the level of taxpayer's knowledge of the applicable regulations.

Previous research related to the influence of tax understanding on taxpayer compliance has been done by many researchers. Adiasa (2013) showed that the understanding of tax laws has a positive effect on taxpayer compliance. Similar results were highlighted by other researchers (Andreas & Savitri, 2015; Nurhayati, Halimatusadiah, & Diamonalisa, 2015; Agustiningsih & Isroah, 2016; Ilhamsyah, Endang, & Dewantara, 2016; Nugroho, Andini, & Raharjo, 2016). Saad (2014) also pointed out that tax knowledge contributes to the noncompliant behavior of taxation. Similarly, Oladipupo & Obazee (2016), Redae & Sekhon (2016), and Olaoye, Ayenigbaje, & Alaran-ajewole (2017) who found a positive and significant influence on the understanding of taxpayer compliance. While Andinata (2015) stated that knowledge and understanding of tax

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laws do not affect taxpayer compliance behavior of individuals in paying taxes. Based on the above explanation, the hypothesis that will be tested is as follows:

H₁: there is a positive and significant influence of tax understanding on taxpayer compliance

Consequences of awareness of taxation obligations will have a real impact on taxpayers to behave in compliance or disobedience. Awareness will make taxpayers willingly provide some funds from their wealth as a contribution to the process of country development. Therefore, taxpayers with higher awareness will tend to be more compliant in paying taxes than the taxpayers who have low awareness. A conscious taxpayer will not seek for explanation and the reason why he or she should pay taxes. He will support the government because compliance in paying taxes will give benefit to both him and society in general.

Palil, Rusyidi, & Ahmad (2013) and Andreas & Savitri (2015) had managed to find a positive and significant influence on the taxpayer's awareness of taxpayer compliance. Another researcher, Andinata (2015) proved that taxpayers' awareness of their tax obligations positively affects the taxpayer's compliance of the individual in paying taxes. Similarly, Fajriyan, Endang, & Prasetya (2015), Agustiniingsih & Isroah (2016), and Savitri & Musfialdy (2016) believed that the awareness of taxpayers has a positive and significant impact on taxpayer compliance. Yet, another finding was made by Nugroho, Andini, & Raharjo (2016) who researched with the result that the awareness of taxation partially does not affect taxpayer compliance, although simultaneously with the knowledge of taxation affect taxpayer compliance. Based on the above explanation, the hypothesis to be tested is as follows:

H₂: there is a positive and significant influence of taxpayer awareness on taxpayer compliance

Tax amnesty is one form of taxation law, which gives sanctions and penalties forgiveness about past abuses and tax evasion. Tax amnesty policy will form various perceptions that can give effect to taxpayer compliance behavior. Suyanto, Intansari, & Endahjati (2016) explained that compliance is the motivation of a person or organization to do or not to do something by established rules. With the existence of tax amnesty, it will truly give positive effect for the taxpayer to be more compliant. Taxpayers will not be punished even if they neglect their obligations in paying taxes. This means the government still provides opportunities for taxpayers to finalize the tax liability.

Rechberger et al. (2010) and SaraÇoĐlu & ÇaPkurlu (2011) have proven that tax amnesty has a positive influence on taxpayer compliance. Ngadiman & Huslin (2015) and Suyanto, Intansari, & Endahjati (2016) also considered that tax amnesty affects taxpayer compliance positively and significantly. Different results were found by other researchers. Gerger (2012) and Junpath, Kharwa, & Stainbank (2016) showed a different point of views where taxpayer perceptions regarding tax amnesty negatively affect taxpayer compliance. This may be due to a negative perception of the tax amnesty policy. The policy is considered unfair. A taxpayer should have defaulted on his duty to be given a penalty instead of forgiveness. Thus, there are inconsistent results of research regarding the effect of tax amnesty on taxpayer compliance. Based on the above explanation, the hypothesis to be tested is as follows:

H₃: there is a positive and significant effect of tax amnesty on taxpayer compliance

Gender is an interesting variable to be associated with taxpayer compliance. There are differences in behavior between men and women. Men have more rational attitude and tend to dare to avoid their tax obligation. Women tend to use feelings of

likes and dislikes. This is by the findings of D'Attoma, Volintiru, & Steinmo (2017) which illustrated that women are significantly more compliant than men in all countries. However, a different opinion is expressed by Marino & Zizza (2012) who stated that female taxpayers are less likely to evade than male taxpayers. Therefore, it is still inconsistent how gender influences about taxpayer compliance. Based on the above explanation the hypothesis to be tested is as follows:

H₄: men taxpayers are more likely to be compliant to pay taxes than women taxpayers

METHODS

This research belongs to quantitative research. The research design used by the writer is *ex-post facto* research. Wahyudin (2015) explained that *ex-post facto* research is a study that takes data from events that have occurred. This study examines the relevance of tax understanding, tax awareness, and tax amnesty on personal taxpayer compliance at Tax Office (KPP) of East Semarang, Central Java Province. This study also analyzes the gender relationship to taxpayer compliance.

The population in this study is all taxpayers registered in East Semarang Tax Office. Based on data obtained from East Semarang Tax Office on March 13, 2017, the number of taxpayers registered in East Semarang Tax Office is 42,096 taxpayers. Researchers chose East Semarang Pratama Tax Office as the location of the study because of fluctuations in tax revenue from 2012-2016 due to changes in taxpayer compliance level. The number of members of the object used as the sample is 200 objects. This refers to the opinion of Ghozali (2011) who recommends that the minimum number of samples that can be used is between 100-200. The technique used for sampling is the convenience sampling technique or sample determination technique by making available units or subjects that by chance meet with researchers at the time of data collection pro-

cess. Convenience sampling technique in this study is used based on consideration of accessibility that can be reached by researchers. Researchers conducted dissemination of research instruments to 200 respondents (taxpayers) who successfully met and wanted to fill them for a month. When it reached 200 taxpayers, the researcher stopped and tabulated the data on the questionnaire that had been obtained.

Variable in this research is taxpayer compliance as the dependent variable and independent variable consist of tax understanding, taxpayer awareness and perception of tax amnesty. The gender variable becomes the next independent variable. The research variables were developed from the opinions of previous researchers. The taxpayer compliance variable was developed by using indicators revealed by Widodo (2010), Febriani & Kusmuriyanto (2015), and the adjusted Regulation of the Minister of Finance 74 / PMK.03 / 2012. Awareness variables are developed from indicators already used by Andinata (2015). While the tax amnesty variable was developed from the opinion of SaraÇoĐlu & ÇapKurlu (2011) and Suyanto, Intansari, & Endahjati (2016).

The operational definition of research variables is shown in Table 5.

Data collection in a study is an important part since it can determine how the study can conclude the findings. The data used in this study is a questionnaire. The questionnaire is a data collection technique that is done by giving a set of questions or written statement to the respondent to answer. In collecting the data, the writer conducted closed questionnaire.

Likert scale measurement is used in this study. Sugiyono (2016) explained that by conducting Likert scale, the variables to be measured are translated into indicator variables, and then the indicator is used as a starting point to arrange the items of the instrument that can be a statement or question. The research variable is measured by the

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Likert scale of 5 points. The research instrument has been tested for its validity and reliability. The taxpayer compliance variable is measured by 14 statement items. The tax understanding variable is measured by 9 items of statement. The consciousness variable is measured by 5 statement items. And the tax amnesty variable is measured by 12-point statements.

Table 5. Operational Definition of Research Variables

Research Variables	Operational Definition	Measurement Indicator
Taxpayer Compliance	Taxpayer compliance refers to the willingness of the taxpayer to fulfill his tax obligation by the prevailing rules without inspection, thorough investigation, warning, or threats and the application of both legal and administrative sanctions.	<ul style="list-style-type: none"> a) Register as a voluntary Taxpayer to the Tax Office (KPP). b) Doing bookkeeping or recording. c) Calculate the taxes correctly and pay them on time. d) Fill out the Tax return (SPT) by the provisions of the legislation and report on time. e) Pay the tax underpayment before inspection. f) Submit the tax return (SPT) to the Tax Office on time before the deadline for submission (SPT). g) The existence of supervision made by the Tax Office to the Taxpayer so that they pay the taxes. h) Recognition of the independence of public accounting tax consultants. i) Amount of tax arrears.
Understanding of taxation	Knowledge and understanding of tax laws is the process when taxpayers know about taxation and apply that knowledge to pay taxes.	<ul style="list-style-type: none"> a) Ease of acquiring knowledge of taxation b) Knowledge and understanding the functions and benefits of tax c) Knowledge and understanding in filling tax return, preparing financial reports, and how to pay taxes d) Knowledge and understanding about the calculation of tax underpayment e) Knowledge of administrative and criminal sanctions f) Knowledge and understanding of the implementation of sanctions for tax violations g) Knowledge and understanding of the essence of tax
Taxpayer Awareness	Taxpayer awareness is a condition in which the taxpayer knows, understands and implements the ax provision, with valid, voluntary, and true to fulfill his tax obligations.	<ul style="list-style-type: none"> a) Awareness that tax is a form of participation in supporting the development of the state. b) The realization that delaying tax payments is very harmful to the state. c) Awareness that taxes are established by law and can be imposed.
Tax amnesty	Tax amnesty is the abolition of taxes that should be payable, which is not given tax administration sanctions, by revealing property and paying the ransom.	<ul style="list-style-type: none"> a) Tax amnesty provides personal benefits for taxpayers. b) Tax amnesty distorts taxpayer compliance. c) Differences in taxpayer's opinion on tax amnesty if the tax audit is increased after the tax amnesty. d) Differences in taxpayer opinion if punishment is planned to become more stringent after tax amnesty. e) Tax amnesty causes an increase in violations. f) The calculation of the taxpayer shall be the loss and income on the attitude to avoid taxes. g) Taxpayers have been audited during the tax amnesty. h) Tax amnesty jeopardizes tax justice

Data analysis is used to precede the data that has been obtained through certain rules in accordance with the research. Data analysis techniques used for this research are descriptive analysis and multiple regression analysis. It would be then analyzed by using computer application IBM SPSS Statistics version 21.00.

RESULTS

Description of Respondents and Research Variables

Respondents in this study are individual taxpayers registered in East Semarang Pratama Tax Office Semarang City. The number of respondents being sampled is as many as 200 taxpayers. The number of questionnaires distributed is 200 pieces. All of those questionnaires were entirely returned to the researcher. Based on the questionnaires of the research that has been collected, it can be made profiles of individual taxpayer respondents in East Semarang Tax

Office based on gender, educational background, occupation, income per year, and presented in Table 6. The results of descriptive statistical analysis of research variables can be seen in Table 7.

Table 6 shows that the respondent number of women is larger than men, which was 55 percent. The educational background of most respondents is Primary School/ Senior High School or equal, that is 50.50 percent followed by respondents with Bachelor /Associate education background as many as 34.50 percents. Based on the type of work, more respondents work as entrepreneurs are as many as 66 percents followed as private employees as many as 21 percent. Based on the income per year, the respondents with an income of 50 million to 250 million per year become the most respondent that is 55.50 percent followed by respondents who earn up to 50 million per year that is 33.50 percent.

Table 7 shows that taxpayer compliance variable has an average value of 49.94. Taxpayer compliance is measured by 14 statement items so the

Table 6. Profile of Research Respondents

	Information	Number	Percentage
Gender	1. Male	110	55.00
	2. Female	90	45.00
Educational Background	1. Elementary school- Senior High school	101	50.50
	2. D1-D3 (Associate)	9	4.50
	2. S1(Bachelor)	69	34.50
	3. S2/S3 (Magister/Doctor)	6	3.00
	4. Anonym	15	7.50
Occupation	1. Employee	19	9.50
	2. Tax consultant	1	0.50
	3. Private Employee	42	21.00
	4. Entrepreneur	132	66.00
	5. Anonym	6	3.00
Total Income (in a year)	1. Until 50 million	67	33.50
	2. 50 million - 250 million	111	55.50
	3. 250 million - 500 million	3	1.50
	4. > 500 million	2	1.00
	5. Anonym	19	9.50

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maximum score is 70. Taxpayer compliance is included in the high or good category. This means that the average taxpayer has a good tax payment compliance rate. The variable of tax understanding has an average value of 33.56. An ideal score of the tax understanding variable is 45. Thus, the variable of tax understanding is included in either category. This means that taxpayers have a good understanding of tax laws. The expectation would be to increase tax pay compliance. The average score of the taxpayer awareness variable is 20.04. The taxpayer awareness variable is measured by 5 statement points, and the ideal score is 25. The awareness variable is included in the excellent category. This means that taxpayers have a very good awareness to be willing to pay taxes consciously. And the average value of the tax amnesty variable is 39.34. The tax amnesty variable is measured by 12-point statements, so the ideal score is 60. The tax amnesty variable is included in the good enough category. This means that taxpayers have a good perception on tax amnesty. Taxpayers do not assume tax amnesty in a negative or detrimental perspective for the taxpayer.

Classic Assumption Test Results

The writer has conducted a classical assumption test consisting of normality test, multicollinearity test, and heteroscedasticity test. Normality test was conducted by using Kolmogorov-Smirnov test. The result of normality test showed Kolmogorov Smirnov value of understanding variable equal to 0.773 with Asymp. value. Sig. (2-tailed) of 0.589, the awareness variable of 1.318 with the value of Asymp. Sig. (2-tailed) of 0.062, the tax amnesty variable of 1.288 with the value of Asymp.

Sig. (2-tailed) of 0.072, and the tax compliance variable of 0.761 with the value of Asymp. Sig. (2-tailed) of 0.609. The sig. value show more than 0.05 indicating a normal distributed variable.

The multicollinearity test is done by looking at Tolerance and VIF (Variance Inflation Factor) values. The results show that the Tolerance and VIF values of the understanding variables are 0.972 and 1.029, the Tolerance and VIF values of the consciousness variables are 0.962 and 1.039, and the Tolerance and VIF variables of the tax amnesty are 0.963 and 1.038. Tolerance values show more than 0.10 which means there is no multicollinearity. Similarly, by looking at the VIF value indicates a number less than 10. That means the same, there is no multicollinearity.

Heteroscedasticity test has been done by looking at scatter plot diagram. The results show that the points spread out randomly and well, and do not accumulate at one point. That is, there is no heteroscedasticity in the regression model. Thus, the regression model is appropriate to predict taxpayer compliance with independent variables of understanding, compliance, and tax amnesty.

Hypothesis Testing Results

The results of hypothesis testing are shown in Table 8. In the first model test (whole respondent), the value of Sig. for all independent variables (understanding taxation, taxpayer awareness, and tax amnesty) is less than 0.05. Thus, it can be stated that the null hypothesis is unacceptable and the research hypothesis (H_1 , H_2 , and H_3) is accepted. This means that this study can prove that the understanding of taxation, taxpayer awareness, and tax am-

Table 7. Descriptive Statistics Analysis Results

Research Variable	Min	Max	Mean	Std. Deviation
Taxpayer compliance	28	66	49.94	6.138
Understanding of taxation	20	45	33.56	4.518
Taxpayer awareness	12	25	20.04	3.196
Tax Amnesty	29	57	39.34	4.851

nesty have a positive and significant impact on taxpayer compliance. The value of t arithmetic and regression coefficients of tax understanding variables have greater value than other independent variables. This suggests that the understanding of taxation has a more dominant influence than other independent variables.

In the second model (testing with only female respondents) it can be seen that the sig. value of an understanding variable by 0.065 which is more than 0.005. This means that the variables of understanding are not proven to significantly affect the compliance of female taxpayers at a 5 percent error rate. But it proved to have a positive and significant effect on the error rate of 10 percent. Other results show the sig. value of awareness and tax amnesty variable are 0.006 and 0.000 which means less than 0.05. These results prove that the variable awareness and tax amnesty proved to have a positive and significant impact on women taxpayer compliance.

The result of hypothesis testing on the third model (test with only male respondent) shows sig. value of independent variables by 0.159, 0.357, and

0.983 which means more than 0.05 or 0.10. These results indicate that the variables of understanding, awareness, and tax amnesty are not proven to have a positive and significant influence on the compliance of male taxpayers. The results of research are interesting to study more deeply. None of the independent variables have been shown to have any influence. These results can also mean that female taxpayer is more understandable to pay taxes.

Hypothesis testing was also conducted by the different test of two independent samples used to test statistical differences in taxpayer compliance of women with taxpayer compliance of men. The results show that the value of t arithmetic of 2.273 with the value of sig. (2-tailed) of 0.024. This means that there is a statistical difference in taxpayer compliance level of women with male taxpayer compliance rate. Mean value (average) of female taxpayer compliance is 50.8182 and higher than average of taxpayer compliance of men is 48.8556. It can also be interpreted that female taxpayers are more compliant than male taxpayers.

Table 8. Hypothesis Testing Results

Research Variable	t-Test			F- Test		
	Unstandardized coefficients (B)	t	Sig.	F	Sig.	Adjusted R ²
Model 1 (All Respondents)						
Constanta	23.375	4.715	0.000	9.964	0.000	0.116
Understanding	0.289	3.146	0.002			
Awareness	0.312	2.390	0.018			
Tax amnesty	0.270	3.139	0.002			
Model 2 (Female Respondent)						
Constanta	16.930	2.832	0.006	11.530	0.000	0.225
Understanding	0.230	1.865	0.065			
Awareness	0.469	2.824	0.006			
Tax Amnesty	0.428	3.880	0.000			
Model 3 (Male Respondent)						
Constanta	38.544	4.505	0.000	0.864	0.463	-0.005
Undertanding	0.199	1.420	0.159			
Awareness	0.188	0.927	0.357			
Tax Amnesty	-0.003	-0.021	0.983			

DISCUSSION

The Effect of Tax Understanding on Taxpayer Compliance

Tax compliance is a behavior indicated by a person, in this case, is a taxpayer when fulfilling all tax obligations and implementing taxation by prevailing laws & regulation. The results showed that the understanding of taxation has a positive and significant impact on taxpayer compliance registered in KPP Pratama East Semarang Tax Office.

The result of the descriptive statistical analysis shows that tax understanding variable has an average value in the good category. This means that the ability of taxpayers in understanding the prevailing tax laws is good. With a good understanding of taxation, it will be able to increase taxpayer compliance registered in East Semarang Tax Office. Taxpayer compliance indicators, namely the supervision made by the taxpayer to taxpayers dutifully pay taxes are the indicator that gets the lowest score among other indicators. This indicates that the taxpayer considers weak supervision by Tax Office which can result in low tax compliance. The next indicator, which is the appreciation of the independence of tax consultant public accountant also scored low. The taxpayer considers the independence of the tax consultant public accountant has not been good, so it is considered that East Semarang Tax Office is not able to carry out the task by its authority yet.

The results of this study support attribution theory. Attribution theory is related to tax understanding and taxpayer awareness that is an internal factor of a person. A high level of tax understanding can be used as a basis for considering the decisions to be taken related to the behavior of tax obligations fulfillment. Internal factors may affect taxpayers in making decisions to obey or disobey. One's perception of things is derived from the internal factors that drive the person to make deci-

sions in action. It means the fulfillment of taxation obligation depends on the decision taken by the taxpayer.

The results of this study are also consistent with previous research results (Adiasa, 2013; Saad, 2014; Ananda, 2015; Andreas & Savitri, 2015; Nurhayati, Halimatusadiah, & Diamonalisa, 2015; Agustingsih & Isroah, 2016; Ilhamsyah, Endang, & Dewantara, 2016; Oladipupo & Obazee, 2016; Redae & Sekhon, 2016; Olaoye, Ayeni-agbaje, & Alaran-Ajewole, 2017). Nevertheless, there are researchers who find different results, the understanding of taxation is not proven to have a positive effect and significant against taxpayer compliance (Andinata, 2015). This means that the taxpayer will be compliant or not because he understands the tax laws or not. The taxpayers will be compliant because he or she has a good awareness or other factors such as tax penalties and so on.

The Effect of Taxpayer Awareness on Taxpayer Compliance

Taxpayer awareness is a condition in which the taxpayer knows, acknowledges respects and complies with the prevailing taxation provisions and has the sincerity and desire to fulfill his tax obligations. Based on the research shows the awareness of taxpayers has a positive and significant impact on taxpayer compliance registered in KPP Pratama of East Semarang. From the results of descriptive statistical analysis of taxpayer awareness variable, the average taxpayer awareness is in the well categorized. This means that most of the taxpayers registered in East Semarang Pratama Tax Office are aware of their tax obligations. With the awareness of the taxpayer, it will be able to raise taxpayer compliance registered in KPP Pratama of East Semarang.

The results of this study support the theory of attribution that states that the perception of a person in assessing something comes from internal

factors that encourage a person to take decisions in action. Taxpayer awareness is formed from the internal perception of the taxpayer. Mangoting & Sadjiarto (2013)'s opinion also explained the factors that affect taxpayer compliance consisting of economic factors, non-economic factors, and other factors. Economic factors are the level of actual income, tax rates, tax benefits, penalties, tax audits, fines, and audit probabilities. Non-economic factors are attitude toward taxes, personal, social and national norms, and perceived fairness of tax system. Other factors that influence taxpayer compliance are social behaviors, enforcement, confidentiality, and tax fairness.

The results of this study are consistent with the results of previous research that found a positive and significant impact of taxpayer awareness on taxpayer compliance

(Palil, Rusyidi, & Ahmad, 2013; Andinata, 2015; Andreas & Savitri, 2015; Fajriyan, Endang N.P., & Prasetya, 2015; Agustiningasih & Isroah, 2016; Ilhamsyah, Endang, & Dewantara, 2016; Savitri & Musfialdy, 2016). Only Nugroho et al. (2016) failed to find a positive and significant influence of awareness of taxpayer compliance.

The Effect of Tax Amnesty on Taxpayer Compliance

Tax amnesty is a policy implemented with the aim of increasing the amount of state revenue through increased taxpayer compliance. According to Law No. 11 Year 2016 on tax amnesty, tax amnesty is a forgiveness program granted by the government to taxpayers including the abolition of taxes that ought to be owed, the abolition of tax administration sanctions, and the elimination of criminal sanctions in terms of taxation on property acquired in 2015 and earlier which has not been reported in the Tax Return (SPT), by paying off all tax arrears and paying the tax penalties.

Based on the results of the study indicates tax amnesty has a positive and significant impact on taxpayer compliance registered in KPP Pratama of East Semarang. The result of the descriptive statistical analysis shows the average of taxpayer perception about tax amnesty in good enough category. This means that the taxpayer's perception of the tax amnesty program has not been entirely good. If the taxpayer's perception of tax amnesty is good enough will be able to enhance taxpayer compliance registered in KPP Pratama East Semarang.

Attribution theory can explain the results of this study. It is because the taxpayer will provide an assessment of how the objectives, implementation, and impact that will occur as a result of the imposition of tax amnesty policy. Positive perceptions of the application of the tax amnesty policy will affect taxpayer compliance. Tax amnesty is not considered as a negative policy by most taxpayers. Tax amnesty is not considered as a policy that only benefits some taxpayers, especially those who have neglected their tax obligations. Most taxpayers consider the tax amnesty program increase government revenues so that it will be able to support the government budget to finance programs and strategic development policies.

The results of this study support the results of previous research which successfully proved the positive effect of tax amnesty on taxpayer compliance (Rechberger et al., 2010; SaraÇoĖlu & ÇaŞkurlu, 2011; Ngadiman & Huslin, 2015; Suyanto, Intansari, & Endahjati, 2016). Nonetheless, there are researchers who have found a negative effect of tax amnesty on taxpayer compliance (Gerger, 2012; Junpath, Kharwa, & Stainbank, 2016). This may be due to a negative view of the tax amnesty that is considered to benefit only a small percentage of taxpayers and considered to be unfair. The taxpayer who has neglected his duty even earns "forgiveness" not "punishment."

The Effect of Gender on Taxpayer Compliance

The results showed that the average taxpayer compliance level of female taxpayer group is higher than the taxpayer compliance level of the male taxpayer group. And the result of the different test shows there is a significant difference in taxpayer compliance with the age group of women and men. This means that female taxpayers are more compliant than men. This may be because male taxpayers are more rational and not easy to comply with tax obligations. Taxpayers are afraid of women who are considered noncompliant. The results of the regression analysis also show a unique thing. No positive and significant effects were found for all independent variables (understanding, awareness, and tax amnesty) on male taxpayer compliance. Male taxpayer compliance may be influenced by other variables, such as sanctions or penalties.

The results showed that gender affects the level of taxpayer compliance. And women proved more compliant. These results are consistent with the findings of D'Attoma, Volintiru, & Steinmo (2017) which states that women have been shown to be significantly more compliant than male taxpayers. Nevertheless, Marino & Zizza (2012) argued differently. He stated, "Female taxpayers are less likely to evade than male taxpayers." This finding is interesting to examine more deeply. Taxpayer psychology may affect taxpayer compliance behavior.

CONCLUSION AND SUGGESTIONS

Conclusion

Based on the findings in this study, the conclusion that can be drawn is the understanding of taxation, awareness of taxpayers and tax amnesty proved to have a positive and significant impact on taxpayer compliance in East Semarang Pratama Tax Office, both simultaneously and partially. Tax understanding and awareness become variables that have more dominant influence than the perception of the tax amnesty program. Another finding is that gender also influences the level of taxpayer compliance. Female taxpayers proved more compliant than male taxpayers.

Suggestions

Suggestions that can be given from this study is that East Semarang Pratama Tax Office needs to increase socialization and counseling about conscious attitude to pay taxes, tax usage for state life, taxation programs such as tax amnesty and also socialization that can improve perception of taxpayer dealing with tax justice become better so that the taxpayer is more compliant. For researchers interested in conducting the same studies may continue to review gender relevance and other respondent characteristics with taxpayer compliance. The next researcher can also add other variables that are not used in this study, such as the quality of the service system and religiosity.

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The Effect of Taxpayer Perception and Trust in the Government on Taxpayer Compliance with the Voluntary Disclosure Program

Asepma Hygi Prihastuti¹, Dodi Agusra², Deviana Sofyan³, Saipul Al Sukri⁴

^{1,2,3} Sekolah Tinggi Ilmu Ekonomi Persada Bunda, Indonesia

⁴ Universitas Islam Negeri Sultan Syarif Kasim Riau, Indonesia

Email: ¹asepma.hygie@gmail.com, ²agusradodi@gmail.com, ³deviana.sofyan@gmail.com, ⁴saipul.alsukri@gmail.com

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ABSTRACT

This study aims to examine the effect of Taxpayer Perception and Trust in the Government on Taxpayer Compliance in the Voluntary Disclosure Program. The population in this study were all taxpayers registered at KPP Senapelan Pekanbaru. The sample used in this study were taxpayers who assisted in reporting the Annual Tax Return (SPT) in March 2022 at the Tax Center of the Persada Bunda School of Economics (STIE) which is the work area of KPP Senapelan Pekanbaru, with a total of 95 respondents. The sampling technique used was non-probability sampling with an incidental sampling approach. This study uses primary data obtained through the distribution of questionnaires to individual taxpayers. The results of this research state that Taxpayer Perception variable affect Taxpayer Compliance, variable Trust in Government affect Taxpayer Compliance, as well as Taxpayer Perception variable and Trust in the Government simultaneously affect Taxpayer Compliance with the Voluntary Disclosure Program. The independent variables, the perception of taxpayers and trust in the government are able to explain the dependent variable, namely taxpayer compliance by 31.3%, while the remaining 68.7% is explained by other variables not included in this research model.

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INTRODUCTION

In 2020 after the COVID-19 pandemic, Indonesia experienced an economic recession. One of the economic recessions in Indonesia is marked by the increasing unemployment rate. As of August 2020, the unemployment rate was recorded at 7.07%, an increase of 1.84% compared to August 2019 (BPS, 2020). The Indonesian government has made efforts to restore the economy by issuing a Perpu on state financial policies in dealing with the COVID-19 pandemic as an effort to stabilize the country's economy. The Perpu also contains policies related to state revenues in the taxation sector. Reported from Masdi (2021) Indonesia experienced a decrease in tax revenues in 2020 by 19.6% compared to 2019. Realization of tax revenues in 2020 was only 89, 4% of the APBN target, so it can be said that there is a shortfall or not achieving the target of around 126.7 trillion. As a result, the budget deficit increased to 6.1% of GDP.

Taxes can be said to be a support or foundation in state revenue. The revenue will be used to finance all state needs such as development, education, and health (Alfiyah & Latifah, 2017). The government's plan to increase state revenue through the taxation sector is with the Voluntary

Disclosure Program policy implemented in 2022.

The Voluntary Disclosure Program is one of the latest regulations on taxes that has been ratified through the Law on Harmonization of Tax Regulations (UU HPP) on October 7, 2021. Law Number 7 of 2021 concerning Harmonization of Tax Regulations (UU HPP) is a continuation of Law No. Number 11 of 2020 concerning Job Creation (UU Ciptaker) in terms of setting provisions in the field of taxation. Although it seems to increase state revenue, according to the Ministry of Finance, the Harmonization of Tax Regulations in the long term aims to increase voluntary compliance of taxpayers.

There are several similarities between the Voluntary Disclosure Program and the 2016 Tax Amnesty, including: (1) Similarities in the program's success target, namely strengthening taxpayer compliance; (2) Target participants where the target of the Voluntary Disclosure Program also reaches Private Persons (OP) and Business Entities; and (3) the Voluntary Disclosure Program also expects repatriation of assets (Puti & Damia, 2021). In addition, the Voluntary Disclosure Program also encourages taxpayer compliance. This is stated in the goal of the Voluntary Disclosure Program, namely "To encourage taxpayer compliance and provide opportunities for taxpayers to disclose their assets that have not been disclosed", which is based on the principles of simplicity, legal certainty and benefit (State Budget Bulletin, November 2021).

The Minister of Finance of the Republic of Indonesia (2021) stated that the Voluntary Disclosure Program is a policy that gives taxpayers the choice to be able to disclose their tax assets and obligations that have not been disclosed voluntarily. This voluntary disclosure program is a policy that is not only a tax amnesty but also a rare opportunity that can be utilized as best as possible by taxpayers. Efforts to increase state revenue in the taxation sector will be optimal if it is supported by obedient behavior of taxpayers.

One theory that examines the behavior of taxpayers is the Theory of Planned Behavior (TPB). According to Suliyawanti (2018) this theory is related to human social psychological models that are useful in explaining specific human behavior. Human behavior is supported by the intentions of each individual. Intention serves as a motivation that can influence human behavior. For this reason, this theory can support the behavior of taxpayers to be obedient to their tax obligations so that state revenues will increase, especially in the tax sector. The Voluntary Disclosure Program policy cannot run successfully without the contribution of taxpayers.

The Voluntary Disclosure Program provides an option for taxpayers who have not fully reported their assets in the past to follow this policy by paying the income tax rate for the disclosure of reported assets. Taxpayers take options depending on the perception of each individual in responding to this Voluntary Disclosure Program policy. Taxpayers' perceptions regarding the Voluntary Disclosure Program are considered very important in supporting the implementation of this policy because the perpetrators of the Voluntary Disclosure Program are the taxpayers themselves. Factors supporting the formation of taxpayer perceptions can be attitudes, motivations, expectations, experiences, atmosphere, and something new (Aruan, Sujana, & Tripalupi, 2017). Another important supporting factor in shaping the perception of taxpayers is trust in the government in implementing the policy. Taxpayers' trust in the government will influence behavior to support or not support the Voluntary Disclosure Program (Deviana et al., 2021; Iskamto et al., 2020; Novita & Rahmi Fahmy, 2022; Widayat et al., 2022).

Based on research conducted by Doğan Bozdoğan (2018) in Turkey, it is stated that the Voluntary Disclosure Program that is carried out too often can actually harm the state so that for this the government needs to prepare a good system of government and tax law in order to foster trust and a sense of security for taxpayer. When the tax law and government system are good, taxpayers will feel confident that the taxes they pay will not be misused. This indicates that trust in the government is a behavior that can affect decision making in fulfilling tax obligations (Purnamasari, 2017 in Dewi & Diatmika 2020).

The research by Sipahutar & Siringoringo (2019) explains that the perception of taxpayers to participate in the Voluntary Disclosure Program is influenced by trust in the government on the

condition that the government must ensure justice and legal equality for all taxpayers who participate. Research conducted by Dewi & Diatmika (2020) also supports research from Sipahutar & Siringoringo (2019) which explains that trust in the government will increase if the perception of taxpayers regarding the tax system and law in Indonesia has been carried out properly so that this will also increase the number of taxpayer compliance. The results of the study by Suci and Aisyaturrahmi (2022) stated that the Voluntary Disclosure Program had a positive influence on Taxpayer Perceptions, and Trust in the Government as a moderating variable can strengthen the relationship between the Voluntary Disclosure Program on Taxpayer Perceptions. For this reason, the perception of taxpayers and trust in the government are factors in the success of taxpayer compliance in the Voluntary Disclosure Program implemented in 2022.

Based on the explanation above, this study aims to examine and analyze the effect of Taxpayer Perception and Trust in the Government on Taxpayer Compliance in the Voluntary Disclosure Program. This research can be used as an evaluation for the government for policies that will be made in the future, on this evaluation the government in the future can innovate to meet the target of state revenue from taxation through policies that will be set.

LITERATURE REVIEW

Taxpayer Compliance

Compliance is the existence of a feeling and action to obey, submit and carry out an existing teaching or regulation (Kamus Besar Bahasa Indonesia, 2022). Taxpayer compliance is the fulfillment of tax obligations carried out by taxpayers in order to contribute to the development of the country which is expected to be fulfilled voluntarily (Mandagi, 2014). According to Mustofa (2016), taxpayer compliance is the extent to which taxpayers can carry out their tax obligations properly and correctly according to tax regulations. So the context of compliance in this study means that taxpayers are trying to comply with the applicable tax laws, either fulfilling their obligations or exercising their tax rights.

According to Santoso (2008) quoted from the Practice Note on Compliance Measurement published by the OECD (2001), compliance is divided into two categories, namely: (1) administrative compliance, which includes reporting compliance and procedural compliance; and (2) technical compliance includes compliance in calculating the amount of tax to be paid by the taxpayer.

Tax compliance is divided into two, namely: (1) formal tax compliance is compliance that is regulated in accordance with the provisions of the tax law, for example having a NPWP for those who already have income, not being late in reporting Periodic or Annual SPT before the deadline, not being late in paying off tax debt in accordance with the stipulated time limit, and (2) material tax compliance is a condition when the Taxpayer substantively fulfills all material provisions of taxation, namely in accordance with the content and spirit of the tax law (Mangoting, 2013).

Taxpayer Perception

Perception is an interpretation of events that will occur to each individual in interpreting information around their environment through sight, feeling, appreciation and smell (Mangumban, 2015 in Irawati & Sari, 2019). The positive perception of taxpayers on their tax obligations will affect the behavior of these taxpayers in fulfilling their obligations. On the other hand, if the taxpayer's perception is negative about his tax obligations, the taxpayer's behavior will show non-compliance.

The taxpayer's perception of the Voluntary Disclosure Program policy is a view, interpretation, or assumption of each taxpayer regarding the policy (Suyanto & Putri, 2017). Perception is not formed just like that but through several stages or processes supported by the formation factors such as knowledge related to the Voluntary Disclosure Program and the opinions of others. The behavior of the taxpayer will be greatly influenced by the perception of the taxpayer itself so that the formation of perception becomes an important point for taxpayers before taking an action.

Trust in the Government

Trust is a belief in something that is believed to be real or true (Kamus Besar Bahasa Indonesia, 2022). Kirana & Moordingsih (2010) in Sipahutar & Siringoringo (2019) explain that building trust is not an easy thing. Trust can be formed through one's past experiences, experiences that give a good impression can support the formation of mutual trust and mutual commitment. Trust between taxpayers and the government should be well established because mutual trust will encourage taxpayers to be obedient. In addition, the trust of taxpayers to the government is realized through compliance and the hope that they can run the government well in accordance with applicable norms (Purnamasari, Pratiwi, & Sukirman, 2018).

Voluntary Disclosure Program (PPS)

The Voluntary Disclosure Program is a new policy in the field of taxation issued by the government. This policy not only provides tax amnesty but also gives taxpayers the option to voluntarily report their assets that have not been reported in the past by paying income tax in the amount of the reported assets. The Voluntary Disclosure Program will be held from January 1 to June 30, 2022. Based on Law Number 7 of 2021 concerning the Harmonization of Tax Regulations (UU HPP) there are 2 schemes of the Voluntary Disclosure Program, which are as follows:

Table 1. Schematic of the Voluntary Disclosure Program

Information	Policy 1	Policy 2
Subject	Individual and Corporate Taxpayers, TA Participants (Tax Amnesty 2016)	Individual Taxpayer
Asset Base	Assets as of December 31, 2015	Acquired Assets for 2016-2020 that have not been reported in the 2020 annual tax return
Final PPH Rates	<ul style="list-style-type: none"> • 11% for foreign assets • 8% for foreign repatriated assets and DN assets • 6% for foreign repatriated assets and domestic assets invested in SBN/downstreaming/renewable energy. 	<ul style="list-style-type: none"> • 18% for foreign assets • 14% for foreign reparation assets and domestic assets • 12% for foreign repatriated assets and domestic assets invested in SBN/downstreaming/renewable energy.

Source: Suci and Aisyaturrahmi (2022)

Hypothesis Formulation

The Influence of Taxpayer Perception on Taxpayer Compliance

Taxpayer compliance with the perception of taxpayers has a relationship. Based on the theory of planned behavior, explains that every individual behavior always begins with an intention. Taxpayers can form intentions in determining their behavior or perceptions through attitudes, encouragement from those closest to them, past knowledge and experience, as well as moral obligations. All of these factors will result in taxpayer perceptions that will be used in making decisions to follow or support taxpayer compliance with the Voluntary Disclosure Program or not. In addition, based on attribution theory, an external factor that influences the perception of taxpayers to be obedient is the Voluntary Disclosure Program (Alfiah & Latifah, 2017). Therefore, there is an indication that the perception of taxpayers has a relationship with taxpayer compliance because it can determine a taxpayer's behavior. From the explanation above, the hypothesis is proposed:

H₁ : Taxpayer Perception has an effect on Taxpayer Compliance.

The Effect of Trust in the Government on Taxpayer Compliance

The use of the theory of planned behavior will produce rational thinking. This is useful for taxpayers in making decisions to behave, especially in carrying out their tax obligations (Purnamasari

et al., 2018). Based on attribution theory, trust in the government is an external factor that can affect taxpayer compliance behavior (Ketut, Ambara, & Noviani, 2017). This is because the government has an important role in supporting the success of the Voluntary Disclosure Program policy. The government as the authority responsible for making the policy of the Voluntary Disclosure Program should be able to give confidence to taxpayers regarding the new policy that it has issued is a good policy, so that taxpayers will comply with the policies made by the government.
H₂: Trust in the Government affects Taxpayer Compliance.

The Effect of Taxpayer Perception and Trust in the Government on Taxpayer Compliance

The results of the study by Suci and Aisyaturrahmi (2022) state that the Voluntary Disclosure Program has a positive influence on Taxpayer Perceptions, and Trust in the Government as a moderating variable can strengthen the relationship between the Voluntary Disclosure Program on Taxpayer Perceptions. For this reason, the perception of taxpayers and trust in the government are factors in the success of taxpayer compliance with the Voluntary Disclosure Program. From the explanation above, the hypothesis is proposed:

H₃ : Taxpayer Perception and Trust in Government has an effect on Taxpayer Compliance.

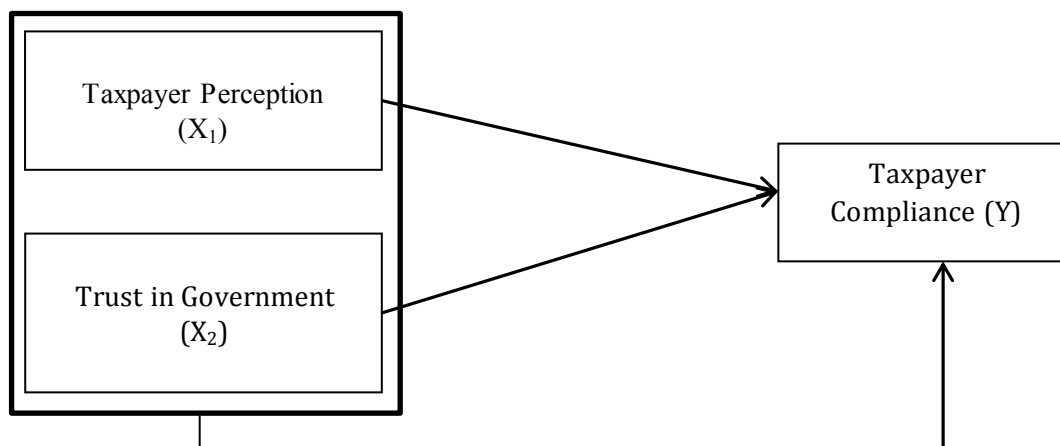


Figure 1. Research Model

METHOD

Population and Sample

The population in this study are all taxpayers registered at KPP Senapelan Pekanbaru. The sample used in this study were taxpayers who assisted in reporting the Annual Tax Return (SPT) in March 2022 at the Tax Center of the Persada Bunda School of Economics (STIE) which is the work area of KPP Senapelan Pekanbaru, with a total of 95 respondents. Personally by collecting valid questionnaires to be processed further.

Sampling technique is to use non-probability sampling with incidental sampling approach. This study uses primary data obtained through the distribution of questionnaires to individual taxpayers. Measurement of the results of the questionnaire was measured using a Likert scale in accordance with the research variables.

Table 2. Statement Assessment Points

Statement	Score
Strongly Disagree (STS)	1
Disagree (TS)	2
Neutral (N)	3
Agree (S)	4

Strongly Agree (SS)	5
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Operational Definition and Research Variable Indicators

The variables in this study are the Taxpayer's Perception and Trust in the Government as independent variables. The dependent variable used is Taxpayer Compliance. In table 3, the following is a description of the operational definition of each variable and its indicators:

Table 3. Operational Definitions and Variable Indicators

Variable	Operational definition	Indicator	Scale
Taxpayer Perception (X ₁)	The voluntary disclosure program is a policy that can be utilized by taxpayers to report their assets that have not been reported in the past by paying taxes according to a predetermined rate. Taxpayers who follow this policy will also avoid being examined by the tax authorities as well as larger administrative sanctions.	1. Knowledge 2. Understanding 3. Awareness and motivation 4. Utilization (Ariesta & Latifah, 2017)	Ordinal
Trust in Government (X ₂)	Trust in the government is a taxpayer's belief in policy makers who are also responsible for a policy	1. Government system 2. Legal system 3. Politician 4. People's rights Handayani (2012) in (Purnamasari et al., 2018) in (Suci, et al, 2022)	Ordinal
Taxpayer Compliance (Y)	Taxpayer compliance is the fulfillment of tax obligations carried out by taxpayers in the context of contributing to the development of the country which is expected to be fulfilled voluntarily. (Mandagi et al, 2014)	1. Register as a WP 2. Fill out the tax return correctly, completely, and clearly and submit it on time. 3. It is never too late to submit an SPT. 4. No tax arrears. 5. Has calculated the amount of tax in accordance with applicable regulations. 6. Never been subject to administrative sanctions. 7. Have paid tax according to the tax payable. 8. Using tax rates in accordance with applicable regulations. 9. Make tax payments at a place designated by the Directorate General of Taxes. (Suyanto, 2016)	Ordinal

RESULTS AND DISCUSSION

This research is a research conducted at KPP Senapelan, Pekanbaru City. The distribution of the questionnaires was carried out on 1-31 March 2022. The following describes the distribution map of the 110 questionnaires distributed:

Table 4. Research Sample Data

Information	Amount
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Number of Questionnaires Distributed	110
Number of Questionnaires Return	97
Number of Questionnaires Not Returning	13
Number of Invalid Questionnaires	2
Number of Questionnaires Processed	95

Validity and Reliability Test Results

Based on the results of SPSS data processing for the results of the validity test of the variables of Taxpayer Perception (X_1), Trust in Government (X_2) and Taxpayer Compliance (Y) are attached in the following table:

Table 5. Validity Test Results

Indicator	rcount	Rtable	Sig.	Information
X1.1	0.697	0.202	0.000	Valid
X1.2	0.554	0.202	0.000	Valid
X1.3	0.824	0.202	0.002	Valid
X1.4	0.577	0.202	0.000	Valid
X1.5	0.652	0.202	0.003	Valid
X1.6	0.633	0.202	0.000	Valid
X1.7	0.583	0.202	0.000	Valid
X1.8	0.608	0.202	0.001	Valid
X2.1	0.729	0.202	0.000	Valid
X2.2	0.713	0.202	0.000	Valid
X2.3	0.786	0.202	0.004	Valid
X2.4	0.783	0.202	0.000	Valid
X2.5	0.710	0.202	0.001	Valid
Y1.1	0.721	0.202	0.000	Valid
Y1.2	0.608	0.202	0.000	Valid
Y1.3	0.768	0.202	0.000	Valid
Y1.4	0.813	0.202	0.000	Valid
Y1.5	0.769	0.202	0.000	Valid
Y1.6	0.748	0.202	0.003	Valid
Y1.7	0.756	0.202	0.000	Valid
Y1.8	0.656	0.202	0.000	Valid
Y1.9	0.718	0.202	0.002	Valid

Source: Processed Data, 2022

The requirement for determining the validity for each indicator is to make a comparison between the value of r table and the calculated r value. Determination of the value of r table with a total of 95 data and a significance level of 0.05 which is equal to the value ($df = n-2$, namely $r(95-2 = 93) = 0.202$ in the r table. The data is said to be valid if the value of r arithmetic $>$ r table, the test results obtained in table 5 for each indicator show the value of r arithmetic $>$ r table so that the data is declared valid. So, the results of the validity test for the variables of Taxpayer Perception (X_1), Trust in the Government (X_2) and Taxpayer Compliance (Y) are declared valid.

Table 6. Reliability Test Results

Variable	Cronbach Alpha . value	Testing Terms	Information
X_1	0.767	0.60	Reliable
X_2	0.775	0.60	Reliable
Y	0.886	0.60	Reliable

Source: Processed Data, 2022

Based on Janna (2020) and Sujarweni (2015) reliability testing with SPSS saw the value of Cronbach's alpha. The condition for this test is that if the value of Cronbach's alpha > 0.60, it is said to be reliable. The results obtained in Table 6 show that the value of Cronbach's alpha > 0.60 so that the research data is declared reliable.

Classic Assumption Test Results

Normality test

The results of the calculation of the data normality test using the One Sample Kolmogorof-Smirnov Test are presented in table 7 below:

**Table 7. Data Normality Test Results
One-Sample Kolmogorov-Smirnov Test**

		Unstandardized Residual
N		95
Normal Parameters, b	mean	,0000000
	Std. Deviation	3.03933448
Most Extreme Differences	Absolute	,152
	Positive	,096
	negative	-,152
Test Statistics		,152
asyp. Sig. (2-tailed)		,087c

- a. Test distribution is Normal.
- b. Calculated from data.
- c. Lilliefors Significance Correction.

Source: Processed Data, 2022

Based on the results of the Kolmogorov Smirnov test, the variables contained in this study were declared normal, this was supported by the Asymp value. Sig. (2-tailed) which is higher than 0.05, which is 0.087 with Kolmogorov Smirnov's value of 0.152.

Multicollinearity Test

The results of the calculation of the multicollinearity test are presented in table 8 below:

**Table 8. Multicollinearity Test Results
Coefficientsa**

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	11,775	4,154		2,835	,006		
	Taxpayer Perception	,321	,105	,279	3,054	,003	,874	1.144
	Trust in the Government	,780	,174	,410	4,480	,000	,874	1.144

- a. Dependent Variable: Taxpayer Compliance

Source: Processed Data, 2022

It is said to be free from multicollinearity problems, namely tolerance value > 0.1 and VIF value < 10. The results obtained in table 8 show a tolerance value of 0.874 > 0.1 and a VIF value of 1.144 < 10 so that the regression model is said to be free from multicollinearity problems.

Heteroscedasticity Test

Table 9. Heteroscedasticity Test Results
Coefficient

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.	Collinearity Statistics	
	B	Std. Error	Beta			Tolerance	VIF
1 (Constant)	,768	,439		1,748	,084		
SQ_Perception	-,213	,065	-,346	-3,285	,071	,874	1.144
SQ_Trust	,141	,086	,174	1,650	,102	,874	1.144

a. Dependent Variable: ABS_RESIDUAL

Source: Processed Data, 2022

The glejser test is one of the tests that can be used for heteroscedasticity testing. The requirements for the exam are Sig scores > 0.05. The results of the tests in table 9 show that the Sig X₁ value is 0.071 > 0.05 and the Sig X₂ value is 0.102 > 0.05 so that the regression model is said to be free from heteroscedasticity problems.

Multiple Regression Test Results

The data analysis model used to test the formulated hypothesis is multiple regression analysis with the help of SPSS 23 software. Multiple linear regression analysis shows the effect of the relationship between the independent variables on the dependent variable.

Table 10. Multiple Regression Analysis Test Results
Coefficientsa

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
1 (Constant)	11,775	4,154		2,835	,006
Taxpayer Perception	,321	,105	,279	3,054	,003
Trust in the Government	,780	,174	,410	4,480	,000

a. Dependent Variable: Taxpayer Compliance

Based on table 10, the regression equation is obtained as follows:

$$Y = 11.775 + 0.321 X_1 + 0.780 X_2 + e$$

1. The constant value of 11.775 with a positive parameter indicates that the independent variable which consists of the perception of taxpayers and trust in the government, then the value of taxpayer compliance is 11.775.
2. The value of the X₁ coefficient or the perception of taxpayers shows a positive coefficient of 0.321 indicating that if the perception of taxpayer increases by one unit, it will be able to increase taxpayer compliance by 0.321 units with the assumption that other variables are constant or fixed.
3. The X₂ regression coefficient or trust in the government shows a positive coefficient of 0.780 indicating that if trust in the government increases by one unit, it will be able to increase taxpayer compliance by 0.780 units with the assumption that other variables are constant or fixed.

Hypothesis Test Results

The test criteria used are to compare t count with t table based on significant 0.05 and 2 sides with degrees of freedom $df (nk-1) = 95-2-1 = 92$ (n is the number of data and k is the independent variable), so that the t table is obtained from the statistical table is 1.662. If t count < t table then H₀ is rejected, while if t count > t table then H₀ is accepted.

Based on the results of t count in table 10 above, it can be explained the effect of each independent variable on the dependent variable as follows:

1. The taxpayer perception variable (X_1) has a t count value greater than the t table value ($3.054 > 1.662$) and a significant level less than 0.05 ($0.003 < 0.05$), then H_{01} is rejected and H_1 is accepted. This shows that the variable of taxpayer perception partially positive effect on taxpayer compliance.
2. The variable trust in the government (X_2) has a t count value greater than the t table value ($4.480 > 1.662$) and a significant level less than 0.05 ($0.000 < 0.05$), then H_{02} is rejected and H_2 is accepted. This shows that the variable of trust in the government has a partial positive effect on taxpayer compliance.

Simultaneous Test Results (F Test)

The results of joint testing of the Taxpayer Perception Variable (X_1) and Trust in the Government (X_2) on Taxpayer Compliance (Y) using the Fisher method statistical test (F test) at a significant confidence level of 0.05. The test criteria is to compare F count with F table which can be known by calculating df1 (total number of variables-1) = 3-1 = 2, and df2 (nk-1) = (95-2-1) = 92 (n is the number of data and k is the number of independent variables), so F count > F table then H_0 is rejected, and if F count < F table, then H_0 is accepted. Based on the test, the ANOVA output is obtained in the following table:

Table 11. Simultaneous Test Results (Test F)
ANOVA

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	422,196	2	211,098	22,366	,000 ^b
	Residual	868,330	92	9,438		
	Total	1290,526	94			

a. Dependent Variable: Taxpayer Compliance

b. Predictors: (Constant), Trust in Government, Taxpayer Perception

Source: Processed Data, 2022

Based on the results of the F test in table 11, the F count value is 22,366 with a significant value of 0.000 ($0.000 < 0.05$), while the F table at the 5% confidence level ($\alpha = 0.05$) is 3.10. This means that F count > F table ($22,366 > 3,10$). The calculation shows that the variables of taxpayer perception and trust in the government together have a significant effect on taxpayer compliance or in other words the hypothesis (H_3) is accepted.

Coefficient of Determination Test

The coefficient of determination (R^2) refers to the ability of the independent variable (X) in explaining the dependent variable (Y). The R value of the coefficient of determination ranges from zero to one. The coefficient of determination test (R^2) can be seen in table 12 below:

Table 12. Coefficient of Determination Test Results (R^2 Test)
Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	,572a	,327	,313	3.072

a. Predictors: (Constant), Trust in Government, Taxpayer Perception

Source: Processed Data, 2022

Based on table 12 above, it can be concluded that the value of the coefficient of determination (R^2) is 0.313 or 31.3%. The magnitude of the coefficient of determination indicates that the independent variable consisting of the perception of taxpayers and trust in the government is able to explain the dependent variable, namely taxpayer compliance by 31.3%, while the remaining 68.7% is explained by other variables not included in this model research.

DISCUSSION

The Influence of Taxpayer Perception on Taxpayer Compliance

Based on the results of the analysis, it shows that the Taxpayer Perception has an effect on Taxpayer Compliance in the Voluntary Disclosure Program which is reflected in the test results in the moderated regression analysis model, where the variable the perception of taxpayers (X^1) has a t count value greater than the t table value ($3.054 > 1.662$) and a significant level less than 0.05 ($0.003 < 0.05$), then H_{01} is rejected and H_1 is accepted.

This is in line with the research results of Aruan et al. (2017) which explains that there is an effect of taxpayer perceptions on taxpayer compliance with Tax Amnesty. This influence comes from the objectives and benefits of implementing Tax Amnesty which is indicated by a positive attitude/agreement from the taxpayer on the implementation of the Tax Amnesty policy. Taxpayers agree that Tax Amnesty will increase tax revenues that are useful for restoring Indonesia's economic conditions. This statement is in line with one of the objectives of implementing the Voluntary Disclosure Program (Tax Amnesty Volume II).

Knowledge, observation, and experience are internal factors in attribution theory that can be used as a reference for taxpayers in determining their perceptions regarding the Voluntary Disclosure Program, as explained in Alfiyah & Latifah's research (2017) taxpayers can learn through searching for information related to the policy, participate in counseling/socialization related to the policy, as well as direct observation and experience to be able to find out the benefits of the policy. The Voluntary Disclosure Program is implemented to provide an option for taxpayers to disclose their assets that have not been reported in the Annual Tax Return by paying according to the predetermined rate.

It is very important for taxpayers to be able to take advantage of the Voluntary Disclosure Program policies that have been issued by the government. Based on the theory of planned behavior, the Voluntary Disclosure Program policy can also be said to increase taxpayer compliance which is reflected through the encouragement of subjective norms and moral obligations. Taxpayers assess that the Voluntary Disclosure Program policy is one of the country's strategies in economic recovery after the Covid-19 pandemic.

The Effect of Trust in the Government on Taxpayer Compliance

Based on the results of the analysis, it shows that Trust in the Government has an effect on Taxpayer Compliance with the Voluntary Disclosure Program which is reflected in the test results in the moderated regression analysis model, where the variable Trust in the Government (X_2) has a t count value greater than the t table value ($4.480 > 1.662$) and a significant level less than 0.05 ($0.000 < 0.05$), then H_{02} is rejected and H_2 is accepted.

The results of this study are in line with Francis (2019)'s research which explains that with the government strengthening state institutions authorized in taxation, it will be able to eradicate fraud (corruption) and produce transparent and accountable government. In addition, the results of this test are also in line with the theory of planned behavior which can be concluded that the strengthening of the relationship generated by the level of trust in the government will increasingly affect the perception of taxpayers to participate in Tax Amnesty (Sipahutar & Siringoringo, 2019). A high level of trust will support the perception of taxpayers to have awareness which leads to a strong commitment to fulfill all their tax obligations.

The Effect of Taxpayer Perception and Trust in the Government on Taxpayer Compliance

Based on the results of the analysis, it shows that the Taxpayer Perception and Trust in the Government have a joint effect on Taxpayer Compliance with the Voluntary Disclosure Program which is reflected in the test results in the moderated regression analysis model, where F count $>$ F table ($22.366 > 3.10$) with a significant value of 0.000 ($0.000 < 0.05$), then H_{03} is rejected and H_3 is accepted.

The results of this study are in line with the research results of Suci and Aisyaturrahmi (2022) which state that the Voluntary Disclosure Program has a positive influence on Taxpayer Perceptions,

and Trust in the Government as a moderating variable can strengthen the relationship between the Voluntary Disclosure Program on Taxpayer Perceptions. For this reason, the perception of taxpayers and trust in the government are factors in the success of taxpayer compliance with the Voluntary Disclosure Program.

To improve taxpayer compliance, the government needs to pay attention to several things, such as: (1) Sanctions after the Voluntary Disclosure Program need to be made derivative regulations and strictly enforced, for example imposing sanctions if they do not repatriate assets as promised and have exceeded the repatriation deadline, sanctions social media can be in the form of disclosing the profile of rogue Taxpayers by using the internet and official web pages, freezing of Taxpayers' accounts, confiscation if necessary, and others; (2) Prepare derivative regulations regarding investment instruments to accommodate repatriated assets, these instruments must be prepared carefully by taking into account the readiness of stakeholders and current financial market conditions; (3) Intensive socialization is required so that it can receive input from economists, for example, regarding the form of investment instruments that attract repatriation, the government can first hear input from economic experts and the public; (4) Cooperation with e-commerce parties is required to obtain Taxpayer data with income from the digital world; (5) Preparation of qualified human resources in the field of taxation and technology-oriented with expansion of authority if necessary in carrying out the Voluntary Disclosure Program sanctions policy, sso that it can be judged that the government has made efforts to create a fair and effective taxation system for the nation and state.

CONCLUSION

Taxpayer Perception Variables partial effect onTaxpayer Compliance with the Voluntary Disclosure Program. Variable Trust in Government partial effect onTaxpayer Compliance with the Voluntary Disclosure Program. Taxpayer Perception Variables and Trust in the Government simultaneously affectTaxpayer Compliance with the Voluntary Disclosure Program.The independent variable consisting of taxpayer perceptions and trust in the government is able to explain the dependent variable, namely taxpayer compliance by 31.3%, while the remaining 68.7% is explained by other variables not included in this research model. In order to improve taxpayer compliance, the government needs to pay attention to several things, such as: (1) Sanctions after the Voluntary Disclosure Program need to be made with derivative regulations and strictly enforced; (2) Prepare derivative regulations on investment instruments to accommodate repatriated assets; (3) There is a need for intensive socialization so that it can receive input from economists; (4) Cooperation with e-commerce parties is required to obtain Taxpayer data with income from the digital world; (5) Preparation of qualified human resources in the field of taxation and technology-oriented with the expansion of authority if necessary in carrying out the sanctions policy of the Voluntary Disclosure Program.

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Tax Awareness Among Students from Higher Learning Institutions in Malaysia: Education Area as A Moderator

SOLIHA SANUSI^{a*}, NIK HERDA NIK ABDULLAH^b, LIM TAN CHIN^a,
FAUZIAH RASTAM^a AND NABILAH ROZZANI^c

^a*School of Management, Universiti Sains Malaysia, Malaysia*

^b*School of Accounting and Finance, Faculty of Business & Law, Taylor's University, Malaysia*

^c*Faculty of Business Management & Professional Studies Management & Science University, Malaysia*

ABSTRACT

This study investigates the higher learning institution students' tax knowledge, tax attitude, tax morale, and the role of tax authorities with the moderation of the education area that influences tax awareness in Malaysia. Data from 224 respondents were collected physically and via online across Malaysia. The Structural Equation Model by using Smart PLS 3.2.4 was used to analyse the data, whereby five hypotheses were tested in the current study. The results showed that tax knowledge, tax attitude, and tax morale significantly influenced tax awareness. The result also indicated that the education area was able to moderate the relationship between the role of tax authorities and tax awareness. The findings of this study contributed to the research on tax area as only a few researches had been conducted on tax awareness, especially in Malaysia. It was suggested to compare the tax awareness amongst different countries as a comparative study to understand what tax authorities of other countries have contributed to their students in the higher learning institutions.

JEL Classification: M41

Keywords: Higher learning institutions; tax attitude; tax awareness; tax authorities; tax knowledge

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INTRODUCTION

Tax is an indispensable revenue source to the government of any nation, and Malaysia is not an exception. The Malaysian tax system has undergone several reforms to maintain global competitiveness, as well as to mitigate tax leakages. For instance, the implementation of self-assessment system phase by phase from businesses to individual taxpayers, single-tier dividend policy to substitute dividend imputation policy, adoption of double taxation according to the Organisation for Economic Co-operation and Development (OECD) model, as well as the introduction of the Special Voluntary Disclosure Programme (SVDP). The most prominent strategy amongst these reforms is the SVDP, which was initiated in 2019 by the Inland Revenue Board of Malaysia (IRBM). The SVDP was aimed at reducing tax compliance gap resulting from low awareness and knowledge with regard to the Malaysian tax system amongst taxpayers. This was due to the lack of tax compliance being practiced amongst taxpayers. The IRBM collected RM7 billions of tax under the SVDP by inducing 486,360 taxpayers to reveal unreported income. Taxpayers are encouraged to report previous years undeclared income with a minimum penalty of 10-15% during the SVDP, compared to 30% of penalty if the taxpayers are caught during the tax audit and investigation.

The extent of tax compliance gap in Malaysia is becoming a great concern to the government due to the increase of budgetary requirements that need to be funded with tax revenue. The emergence of shadow economy (including tax evasion) brings about 31.5% of gross domestic product (GDP) in Malaysia for the past 25 years (Din et al., 2019). This finding showed that tax evasion was one of the severe crimes that the government needs to look at in reducing their income losses. An average of 813.8 cases of tax evasion was recorded yearly by the IRBM between 2005 to 2014 with an average value of RM767.9 million (Daud et al., 2018).

Due to the above statistics, early awareness from taxpayers is necessary to reduce aggressive tax planning and tax evasion in future. Tax awareness has always been an interesting area of research years ago. The introduction of the SVDP by the IRBM has since urged taxpayers to declare unreported income voluntarily and subsequently pay their taxes. The SVDP addresses the rise of non-compliance issues amongst Malaysian taxpayers. In this regard, knowing and understanding the nitty-gritty of tax matters is no longer an ignorance amongst taxpayers ever since the government initiated the SVDP. The awareness of income disclosure has behavioural influence on tax compliance (Negara and Purnamasari, 2020; Zanaria and Lestari, 2020). As taxpayers' behaviour become a major concern to several revenue authorities across the globe (including Malaysia), there has been a growing interest to embed tax syllabus into the school curriculum for students to learn about their own countries' tax system (Putro and Tjen, 2020; Kujawski and Szadziwska, 2019; Morgan and Castelyn, 2018). As early informative tax awareness is provided amongst students, positive perception of taxpayers about their national tax system could be possibly enhanced.

Students of higher learning institutions (HLI) are potential taxpayers as they are expected to contribute to the workforce soon after graduation. Since they are highly educated, their knowledge about the tax system should be broader. Considering the importance of taxation to the Malaysian economy, Hastuti (2014) affirmed that tax awareness was indispensable in designing quality tax education and tax knowledge for students of HLI. Tax education amongst HLI students can be better deciphered to improve tax awareness and tax knowledge, whereby such education is not limited to accounting students only. Considering the government's demand for voluntary compliance through the self-assessment system, Zailan and Dahlan (2019) emphasised that HLI had the role of positioning tax education, not only as knowledge transfer but also as motivations and belief system that influenced reasoning, as well as cognitive qualities. Hence, tax awareness education has become a necessary tool for social and economic progress.

The objective of enhancing tax awareness and compliance education amongst prospective taxpayers, especially HLI students, becomes a point of discussion that has to gain global attention. Research, which was conducted concerning tax awareness amongst HLI students is limited in the Malaysian context. This study fills up the gap in the research relating to tax attitude and awareness of HLI students in Malaysia, with a hope that the outcome of this research will guide policymakers in respect to design the structure of tax education syllabus in Malaysia. Based on literature review, it could be deduced that awareness fosters responsive tax attitude. Therefore, tax education design should be all-inclusive to capture the government's long and short-term tax revenue goals, while targetting the generality of HLI students in Malaysia (Chuah et al., 2020).

This study aims at examining the factors affecting tax awareness amongst HLI students in Malaysia, such as tax knowledge, attitude, tax morale and roles of tax authorities. The education area was used as a moderator

in the study. To the best of the authors' knowledge, there are a few literature, which had used the education area as a moderator in the research, such as Chen et al. (2010), and Rowe et al. (2003). Hence, the current study also examines the role of the IRBM as tax authorities while being moderated by the education area. In previous studies, the role of tax authorities had inconsistent relationship towards tax awareness. In this context, this study stems from the tide of future tax compliance magnitude by examining the influence of tax awareness on the morale of prospective taxpayers, specifically amongst HLI students in Malaysia. Other sections of this study are structured into literature review and hypotheses development (Section 2), research methodology (Section 3), findings and discussions (Section 4), as well as conclusion in Section 5.

LITERATURE REVIEW AND HYPOTHESES DEVELOPMENT

Factors influencing tax awareness are more comprehensible after understanding the necessity to pay tax. Tax awareness and compliance behaviour had been variously discussed in the context of individuals, entrepreneurs and corporations (Negara and Purnamasari, 2020; Zanaria and Lestari, 2020; Unianti et al., 2019; Kalgutkar, 2018). However, there are not many research on examining the awareness of students on future possibilities of tax compliance. Tax awareness can be described in terms of consciousness of regulations, rules and procedures in fulfilling tax obligations (Negara and Purnamasari, 2020; Omondi and Theuri, 2019). In view of Zanaria and Lestari (2020), the term tax awareness was used to explain a cognitive process of realising the need to pay tax, obeying tax regulations and subsequently payment of taxes.

Similarly, Ratnawati et al. (2019) described taxpayers' awareness as an attitude involving views, beliefs, reasoning and knowledge, which affected human disposition to behave in conformity with tax provisions. The HLI students should be aware that taxes are the government only steady source of revenue. Taxpayers should be obliged to report their income that is derived from Malaysia in the IRBM's e-filing portal. They would then pay tax punctually under the self-assessment system. This self-awareness and consciousness become a requisite for tax obligation without necessarily questioning the reasons for paying tax (Kalgutkar, 2018).

Some research on self-awareness had generated mixed outcomes, for instance Nugroho et al. (2016) who had detailed that tax awareness was not associated to tax collection. It was found that awareness did not even serve as partial consequence of tax outcome. Other studies displayed causative relationship between tax awareness and obligation to tax payment (Omondi and Theuri, 2019; Wardani and Rumiyyatun, 2017; Chusaeri et al., 2017). Such causal relationship implied that a higher tax awareness resulted in a better tax payment outcome. From the foregoing, Anggia (2019) contended that the basic understanding of taxation was required to be taught to promote tax awareness.

In the Malaysian context, lack of tax awareness has led to unwillingness of tax payment amongst members of the society (Saifi et al., 2015). Empirical finding from Kamarudin and Mustapha (2017) revealed that the level of understanding and awareness amongst Malaysians towards tax was generally low. In addition, Malaysians that were exposed to the technicality of tax displayed some level of uncertainty with regard to the tax system (Harun et al., 2017). Uncertainty of the tax system was reflected in the protest to the Goods and Services Tax (GST) that rocked Kuala Lumpur on 12th April 2016. This protest was a fallout from the implementation of the GST. According to Schwanke (2016), the implementation of the 6% GST was introduced to broaden Malaysia's revenue flow and to reduce fiscal deficit. However, this development raises a lot of concern on the clarity of GST, although the taxpayers were given 18 months to prepare for its implementation (Harun et al., 2017). Rather than preparing taxpayers for positive possibilities, the GST regime led to a more difficult business environment (Ahmad et al., 2019; Anshika and Prashanka, 2019).

Given the importance of tax awareness, identifying factors influencing tax awareness will provide a framework for preparing future taxpayers (HLI) for their civic duties. Savitri (2016) identified tax knowledge, tax morale and attitude as factors influencing awareness.

Tax knowledge and tax awareness

Damajanti and Karim (2017) acknowledged that tax knowledge was the most influential factor in the tax self-assessment system. Therefore, tax knowledge determines the level of acceptance of tax obligations (Sanusi, 2019). Furthermore, Rahayu et al. (2017) claimed that knowledge and understanding of a country's tax functions were mostly appropriate measures of tax awareness. Higher tax knowledge principally leads to positive view of

the tax system (Bidin et al., 2016). The more the tax knowledge is obtained, the better will be the understanding of issues pertinent to tax compliance. It was also noted that with a higher tax knowledge, taxpayers would consider the consequences of tax evasion more seriously. Furthermore, tax knowledge could be enhanced through education and training. Given this review, this study derives at the first hypothesis.

H₁ : There is a positive relationship between tax knowledge and tax awareness amongst HLI students in Malaysia.

Tax attitude and tax awareness

Taxpayers' attitude is another factor that is influential on tax awareness. Attitude towards tax awareness is the level of confidence that a taxpayer would display towards tax obligations (Karolina and Noviyari, 2019). According to Soon et al. (2020), attitude referred to an individual's conspicuous thoughts about the outcomes of actions. In the tax system discourse, attitude could be referred to as essential motivation arising from moral consciousness and obligation to pay tax (Taing and Chang, 2020). In a similar view, taxpayer awareness is sometimes influenced by tax attitude, which portrays the desire to act either positively or negatively towards tax obligations (Nurlis and Ariani, 2020; Rahayu et al., 2017). Furthermore, Wijaya (2019) and Devos (2014) found causal relationship between taxpayers' attitude and tax awareness. Likewise, Anto et al. (2020) discovered positive correlation between tax attitude and tax knowledge. Hence, with a good knowledge structure, taxpayers are aware and conscious of the tax policies. Given this review, this study draws the second hypothesis.

H₂ : There is a positive relationship between attitude and tax awareness amongst HLI students in Malaysia.

Tax morale and tax awareness

Tax morale is the perception of taxpayers towards tax obligation (Azmi et al., 2020). Tax morale is also defined as a cognitive-behavioural factor with vital emotional elements that are influenced by education, knowledge and understanding (Obongo, 2020). In addition, tax morale is part of an intrinsic motivation from religious beliefs or moral values in order to pay tax (Luttmer and Singhal, 2014). An improvement of intrinsic motivation is expected to boost the willingness to pay tax. However, tax morale is mostly influenced by external elements surrounding taxpayers. External elements, which could affect tax morale include influence from the government, tax authority and society, as well as an individual's own attitudes shaped by moral and religious belief. Some might suggest that having good governance and the government's fair treatment for the people would promote voluntary compliance amongst the citizens (Kirchgassner, 2010). When income tax was imposed at a higher rate on the poor taxpayers, it was difficult for them to pay the amount charged, thus, they were forced to deviate from their morale and it might cause them to respond immorally towards the implemented tax system. An increasing number of empirical papers tried to measure the essential motivation on tax payments (usually called tax morale) with survey data provided in the market (Halla, 2012). However, insignificant empirical evidence had discovered the impact of tax morale on actual tax compliance, especially for the Malaysian environment. Tax morale amongst the population might increase if their fellow citizens contribute their fair share on tax payment. Torgler and Murphy (2005) described tax motivation as part of moral principles or values held by individuals about paying their taxes. McGee et al. (2012) also argued that tax evasion had been always or almost always acceptable due to the unfair tax system, as viewed by 124 respondents from the College of Business at Hadhramout University, Yemen. This finding was supported by 114 future leaders in Guatemala (McGee and Lingle, 2008). On the other hand, intrinsic motivation, such as tax morale might reduce if taxpayers feel that they are being treated in a negative way and suspected of tax cheating (Lars and Bruno, 2004). The relationship between tax morale and awareness had been established mainly in shaping tax revenue efforts. An increase in awareness surges the perception, as well as tax compliance. A few individual factors were identified that affected tax awareness, which include tax knowledge, personal attitude and tax morale. All these factors were related to the taxpayers and their motivation. From the foregoing, the third hypothesis is tested as follows:

H₃ : There is a positive relationship between tax morale and tax awareness amongst HLI students in Malaysia.

Role of tax authorities in tax awareness

Tax authorities employ a variety of means in enforcing tax compliance. This variety of instruments support tax procedures and ensure tax facilities enhance the tax awareness amongst taxpayers. The instruments identified by Gangl et al. (2020) were tax promotion, knowledge sharing platforms of taxpayers' interpretation of tax regulations, tax audit and fines, tax incentives and tax service support. A previous study showed that enforcement, in terms of audit and fines actions by regulators, would enhance compliance amongst them (Alm and Shimshack, 2014; Braithwaite, 2014). On the other hand, Suak (2019) identified tax authority's supporting services and amnesty policy served as instruments to encourage tax compliances. In an initial phase, tax authorities promoted tax compliance through seminars on tax awareness. This session is very important as preliminary injection for HLI students who will be future taxpayers. By this seminar, students get a chance to see IRBM officers and interact with them directly. The quality of communication is deemed essential to create tax awareness for these young generation. In this context, the IRBM resumes the task of promoting quality information about tax functions and possible contentious challenges resulting from the interaction between tax authority and taxpayers (Conte, 2019). Given this review, this study proposes the fourth hypothesis.

H₄ : There is a positive relationship between the role of tax authorities and tax awareness amongst HLI students in Malaysia.

The moderating role of education area

Given that previous literature had inconsistency result on the role of tax authorities, hence the education area is used as a moderator to test the relationship between the role of tax authorities and tax awareness. There were some studies which had used the education area as a moderator in other research areas, such as Chen et al. (2010) and Rowe et al. (2003). In this study, the education area was analysed as science or non-science disciplines of study. Non-science students, particularly accounting students, know about taxation throughout their diploma and degree studies. Under the common curriculum, students taking the Diploma in Accounting are required to take two taxation subjects (taxation and advanced taxation), whereas students taking the Degree in Accounting are required to take three taxation subjects, which are taxation, advanced taxation and issues in taxation. However, this situation might be different between HLI. In a similar manner, there is seldom any tax knowledge being transferred to science students in comparison to those in the art stream, as they have many other subjects to cope with. They probably heard about taxation from the mass media, such as newspapers and television. Realising this situation, previous authors had used the education area as a moderator to test the relationship between the roles of the tax authorities and tax awareness.

Continuous training and education in HLI, especially through the taxation subjects taken by the students, will implant the curiosity and consciousness of students on tax policies. Mukhlis et al. (2015) advocated that strengthening tax education was highly crucial in shaping tax knowledge and tax compliance. For this reason, tax education should be well structured and taught in HLI to achieve the tax objectives. Tax education structure should reflect and simulate the real working environment to enable the students to learn the needs of acquiring tax knowledge (Putro and Tjen, 2020). At the very least, tax curriculum should include broader scope of self-assessment system and tax filing procedures. This tax education structure should include not only the fundamentals of tax rules, but also hands-on learning procedures. Although tax learning is determined by several internal and external factors, tax learning procedures should be simple and less sophisticated to enhance tax compliance (Alkhatib et al., 2020). Twum et al. (2020) had urged the government to embrace tax education strategies, which involved multiple knowledge initiatives, generally, on the rights and responsibility of taxpayers. Specifically, Shamana and Alito (2020) explained that tax education strategy should include training, counselling and continuous support from the tax authority. Hence, identifying tax education requirements would make it possible to distinguish potential risks that might obstruct the successful educational strategy outcome.

Given the importance of tax knowledge, Bijiga (2020) in their study on 'Perception of Taxpayers towards the Seriousness of Tax Evasion' contended that tax awareness was only useful when there were readily available and accessible information on tax matters. This situation implied that availability and accessibility to tax policy information would enhance HLI students' comprehension of the national tax system, public acceptance of tax policies and confidence to be responsible citizens (Hambali and Kamaludin, 2017). As part of awareness capacity building, tax education and training are equally emphasised (Bijiga, 2020). Another important factor that should be reviewed is the need for the government to use educational facilities in promoting tax awareness

(Anggia, 2019). Ratnawati et al. (2019) admitted that education had an impact on adherence to rules. Students that are going to be future taxpayers will be tax compliant not only because they are informed, but they now have general and technical knowledge of tax processes. Educational facilities have been useful in improving public acceptability of tax policies, as well as increasing awareness (Hambali and Kamaludin, 2017; Hamid, 2016). Muklis et al. (2015) revealed that education had increased tax knowledge, thereby improving their capability to fulfil their tax obligations. Given this situation, Omondi and Theuri (2019) found significant correlation between education and tax awareness. Correlation between education and tax awareness corresponds to higher tax compliance. Muklis et al. (2015) found that education in the field of taxation could increase the knowledge of taxpayers, thereby increasing taxpayers' compliance in carrying out their tax duties. From the foregoing, this study assumes that:

H₅ : Educational area moderates the relationship between the role of tax authorities and tax awareness amongst HLI students in Malaysia.

Figure 1 demonstrates the framework of the current study, which consists of tax awareness as a dependant variable, tax knowledge (Damajanti and Karim, 2017), attitude (Devos, 2014), tax morale (Luttmer and Singhal, 2014) and the role of tax authorities (Braithwaite, 2017), as independent variables and the education area as a moderating variable.

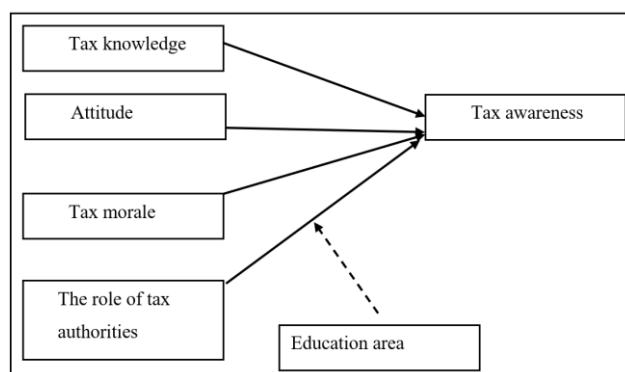


Figure 1 Research framework of tax awareness

RESEARCH METHOD

The research used a quantitative approach, where students' tax awareness was treated as a variable that could be measured in the questionnaire. This study employed cross-sectional quantitative survey method. A sample of 224 undergraduate (96.55%) and eight postgraduate (3.45%) students from various fields of study were selected from the public and private HLI in Malaysia. There were more than 700,000 HLI students in Malaysia in 2019 (Hirschmann, 2020). Therefore, a total of 384 is required to be sampled as respondents to the current study (Krejcie and Morgan, 1970). Meanwhile, a minimum sample of 117 is required for a medium effect size of 0.15 (Green, 1991). Purposive sampling technique was used, whereby respondents received an online survey administered via the university's lecturers and also through physical survey. With regard to ethical consideration, the students' consent to participate in this study was sought before they answer the questionnaires. Participation was strictly voluntary and anonymous.

The questionnaire consisted of five sections, which aimed at studying the understanding of taxation amongst HLI students in Malaysia. It consisted of tax awareness items, tax knowledge (Mohamad, 2013), personal attitude (Mohamad, 2013), the role of tax authorities and tax morale (Alm and Torgler, 2006). There were five basic demographic questions (i.e., age, gender, ethnicity, the field of study and level of education), and 32 items in five dimensions. The five dimensions, along with the respective number of items in the questionnaires were as follows: tax awareness (five items), tax knowledge (eight items), personal attitude (six items), roles of tax authorities (seven items), and tax morale (six items). Amongst the items asked in the survey questionnaire include the student's knowledge on the tax return to be submitted to the IRBM, type of taxes in Malaysia, their responsibility as a taxpayer in the future, tax avoidance and tax evasion and the purpose of tax

collection. A seven-point Likert-type scale ranging from strongly disagree (1) to strongly agree (7) was provided as response options for all the items. Only one response was allowed per item.

Before the actual data collection, a small-scale pilot test was conducted with 30 students in a public HLI in Penang, Malaysia, to ensure the suitability of wordings, formatting, and layout. These 30 students were excluded from the main study. After the pilot study, the actual survey questionnaires were distributed to the students in a few HLI in the central and northern regions of Malaysia. The SPSS software was used to determine the validity and reliability of the instrument. Smart PLS 3.2.4 had been used to test the relationship between variables in the actual research. It started with the measurement of the analysis followed by the structural analysis.

FINDINGS AND DISCUSSION

Demographic Profiles of Respondents

The overall number of acceptable completed questionnaires was 232 from the HLI students in Malaysia. The questionnaire required the respondents to provide their background information, such as gender, age, ethnicity and current education level. Table 1 provides a summary of the demographic of the respondents.

Table 1 Demographic of the respondents ($n=232$)

Demographics	Descriptions	Frequency	Percentage (%)
Gender	Male	49	21.1
	Female	183	78.9
Age	15-19	12	5.2
	20-24	208	89.7
	25-29	1	0.4
	30-34	6	2.6
	Others	5	2.1
Ethnicity	Malay	199	85.8
	Chinese	18	7.8
	Indian	6	2.6
	Others	9	3.8
Current education level	Certificate	3	1.3
	Diploma	11	4.7
	Degree	210	90.5
	Master	6	2.6
	PhD	2	0.9
Education area	Science	92	40
	Non-science	140	60
Total		232	100

Convergent validity

The convergent validity is an extent whereby numerous measuring tools are used to measure similar concept that might be incongruent. Several indicators were used to determine the convergent validity, which comprised indicators such as composite reliability (CR) and average variance extracted (AVE) (Hair et al., 2010).

Table 2 refers to the composite reliability values, which indicated the extent to which construct indicators would estimate latent construct, which exceeds a recommended value of 0.7 (Hair et al, 2019). The total number of variances in the indicators provided by the latent construct was portrayed by the extracted average variance, which surpassed the desired value of 0.5 (Hair et al., 2010). The results for convergent validity are shown in Table 2.

Table 2 Reliability test of variables

Variable	No of Item	Cronbach's Alpha	Composite Reliability	Average Variance Extracted (AVE)
Attitude	6	0.924	0.94	0.724
Education area	1	1	1	1
Role of Tax Authorities	7	0.93	0.943	0.702
Tax Awareness	5	0.809	0.869	0.574
Tax Knowledge	8	0.893	0.913	0.567
Tax Morale	6	0.932	0.946	0.747

Discriminant Validity

Discriminant validity indicates how far the measures fail to portray other variables, which is shown by low correlations between the extent of interest and the measures of different constructs (Cheung and Lee, 2010). By contrasting squared correlations between constructs and variance for a particular construct, it becomes possible to determine discriminant validity (Fornell and Larcker, 1981). This study assessed discriminant validity through heterotrait-monotrait ratio (HTMT). While, discriminant validity had a problem when the HTMT value was greater than the value of 0.90 (Gold et al, 2001), all values in Table 3 showed to be lower than the recommended value of 0.90. This indicated that discriminant validity had been established. Overall, the measurement model had indicated the presence of adequate convergent and discriminant validity.

Table 3 Discriminant validity based on heterotrait-monotrait ratio (HTMT) criterion

	1	2	3	4	5
Attitude					
Education b/ground	0.034				
Role of Tax Authorities	0.359	0.082			
Tax Awareness	0.814	0.181	0.474		
Tax Knowledge	0.541	0.232	0.742	0.694	
Tax Morale	0.809	0.086	0.389	0.81	0.501

Data analysis

The data for this study was analysed by using the partial least squares (PLS) method. The PLS is the preferred method due to its ability to manage both reflective and formative factors (Chin, 1998; Ooi et al., 2013) and it emphasises on minimal restrictions on the distributional characteristics and sample size (Chin, 2000). The data analysis process for the current study adopted the Smart PLS Version 3.2.4 and two-step analysis approach. The significant levels of loadings, weights and path coefficients were resolved by applying the bootstrapping method (Ooi et al., 2013). Figure 2 demonstrates the measurement model for this study, which will be further discussed in the next section.

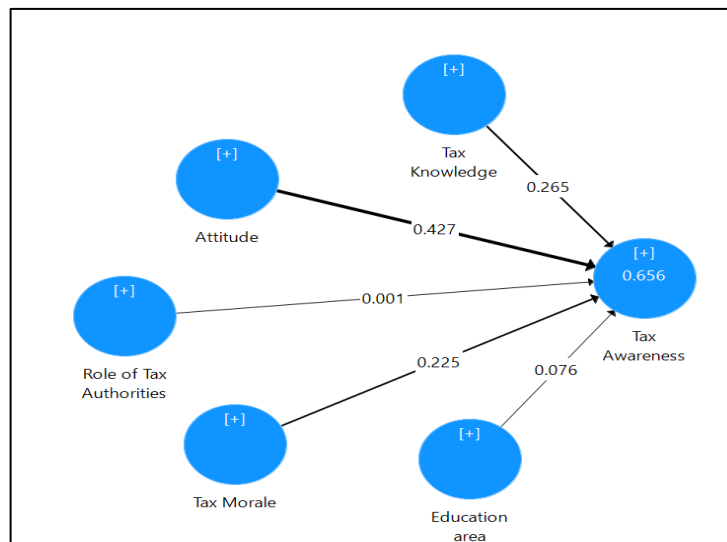


Figure 2 Measurement model

Structural Model and Hypothesis Testing

The structural model indicated causal relationships amongst the constructs in the model (Sang et al., 2010). It started with assessing the variance inflation factor (VIF), R -squared, F square, Q square and path coefficients (Hair et al., 2014). The collinearity issue should be addressed during initial stages of the structural model. This was evaluated by examining the VIF value. The model requires the VIF value to be less than 5 to ensure that no multicollinearity occurred before hypotheses testing. Table 4 shows no potential of multicollinearity in the model, as the VIF value is less than 5, i.e., attitude (3.579), education area (1.071), role of tax authority (1.918), tax knowledge (2.366) and tax morale (3.415). Thereafter, the analysis will look into the effect size by using the F square.

The effect size of the predictor was evaluated by using the Cohen's f^2 , which measured the relative impact of an independent variable on dependent variable. The effect size of the predictor from Table 4 construct indicated that the f^2 value of 0.148 for personal attitude was of a medium effect size (Cohen,1992). F^2 for the education area, tax knowledge and tax morale were of a small effect size (0.016, 0.086 and 0.043, respectively). Meanwhile, the role of tax authorities had no effect size at all as the f^2 value was 0.00.

Table 4 Determination of co-efficient (R^2), effect size (f^2) and predictive relevance (Q^2)

Item	Path Coefficient	VIF	F Square	R square	Q square
Attitude	0.427	3.579	0.148		
Education area	0.076	1.071	0.016		
Role of Tax Authorities	0.001	1.918	0		
Tax Awareness				0.656	0.343
Tax Knowledge	0.265	2.366	0.086		
Tax Morale	0.225	3.415	0.043		

In order to acquire t-values, a bootstrapping procedure with 500 resamples was performed. Thus, the measurement model in Figure 2 shows that an R-squared value of 65.5%, as well as p-values of the relationships amongst the constructs. Table 5 and 6 indicate the results from the tested hypotheses.

Table 5 Structural model and hypothesis testing

H	Variable	Beta Coefficient	Standard Error	t Values	p Values	Decision
H1	Tax Knowledge -> Tax Awareness	0.265	0.067	3.962	0.000	Supported
H2	Attitude -> Tax Awareness	0.076	0.045	1.693	0.046	Supported
H3	Tax Morale -> Tax Awareness	0.225	0.114	1.985	0.024	Supported
H4	Role of Tax Authorities -> Tax Awareness	0.001	0.056	0.023	0.491	Not supported

Table 5 presents the results of the structural model from the PLS output, which comprise the path coefficients, t-values, p-values and standard error. As a result, tax knowledge ($b = 0.265$, $p < 0.05$), attitude ($b = 0.076$, $p < 0.05$), and tax morale ($b = 0.225$, $p < 0.05$) were found to be positively related to tax awareness and managed to explain 65.5% of the variances. These results supported H1, H2 and H3 of the current study. In addition, the study also discovered that the role of tax authorities had no significant effect on tax awareness ($b = 0.001$, $p > 0.05$). Hence, the result did not support H4, which had emphasised on the relationship between the role of tax authorities and tax awareness.

These results were consistent with previous findings, such as Rahayu et al. (2017) for tax knowledge, Devos (2014) for attitude and Obongo (2020) for tax morale. All the previous studies had a positive relationship with tax awareness. These internal factors, which come from the individual themselves will help to understand the tax system better in the future. However, the role of tax authorities result, as an external factor, indicated that the IRBM and other regulators did not play the main role in improving tax awareness amongst the HLI students. The IRBM might have focus on the current individual taxpayers, corporate taxpayers and the public because they are the existing taxpayers who contributed to the government's collection. Furthermore, by comparing to other countries, such as Australia, the Australian Taxation Office (ATO) has school education programmes with a vision that every child will understand and value tax by the time they leave school for a career.

Moderation effect of the education area

The moderation effect of the education area (science and non-science student's category) on the structural model is shown in Table 6, and this was confirmed by having a test on the moderator's graph in Figure 2. The findings indicated that when the moderator of the education area was introduced in the model, the R-squared increased marginally from 65.5% to 66.2%. It implied a better fit for the model. The beta value also changed for each variable in Table 5, because the bootstrapping run with a moderator, as shown in Table 6.

Table 6 Bootstrapping on the moderation effect

H	Variable	Beta-Co	Standard Error	t Values	p Values	Decision
	Attitude -> Tax Awareness	0.426	0.103	4.149	0.000	
	Tax morale -> Tax Awareness	0.408	0.180	2.265	0.012	
H5	Education*Tax Authorities -> Tax Awareness	-0.138	0.069	2.006	0.023	Supported
	Role of Tax Authorities -> Tax Awareness	0.105	0.083	1.270	0.102	
	Tax Knowledge -> Tax Awareness	0.258	0.068	3.817	0.000	
	Tax Morale -> Tax Awareness	0.233	0.111	2.096	0.018	

By plotting beta for the role of tax authorities ($\beta = 0.105$), education ($\beta = 0.408$) and the interaction effect ($\beta = -0.138$), and intercepted at 3, the regression lines showed an interaction. These two lines, which represented both the education area of 'science' (coded as 1) and 'non-science' (coded as 2), were non-parallel and merely intercepted each other. This condition proved the existence of the interaction effect of educational area on the relationship between the role of tax authorities and tax awareness, hence supporting hypothesis 5. The result implied that students who had science education and in a high role of tax authorities marked more heightened tax awareness compared to a low role of tax authorities. In contrast, students who had non-science education and in a high role of tax authorities marked a lower tax awareness compared to those in a low role of tax authorities. Hence, the difference in the education between science and non-science provided a profound interaction effect between the role of tax authorities and tax awareness, suggesting that the education area is capable in strengthening or weakening the relationship between the role of tax authorities and tax awareness. Figure 3 shows the detail of the moderating graph.

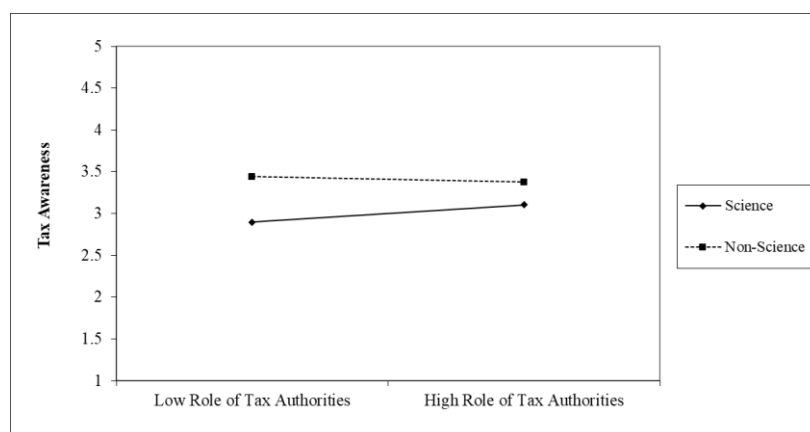


Figure 3 Test into moderator's graph

CONCLUSION AND RECOMMENDATION

This paper examines the effect of tax knowledge, tax morale, attitude and the role of tax authorities on tax awareness amongst HLI students in Malaysia. Therefore, the current study investigated factors that contributed to tax awareness amongst various HLI students in Malaysia, as many young Malaysians overlooked on taxpayers' responsibilities. By using the Smart PLS version 3.2.4, significant positive relationships between tax knowledge, tax morale and attitude towards tax awareness were discovered. However, no relationship was found between the role of tax authorities and tax awareness. This relationship was only discovered with the introduction of the education area as a moderator between both variables. These results were consistent with previous studies by Bornman and Ramutumbu (2019) and Inasius (2019).

This study has notable education, social and tax regulation implications. From an educational perspective, the result from the current study expands the understanding of tax awareness in HLI, as awareness from a young age is very important before these students become taxpayers in the future. It also contributed to the taxation study as not many articles discuss on tax awareness, especially in Malaysia. From a social point of view, tax collection could be increased if taxpayers understand that the importance of tax collection is for the sake of society. Any loss of the government's tax revenues harms the society since it deprives the states of the resources needed to fund public necessities, citizen welfare and social cohesion. Findings from the current study could also be useful for tax regulators to actively promote tax awareness amongst students. It had been noted that there was no significant relationship between tax authorities and tax awareness amongst the students, which might be due to fewer activities, promotion and education given by the tax regulators to the public, especially students. The empirical indication of this result is hoped to alert the IRBM to take pre-emptive action to improve it in order to impart tax knowledge to the HLI students as they will become taxpayers very soon.

Nonetheless, this study has a few limitations. Amongst the limitation is that the research provided only a snapshot view of the phenomena, whereby all data were collected at the same time in a short period of months. It is suggested that the limitations of the current study bring opportunities for future research. The first

suggestion is that the same research with the same settings as the present study could be conducted in the future. A future study on the comparison of the level of tax awareness amongst HLI students in Malaysia is suggested with the mean to see whether there is a difference after a few years. These are mostly with the young digital media's generation compared to the previous generation. It is also suggested comparing the tax awareness from other countries as a comparative study in the future.

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APPENDIX

Survey Questionnaire's Items.

Tax awareness

- Tax awareness should start from the young age.
- I need to pay tax when my income reaches the threshold amount.
- I am aware that tax avoider may get a penalty in the future.
- I am aware that there are two types of taxes: direct tax and indirect tax.
- I am aware that the tax collection will be used for the social economic development in the country.

Tax knowledge

- I know that the IRBM is the agency that handles direct tax in Malaysia.
- I know that the Royal Malaysia Customs Department is the agency that handles indirect tax in Malaysia.
- I know how to calculate personal income tax from my future income.
- I know that we need to submit tax file every year.
- I know that there are several types of tax relief provided to reduce the burden on taxpayers.
- I know that schedular tax deduction provided for a monthly tax deduction.
- I know that education, insurance/takaful payment will reduce the tax amount.
- I know that buying books can reduce the tax amount payable to the government.

Personal attitude

- I will report my income tax as it is.
- I will not manipulate any figure of my income for tax declaration.
- I will pay my income tax before the due date.
- I will pay the actual outstanding tax amount, if any.
- I will keep all my records of tax submission properly.
- I will comply with all applicable laws and regulations in the Malaysian Acts.

Role of tax authorities

- The IRBM had provided information with regard to taxation to the public.
- The IRBM had aggressively conduct programmes for students to understand further about taxation in Malaysia.
- The IRBM is fair and equal in their actions.
- The IRBM had initiated awareness programmes for students to take responsibility as a taxpayer.
- I can view the information about responsibility as taxpayers from the mass media.
- I can approach tax officers easily if I have any queries related to taxation.
- I have high confidence in the IRBM in managing tax collection in the country.

Tax morale

- I believe that paying tax is the right thing to do as a good citizen.
- I believe that as a citizen, we need to follow all rules and regulations related to tax.
- I will voluntarily comply with the tax law.
- I will not cheat on tax, even though I have a chance to do it.
- Tax avoidance is unethical for everyone.
- Tax evasion is unethical for everyone.