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Tax compliance behaviour of entrepreneurs in the digital economy: A research synthesis

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Abstract

The advancement of digital technologies created enterprises to scale up their business operation across borders. Even though digitalization brings huge benefits to the economy in transacting via cyberspace resulted artificially reduce the taxable income or shit their profit to the low tax jurisdiction in which little or no economic activities are performed. A growing number of research identified various factors that influence such behaviour. However, there is a lack of systemization of the factors influencing compliance decisions. Therefore, the purpose of this paper is to summarize and review extant literature concerning the factors which influence compliance decisions. A total number of 523 papers published on tax compliance during 2011 – 2020 have been analysed using Systematic Literature Review (SLR). Existing literature provides a framework for understanding the influence of economic, psychological, social and institutional factors. We suggest an improvement of the existing literature by incorporating technology as another important factor that impacts the compliance decision of citizens and businesses. The findings of this review enable synthesis researchers to find the gaps and consider promising future directions for further research.

Keywords: Compliance behaviour, technology adoption in taxation, citation analysis, thematic analysis.

Introduction

In the literature, compliance behaviour has rapidly grown since the seminal article by Allingham & Sandmo 30 years ago (Allingham & Sandmo, 1972). Since then, more research has been conducted on tax compliance. The integration of theories from psychology and sociology contributed to strengthening the theoretical background of the compliance literature (Andreaoni, Erad & Feinstine, 1998; Alabede, Ariffin & Idris, 2011).

Since the late nineties, researchers have focused more on integrating behavioural factors such as psychology and sociology to study compliance behaviour (Yaniv, 2009; Kirchler, 2014). Even though economic factors are important in assessing compliance behaviour, they are not sufficient themself to explain the degree of compliance (Scott & Grasmick, 1998 as cited in Trivedi, Shehata & Lynn, 2003). With the publication of an increased number of studies in tax compliance behaviour, new models and applications, mismatches have been immerged. However, the vast majority of the research lacks systemization and categorization of influential factors. Hence, there is a considerable need for the systemization of factors for further advancement of research in taxation. In particular, this paper helps to identify the main themes in the literature and the existing gaps and new areas in tax compliance research.

The purpose of this paper is to provide a clear picture of factors that influence in compliance behaviour of taxpayers. Firstly, the authors review recent influential contributions in the field and identify its most important factors. Secondly, recognize several research themes within each of these specific factors to encourage new ways of conducting research by filling the existing gaps. To achieve the objective of this study, authors used citation analysis to identify the most influential papers to define the main factors in the field from the ranked journals. Then this framework is used to classify main themes within each factor from the contribution of scholars made during 2011-2020.

The research area of entrepreneur's tax compliance behaviour

There are two approaches, the economic and behavioural approach to studying taxpayers' compliance behaviour (Sapiei, Kasipillai & Eze, 2014a). Allingham & Sandmo (1972) used the economics of crime model invented by Becker in 1968 to understand tax compliance behaviour (Allingham & Sandmo, 1972; Sapiei et al., 2014b). Later, researchers used the Prospect Theory developed by Kahneman & Tversky (1979) to explain how people make compliance decisions under risk reference to the value of the outcome (Sanders, Reckers & Iyer, 2008; Ameur & Tkiouat, 2016). Under the behavioural approach, researchers used psychology and sociology to study the tax compliance behaviour of citizens and businesses (Sapiei et al., 2014a). Psychological studies identified that taxpayers' compliance decision is guided by moral sentiment (Trivedi et al., 2003). Fiscal psychologists and social psychologists examined the compliance behaviour based on Theory of Planned Behavior (TPB), Risk Reference Theory (RT), Fraud Diamon Theory (FDT) (Maroney, Rupert & Anderson, 1998; Vazquez & Togler, 2009; Alabede et al., 2011; Bobek & Hartfiled, 2013; McKercher, Bloomquist & Pope, 2013; Yusof & Lai, 2014; Jayawardene, 2015; Hai & See, 2011). Researchers incorporated social influence to study tax compliance behaviour in the late 1990s (Reckers, Sanders & Roark, 1994; Bobek, Roberts & Sweeney, 2007). Important research conducted by Andreoni (as cited by Witte & Woodbury, 1985) considered how moral obligation and social influence impact compliance decisions. The psychological study conducted by Bobek & Hartfield (2003) highlighted a consistent role of social influence on voluntary tax compliance.

In the 21st Century, researchers attempted to integrate economic and non-economic factors into the compliance decision model (Yaniv, 2009; Kirchler, 2014). Accordingly, Kirchler (2007) interrogates economic (audit probability, sanction, & cost of detection) and non-economic factors (social norms, transparency & fairness) to introduce the Slippery Slope Framework (SSF). With the advancement of the internet and communication technology (ICT), digitalization brings benefits to economies in transacting internationally via cyberspace (Egelhoff, 1999). McLure (1998) and OECD (2014) claimed that firms use a different mechanism to artificially reduce taxable income or shift their profits to low tax jurisdictions with the digitalisation of economic conduct. Little or no economic activities are performed.

In the above analysis, a researcher on tax compliance behaviour is expanded into different directions in the literature. Therefore, it is justified to take stock of recent research to identify the main research areas within the field of tax compliance behaviour of entrepreneurs. In the past literature, researchers studied the tax compliance behaviour of salaried employees, self-employed employees, owner-managed firms, and corporate firms. This paper focus to investigate the tax compliance behaviour of entrepreneurs.

Methodology

Despite the significant number of research in the area of tax compliance behaviour since the 1970s, little attempt has been made to organized findings systematically to review current knowledge. Authors have performed a Systematic Literature Review (SLR) proposed by Tranfiled et al. (2003) to analyse the most recent literature as it ensures replicability of the findings in future research (Tranfiled et al., 2003; Pittaway et al., 2004; Thorpe et a., 2005). This study considered only articles published in ranked journals since those articles contained the validated knowledge (Podsakoff et al., 2005). In contrast, books, book chapters, reports and conference papers were excluded due to variability in the peer review process and more restricted availability (Jones, Coviello & Tang, 2011). In conducting SLR, authors adhere to the principles of transparency, clarity, focus, equality, accessibility, broad coverage and synthesis across journals (Thorpe et al., 2005).

Journal articles were selected from Scopus, Web of Science, and ScienceDirect published during 2011-2020 containing key words “taxation”, “tax compliance behaviour", and "tax compliance" (Jones et al., 2011). The search was yielded 523 articles. Duplicate documents, books, book chapters, and conference papers were eliminated (Pittaway et al., 2004; Jones et al., 2011; Thorpe et al., 2005). This resulted in identified 361 papers that are relevant for the study. Then all abstracts of 150 papers were read in order to identify factors that influence tax compliance behaviour. When the doubt arose, the whole paper was read by each author and identified 171 most relevant articles across 118 ranked journals for the study.

Citation Analysis

As a first step, a citation analysis is conducted to identify the most influential articles in the field of taxation (Gundolf & Filser, 2013). Authors have collated the published materials related to the study, and most cited papers published within the sample were selected to identify the categories. These categories were used as a reference for the thematic analysis. Xi, Krau, & Kellermanns (2013) highlighted the frequency of citation as an indication of the importance of the paper. Casillas and Acedo (2007) highlighted that frequency of citation convey the availability of scientific knowledge of the domain to the majority. Following the Gundolf & Filser (2013) approach, most cited papers within 171 were used as the reference for thematic analysis. Themes are considered as the fundamental concepts that describe the subject matter of each article (Ryan & Bernard, 2003). Therefore, the themes identified from the dataset represent the core ideas, arguments and conceptual link of the expression of the article (Thorpe et al., 2005).

Table 1

Themes of most cited papers in ranked journals during 2011-2020 (Source: Compiled by adopting data from Clarivate Journal Citation Report, 2020 and Google Scholars)

Category	Paper	Journal	Rank ABDC| ABS	Google Scholar Cites	ISI Citation	Five Years impact Factor	Article Influence Score
Gr.1 - Core Models of tax	Muehlbacher, Kirchler, &	EJLE	C	280		1.113	0.443

compliance, methodologies and theories	Schwarzenberger (2011)						
	Jo'Anne Langham (2012)	EJTR	A	29			
	Enachescu et al. (2019)	JEP	A	27		3.066	1.189
Gr.2 - Economic Factors	Wang, Omer, & McGuire (2012)	TAR	A* | 4*	427			
	Law & Mills (2015)	JAR	A* | 4*	200			
	Klassen, Lisowsky, & Mescall (2017)	CAR	A*	150		4.911	2.208
	Azrina Mohd Yusof, Ming Ling, & Bee Wah (2014)	JAAR	B | 2	62			
	Alm (2014)	EAP	B	43		2.382	0.477
Gr.3 - Psychological Factors	Hallsworth, List, Metcalfe, & Vlaev (2017)	JPE	A* | 3	630		3.919	3.575
	Pickhardt & Prinz (2014)	JEP	A	210		3.066	1.189
	Lubian & Zarri (2011)	JEBO	A*	111		2.525	1.372
	Olsen et al. (2018)	IRLE	B	19		1.208	0.622
Gr.4 - Sociological Factors	Alm & Torgler (2011)	JBE	A | 3	637		7.830	1.443
	Jimenez & Iyer (2016)	AIA	A	134			
	Mohdali, Prof. Brett Freudenberg, & Pope (2014)	ARJ	B	92			
	Edin, Tach, & Halpern-Meekin (2014)	JPAM	A	54		6.392	4.186
	Collins, McMullen, & Reutzel (2016)	SBE	A	42		8.139	1.731
Gr.5 - Institutional Factors	Castro & Scartascini (2015)	JEBO	A*	261		2.525	1.372

	Hofmann, Gangl, Kirchler, & Stark (2014)	L&P	A	109		0.542	0.211
	Devos (2012)	RLJ	B	82			
Gr.6 - Criminological factors	Alm, Martinez-Vazquez, & McClellan (2016)	JEBO	A*	180		2.525	1.372
	Ling Lai & Azrina Mohd Yusof (2014)	JFC	B	37			
Gr.7 - Emerging Factors	Azmi, Sapiei, Mustapha, & Abdullah (2016)	IJAIS	A	38		4.024	0.675
	Janský & Kokeš (2015)	PCE	B	31		1.529	0.374
	Agrawal & Wildasin (2020)	JPE	A* | 3	11		3.066	1.189

EJLE (1 paper) European Journal of Law and Economics; ***EJTR*** (1 paper) eJournal of Tax Research; ***JEP*** (2 papers) Journal of Economic Psychology; ***TAR*** (1 paper) The Accounting Review; ***JAR*** (1 paper) Journal of Accounting Research; ***CAR*** (1 paper) Contemporary Accounting Research; ***JAAR*** (1 paper) Journal of Applied Accounting Research; ***EAP*** (1 paper) Economic Analysis and Policy; ***JPE*** (2 papers) Journal of Public Economics; ***JEBO*** (3 papers) Journal of Economic Behavior & Organization; ***IRLE*** (1 paper) International Review of Law and Economics; ***JBE*** (1 paper) Journal of Business Ethics; ***AIA*** (1 paper) Advances in Accounting; ***ARJ*** (1 paper) Accounting Research Journal; ***JPAM*** (1 paper) Journal of Policy Analysis and Management; ***SBE*** (1 paper) Small Business Economics; ***L&P*** (1 paper) Law and Policy; ***RLJ*** (1 paper) Revenue Law Journal; ***JFC*** (1 paper) Journal of Financial Crime; ***IJAIS*** (1 paper) International Journal of Accounting Information Systems; ***PCE*** (1 paper) Post-Communist Economies

Thematic Analysis

A total of 25 most influential papers based on cross-citation analysis are shown in Table 2.1. These papers received the highest number of citations among the papers in the sample. After reading all 25 papers, main topic areas were identified based on the content similarity of the papers (Kraus, Filser, O'Dwyer, Shaw, 2014). Following Ryan & Bernad (2003) approach, fundamental concepts of tax compliance behaviour in the literature were identified. As shown in Figure 1, six categories of papers were identified from the most influential papers in the sample.

Categories derived from the most cited articles used as the reference to conduct thematic analysis of remaining papers in the database. As shown in Table 2, themes of each category represent the core ideas, arguments and conceptual link of the researcher's objective of the research, constructs, concepts and measures (Thorp et al., 2005).

Group 1 – Core models, theories and tax compliance strategies

These papers analyse the different models and frameworks available in the literature, theories used to understand tax compliance behaviour, and the different tax compliance attitude of citizens and businesses. Muehlbacher, Kirchler & Schwarzenberger (2011) highlighted the "Slippery Slope Framework" developed by Kirchler, Hoelzel, Wahl (2008) as an alternative approach available to assess the main tax compliance dimensions, voluntary tax compliance and enforced tax compliance. Compliance intention of business taxpayers studied by Langham, Paulsen, Härtel (2012) used the Theory of Plan Behavior (TPB) proposed by Ajzen & Fishbein. They identified that compliance intention could only be leveraged when the tax system creates the optimal environment for taxpayers to comply with their compliance obligations. Enachescu, Olsen, Kogler, Zeelenberg, Breugelmans & Kirchler (2019) conducted an experimental study under a mixed-method approach with taxpayers and tax auditors in Austria to understand the tax compliance experience.

Group 2 – Influence of economic factors

This category represents many papers of the sample, focusing on studying the effect of audit probability, cost-benefit associated with compliance decisions, and aggressive tax planning. Castro & Rizzo (2014) identified the influence of different equity conditions on the tax compliance level of an individual. A study conducted by Yusof & Lai (2014) among SMEs in Malaysia revealed that tax rate, company size and industry that the SME operates significantly impact on corporate tax non-compliance. Another three papers primarily discussed the tax planning measures taken by taxpayers to benefit from an effective tax rate. Klassen, Lisowsky, & Mescall (2017) conducted a survey among tax executives in multinational companies to investigate how the firm set their transfer pricing strategies to save taxes through the receipt of foreign income, tax haven and claim research & development expenses.

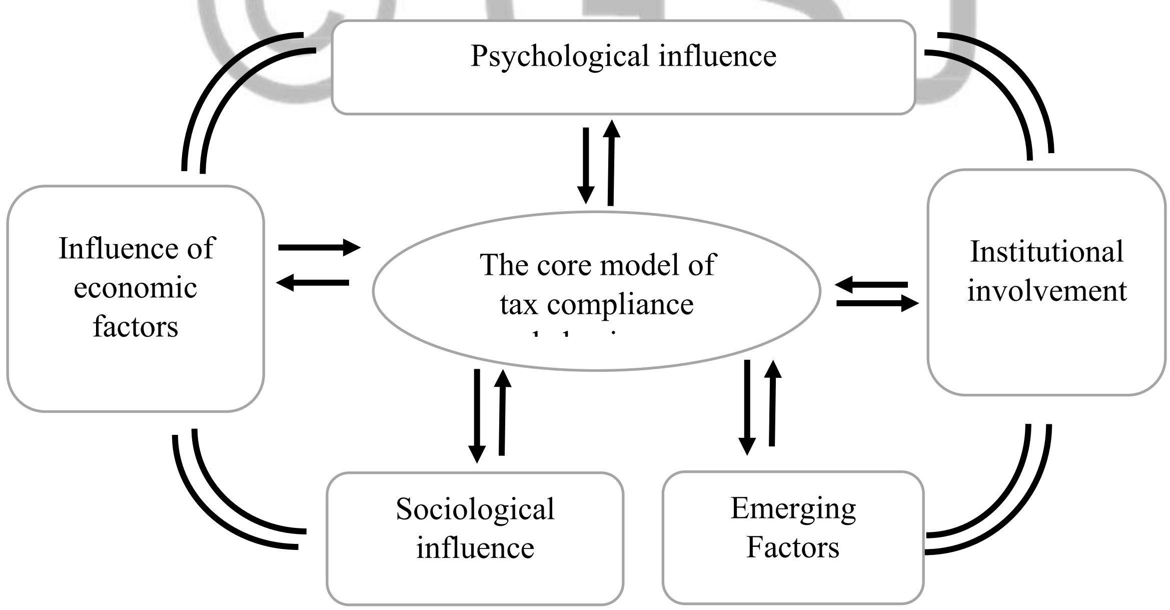

Figure 1. Themes of tax compliance behaviour (Source: Author, 2022)

Group 3 – Influence of psychological factors on tax compliance behaviour

These papers examined how internal variables influence tax compliance decisions. Pickhardt & Prinz (2014) discussed the influence of behavioural dynamics on the interactive climate between taxpayers and tax authorities. The most influential paper published by Hallsworth, List, Metcalfe, & Vlaev (2017), based on a natural field experiment using administrative data from 200,000 individuals in the United Kingdom, tests the effect of social norm on tax compliance behaviour. The other two papers focused on tax morale and the emotion of taxpayers on their tax compliance decision.

Group 4 – Influence of Sociological factors

A growing number of papers discuss the social influence on tax compliance decisions. Alm & Togler (2011) discussed the role of ethics of individuals on tax compliance decisions. Mohdali & Pope (2014a) focused on the influence of religiosity on tax compliance. Bornman & Ramutumbu (2019) identified the influence of tax knowledge on tax compliance decisions.

Group 5 – Institutional involvement in tax compliance decision

The papers listed under this group discuss the involvement of different institutions in tax compliance decisions. The experimental study through a convenience sample of 261 taxpayers by Hofmann, Gangl, Kirchler, & Stark (2014) studies the impact of tax authority's coercive power and legitimate power on tax compliance intension. Another research conducted by Castro & Scartascini (2015) in Argentina investigates the relationship between information and the taxpayer's belief regarding the level of enforcement imposed by the tax authority to manage tax compliance. McGuire, Omer, & Wang (2012) investigate the influence of tax services purchased by taxpayers from an external audit firm for tax avoidance.

Group 6 – Emerging trends in studying tax compliance behaviour

Papers published in the recent past shows emerging trends in studying tax compliance behaviour. Jansky & Kokes (2015) empirical evidence shows profit shifting as an emerging area of tax non-compliance among multinational companies. Another two papers published in 2016 and 2020 shows technology adoption as the new trend in tax compliance research.

The detailed discussion of themes and synthesises of each category are presented in the following section under various headings based on the conceptual importance of the subject.

Based on the literature review, the researcher identified different themes in the body of tax compliance literature as presented in Table 2. Apart from the main themes identified in the table, technology and cross-border transactions and level of knowledge identified as emerging themes from the recent literature.

Table 2
Themes of Tax Compliance Behavior (Source: Author, 2022)

Main Categories	**Research Themes**
G1. Economic Factors (26)	Deterrent Measures (6) Cost of Compliance (5) Equity Conditions & Tax Rate (5) Tax Incentives (5) Mixed Factors (5)
G2. Psychological Factors (26)	Fairness Perception (4) Ethics and Tax Morale (11) Emotional Experiment (4) Norms and Attitudes (7)
G3. Institutional Factors (34)	Power of Authority (5) Involvement of Tax Agent (10) Tax Planning Measures (4) The complexity of the Tax System (7) Corruption and Tax Transparency (6) Transfer Pricing (2)
G4. Sociological Factors (21)	Religiosity (3) Peer Effect (6) Citizenship Behavior (3) Tax Knowledge (7) Socio-demographic Characteristics (2)
G5. Emerging Factors (12)	Base Erosion and Profit Shifting (5) Perceived Detectability and Social Presence (1) Third-Party Reporting (2) Perceived ease of use and perceived usefulness (1) System Integration (3)

Literature on Influencing factors in tax compliance behaviour

Economic Factors

Researchers who followed the economic approach (Sapiei et al., 2014a) identified various economic factors that influence on tax compliance behaviour of entrepreneurs. Deterrent measure (Nguyen, Pham, Le, Truong, & Tran, 2020; Farid & Mohamed, 2017; & Gangl, Torgler, Kirchler & Hofmann, 2014), tax benefits (Fan & Liu, 2020; Junpath, Kharwa & Stainbank, 2016; Janský & Kokeš, 2015; Kastlunger, Muehlbacher, Kirchler & Mittone, 2010; Laplante, Skaife, Swenson, & Wangerin, 2019), cost of compliance (Schoonjans, Van Cauwenberge, Reekmans & Simoens, 2011; Harju, Matikka & Rauhanen, 2019; Sapiei et al., 2014b; & Harju, Matikka, Rauhanen., 2019), equity of tax system (Alm 2014; Vasileios & Aristidis 2015; Azrina, Ming & Bee, 2014; Bazart & Bonein, 2014) identified as main factors influence on tax compliance behaviour.

Deterrent measure in tax compliance:

The mixed-method research conducted by Nguyen et al. (2020) in Vietnam, through a focus group discussion with finance heads of companies and tax officers in the tax authority, found that voluntary tax compliance is directly affected by audit probability and severity of sanctions. Mendoza, Wielhouwer, Kirchler (2017) found the association between auditing level and tax compliance. Their results revealed that compliance increases up to a certain level of audit, and after that, compliance starts to decline. However, Atawodi & Ojeka (2012) found that firms avoid taxes less when tax enforcement is perceived to be stronger. Farid & Mohamed (2017) found that theoretically, a tax audit is highly effective in controlling the compliance behaviour of companies even it cannot be achieved in reality. Similar research conducted by Gangl et al. (2014) in Austria found that there is no positive effect of close supervision of tax compliance. Therefore, it is recommended to develop tax policy beyond the deterrent measures focusing on building trust in the tax system (Gangl et al., 2014; Muehlbacher, Kirchler & Schwarzenberger, 2011)

Cost of Compliance:

The cost of compliance identified as another influencing factor on tax behavior (Schoonjans et al., 2011; & Harju et al., 2019). Sapiei et al. (2014b) measured compliance cost as a percentage of sales turnover and found that it ranges from 0.057% of the smallest companies to 0.001% of large companies. Research conducted by Mahangila (2017) in Tanzania found that non-compliance of small and medium enterprises significantly increases when tax compliance costs increase. Stanford (1995) as cited by Sapiei et al. (2014b) identified three main components of compliance cost (1) internal cost, (2) external cost (3) psychological cost. The internal cost is the time cost of staff handling tax matters of the company. External cost includes payment made to the tax agent to purchase tax services, including the incidental cost of tax work. Furthermore, Psychological cost is the negative experience of taxpayers in complying with their tax obligation. Harju et al. (2019) highlight the importance of carefully implementing tax reforms to reduce overall compliance costs and increase enforcement efficiency.

Equity condition and tax rate:

Researchers investigate the relationship between tax rate & tax compliance behaviour and the equity of tax system (Alm 2014; Vasileios & Aristidis 2019; Levaggi & Menoncin, 2013). Levaggi & Menoncin (2013) studied the effect of the tax rate on tax evasion decisions through the Lineyang model (LY) and Dzhumashev & Gahramane (DG) model. They found that tax evasion increases when the marginal tax rate goes beyond 50% of the income. However, Azrina et al. (2014) argued that lowering the tax rate alone cannot be an effective way to increase tax compliance. Hence, they suggest to institute penal action against tax defaulters as they fear of evading taxes. Vasileios & Aristidis (2019) identified that maintaining a lower tax rate significantly enhances tax morale and compliance level.

Tax benefits:

Tax amnesty (Junpath et al., 2016), tax haven (Janský & Kokeš, 2015), accelerated depreciation (Fan & Liu, 2020), and research and development (Kastlunger et al., 2010; Laplante et al., 2019) are used by the government to motivate investment in different countries. Fan & Liu (2020) shed light on the importance of having effective tax incentives to improve tax compliance. They conducted a natural experiment to test the impact of accelerated depreciation policy in China and found that accelerated depreciation policy significantly increases investment in the country and level of tax compliance. However, they conclude that the accelerated depreciation policy is ineffective in countries with weak tax enforcement and a higher level of tax fraud. Laplante et al. (2019) argued that even though they could not identify meaningful evidence to support their argument of claiming R&D expenses, the immediate tax credit led to higher tax obligation in the future. The detailed analysis of fiscal and ownership data of companies in the Czech Republic conducted by Janský & Kokeš (2015) revealed that multinational corporations link with tax heaven by shifting profits due to ease of offshore business activities in the Czech Republic. Due to the gaps in geographical coverage and methodology Janský & Kokeš (2015) in the view that the effect of tax haven needs further analyses to identify the real effect on tax compliance decision. To address the problem of tax evasion, some courtiers introduced tax amnesty through the legislative change to the tax provision. Junpath et al. (2016) evaluate the impact of tax amnesty programs on tax compliance. In their research most respondents felt that non-compliant taxpayers anticipated further amnesty and declined the compliance after amnesty and half of the respondents believed that tax amnesty could cause honest taxpayers to default their taxes. Hence, they proposed that government should reward compliant taxpayers by offering tax rebates and lowering tax rates. However, Kastlunger et al. (2010) found that rewarding taxpayers do not impact tax compliance decisions.

Psychological Factors

Empirical findings of the economic approach advise to use controls and punishment to manage taxpayer's illegal behaviour (Kirchler, Kogler, Muehlbasher., 2014). As there is an undesirable side effect of the control and punishment approach Kirchler et al. (2014) believed that it might be counterproductive in the long run. Therefore, increasing attention is received for social norms and perceived fairness.

Fairness perception:

Empirical findings confirm that distributive fairness, procedural fairness and retributive fairness are strongly related to tax compliance decision (Kirchler et al., 2014; Collins, McMullen & Reutzel, 2016). Collins, McMullen, & Reutzel (2016) examined the relationship between distributive justice and entrepreneurial behaviour with 317 entrepreneurs in India. They found that non-productive entrepreneurs seeking aggressive benefits are negatively related to distributive justice and corruption. The important research conducted by Kogler et al. (2015) with 476 self-employed taxpayers in Austria measured the impact of procedural justice, distributive justice and retributive justice in tax compliance behaviour using the Slippery Slope Framework. Their findings show that trust in tax authority is mediated by procedural justice and distributive justice and is directly connected to voluntary tax compliance decisions. However, no effect of retributive justice on voluntary compliance. Another research conducted by Gobena & Dijke (2016) with Ethiopian business owners examine the relationship between procedural justice and voluntary tax compliance. They found that procedural justice was associated with voluntary tax compliance only when the legitimate power of the authority is low and the coercive power of the authority is high. The empirical findings of fairness perception show that trust is an important determinant to manage the compliance behaviour of taxpayers. Tax authorities should build trust in taxpayers' minds to maintain the optimal level of tax compliance.

Ethics and Tax Morale:

Tax morale is identified as a socio-psychological factor influencing tax compliance behaviour (Randlane, 2012). Lubian & Zarri (2011) argued tax morale as the meta preference of taxpayers without discussing or even considering how it might arise or how it might be maintained, cannot establish the relationship between tax morale and tax compliance. McKerchar & Main (2013) pointed out that a person's internal motivations to comply with tax obligations are commonly characterized by personal integrity. They conducted the study of 1101 audit cases of sole proprietorship from the Internal Revenue Service (IRS) database to test the correlation between moral rule and norms, perceived fairness and trust in government. They conclude that the absence of direct measures of the constituent component of tax morale is difficult to answer the above situation. Robbins & Kiser (2020) argued that neither state coercion nor state reciprocity answer why people voluntarily comply with their tax obligation. As a new sociology dimension, morale and morality deal about what is right and wrong helps understand tax compliance behaviour. According to research conducted in the United States of America, Robbins & Kiser (2020) found that taxpayers are intrinsically motivated to pay taxes beyond the purview of the Internal Revenue Service as they believe that tax obligation is the right thing to do. Hence, they conclude that morality and morale are more than deterrence action on tax compliance behaviour. Similarly, Brizi, Giacomantonio, Schumpe, & Mannetti (2015) highlighted that audit rates and fines are not sufficient to explain tax compliance and social value orientation of people would influence considering paying taxes as the right thing to do. Asnawi (2013) conducted a laboratory experiment with 78 doctoral and master students to test the audit rate and perceived audit probability. Their evidence shows that audit rate and perceived audit probability significantly correlate with tax compliance decisions. Kemme, Parikh & Steigner (2020) examine the role of tax morale on tax evasion by individuals via domestic equity investment through tax haven with the sample of 21 OECD host countries and 138 source countries. They found that individuals in low tax morale countries engage in tax evasion than individuals in higher tax morale countries. Alm & McClellan (2012b) conducted a study to examine how tax morale affects the compliance decisions of the firm. They found that firms are subject to the same tax morale considerations that individuals face when dealing with their taxes. Further, they found that enforcement efforts have relatively little impact on reporting decisions. Therefore, Alm & McClellan (2012b) suggest reducing corruption and complexity and providing better taxpayer services improve the level of tax compliance.

Rodriguez-Justicia & Theilen (2018) focus on the role of education in sharping tax morale. Based on the survey conducted among the group of individuals selected from 29 European countries, Rodriguez-Justicia & Theilen (2018) found that education has an important impact on tax morale. Their results show that highly educated people exhibit a higher level of tax morale in countries with better quality services, fair tax systems and more transparent institutions. Similar research conducted by Doyle (2015) investigates how education intervention enhances morale reasoning in higher-level tax students. Their focus group research findings show that even though there is no place for ethics in the contemporary financial services environment to enhance the moral reasoning of students, educators need to increase awareness of ethics on tax to build confidence to tackle ethical issues in talking tax compliance decision.

Emotional Experience:

Taxpayers experience different emotions in complying with their tax obligations. Filing tax returns, contacting tax authorities to get tax advice, or taxpayers experiencing different emotions

(Privitera, Enachescu, Kirchler, & Hartmann, 2021). Olsen, Kasper, Enachescu, Benk, Budak (2018) & Kirchler (2008) argued that even financial decisions often trigger strong emotional responses, little is known about the relationship between taxpayers' emotions on compliance intention. Researchers identified that tax compliance decisions influenced by different emotional experiences identified either positive or negative. Privitera et al. (2021) conducted emotionally related research in Austria with a representative sample of self-employed taxpayers to examine the impact of emotion on tax compliance decisions compared to Italian taxpayers' compliance intention. They found four types of emotions – positive emotion, anger, fear, and self-blaming- impact taxpayers' compliance intention in Austria. Their results reveal that emotion-related to anger and self-blame shape compliance intention. Hence, they conclude that emotional experience plays a vital role in tax compliance. The mixed-method research conducted by Enachescu et al. (2019) using self-employed, employed taxpayers and tax auditors investigate the impact of positive and negative emotion on compliance intention in the process of paying taxes. They categorized ashamed, anger, annoyance, blame, dissatisfaction, fear, guilt, helplessness, insecurity, nervousness, sad and stress as negative emotional experiences and happiness, helpful, regretful, relieved, satisfaction, secure and surprised as a positive emotional experience. Their studies revealed that both self-employed and employed participants reported higher compliance intention after having a positive experience with the tax authority compared to negative emotions. They conclude that emotion as a function that drives the compliance intention affects the general attitude of taxpayers. Hence, it is crucial to consider the taxpayers' subjective perception when designing policies to promote compliance. Olsen et al. (2018) investigate the role of emotion on tax compliance behaviour through an experiment with 411 self-employed taxpayers in Turkey. They argued that the Slippery Slope Framework had neglected the role of emotion. Moreover, they observed that enforced actions induce negative emotions such as anger, distress and jitter. However, it reveals that negative feelings of taxpayers increase enforced compliance and elevate the readiness to evade. On the other hand, negative emotion reduces the trust in tax authority while positive emotion increase voluntarily compliance. Hence, they believed that building trust alleviates negative emotions and identified that trust-building activities reduce negative feelings and increase voluntary compliance.

Norms and Attitudes:

Researchers argued that norms (Bobek, Hageman, & Kelliher, 2012; Kiconco, Gwokyalya, Sserwanga, & Balunywa, 2019) and attitude (Hai & See, 2011; Gangl, Hofmann, Groot, Antonides, Goslinga, Hartl, & Kirchler, 2015c; Puspitasari, Susilowati & Meiranto., 2017; Damayanti, Sutrisno, Subekti, & Baridwan, 2015) of people influence on their tax compliance behaviour. Kiconco et al. (2019) conducted a cross-sectional survey in Uganda with 384 Small Business Enterprises (SBEs) to study taxpayers' motives and drivers influencing tax compliance decisions. They conducted the study based on the Theory of Reasoned Action (TRA) and found that negative attitudes affect tax compliance behaviour. Further, they found that subjective norms influence on SBEs tax compliance intention. Bobek et al. (2012) performed factor analysis with 174 experienced taxpayers to explore the role of social norms in tax compliance decisions. They found that individuals' ethical beliefs (personal norms) and expectations of close others (subjective norms) directly influence the tax compliance decision. Further, they found that general societal expectation (injunctive norms) and other individuals' actual behaviour (descriptive norms) indirectly influence tax compliance behaviour. However, Puspitasari et al. (2017) found that descriptive norms (i.e. peer-reporting behaviour) among Indonesian small business owners is significant in reporting decision. Damayanti et al. (2015) examined the behaviour of taxpayers. Their results demonstrate that compliance attitudes, subjective norms and perceived behavioural controls affect the intention to comply. They found that positive attitudes, perception of social pressure, and higher perceived behavioural controls enhanced tax compliance. Hai & See (2011) study the influence of behavioural tax non-compliance of 515 sole-proprietors in Malaysia. Their results show that attitude (future expected tax cost and fairness of tax system), subjective norms (unapproved tax preparers and account preparers) and demographic variables (age and gender) positively influence behavioural tax non-compliance intension of sole-proprietors in Malaysia.

Institutional factors

Institutional involvement in tax compliance is widely discussed in the literature. Pickhardt & Prinz (2014) discussed the involvement lawmakers/policymakers, tax agents, and tax authorities with in tax compliance process. As shown in figure 2, Pickhardt & Prinz (2014) identified a hierarchical relationship between taxpayers, tax authority, tax practitioners/tax agents and policymakers. Accordingly, they highlighted that taxpayer are interact directly with tax authority based on power exercised by the tax authority. Furthermore, the tax practitioners play a significant role in moderating the relationship with tax authorities by providing tax services. However, the taxpayers do not interact with policymakers directly. Taxpayers' interaction with policymakers largely depends on the expert knowledge provided by the tax authority, tax practitioners and industry associations in formulating and simplifying tax rules.

Power of authority:

Tax authority use different forms of power to maintain tax compliance amongst citizens and businesses was examined in the previous literature (Kastlunger et al., 2013; Gangl et al., 2014; Hofmann et al., 2014; Fochmann & Kroll, 2016 and Castro & Scartascini, 2015). Influence of coercive power and legitimate power on tax compliance was widely investigated in the previous litrature.

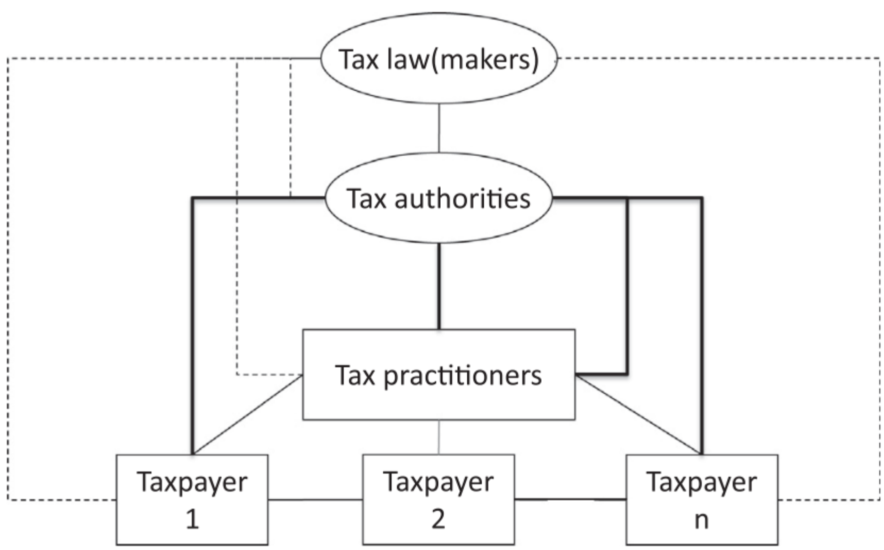

Figure 2. The tax game – (Source: Pickhardt & Prinz, 2014)

Hofmann et al. (2014) studied the effect of coercive power and legitimate power on tax compliance decisions through 261 taxpayers. The separate analysis of coercive and legitimate power suggests that taxpayers perceive tax authority as cops and pay taxes based on the pressure. In contrast, legitimate power increases reason-based trust about the tax authority and complying with tax laws because they believe that tax authority assists to resolve their tax issues. Hence, they propose to use coercive power in an antagonistic climate to increase tax compliance through enforcement actions while legitimate power to increase voluntary compliance through service climate. Figure 3 shows how coercive power and legitimate power affect tax compliance. Even the legitimate power more relevant than coercive power, Hofmann et al. (2014) assumed that coercive power and legitimate power exercise in combination would achive the highest degree of tax compliance.

Similar research conducted by Kastlunger et al. (2013) with a sample of 389 entrepreneurs in Italy examined how coercive power and legitimate power influence taxpayers' compliance decision. Confirming the findings of Hofmann et al. (2014), they evident that trust is positively related to voluntary tax compliance and negatively related to coercive power. Further they found that enforcement compliance leads to an increase the tax evasion.

Among the different forms of power, information power and reward power are other forms of soft power used by the tax authority to increase tax compliance. Castro & Scartascini (2015) researched Argentina to identify the influence of deterrent messages on tax compliance decisions. The results of their study show that taxpayers who received the deterrent message have a probability of increasing tax compliance by five per cent higher than taxpayers in the controlling group. However, the message about reciprocity and the peer-effect of compliance has mixed results. Tax compliance of some taxpayers increased, and others decreased based on their belief of distribution.

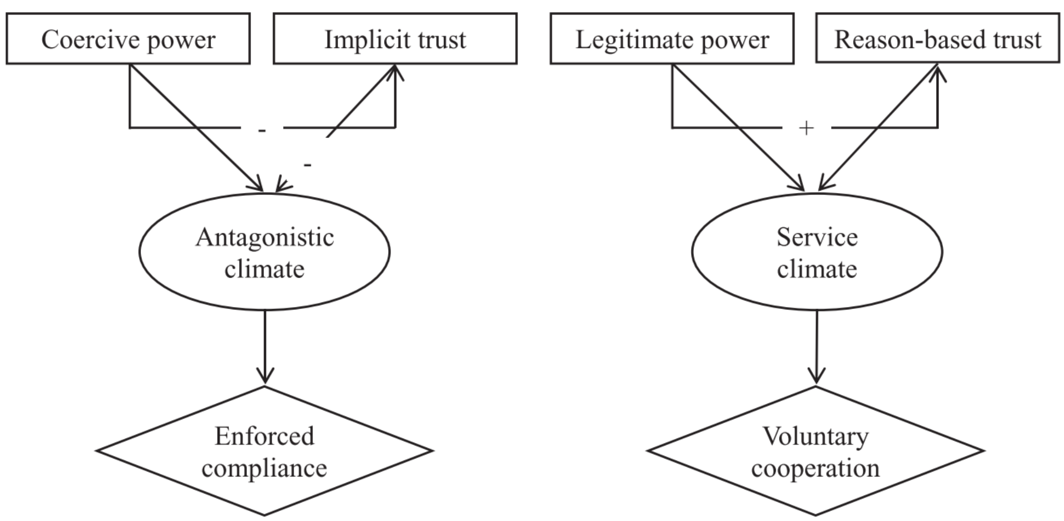

Figure 3. The Impact of Coercive and Legitimate Power on Trust, The Interaction. (Source: Hofmann et al., 2014)

The influence of reward on tax compliance decisions was investigated by Fochmann & Kroll (2016) through a laboratory experiment. They observed that rewording affect taxpayers' decision asymmetrically. Accordingly, they found that those who are reworded have no effect or negative effect for those who are not rewarded.

Involvement of Tax Agent

Tax professionals as intermediaries between tax authorities and taxpayers influence the compliance attitude of taxpayers (Devos, 2012). Previous research investigates the influence of taxpayers' compliance attitude by providing tax services by the incumbent auditor, their tax preparation cost, industry expertise in tax compliance decisions. As Devos (2012) highlighted, taxpayers purchase tax agent's services for several reasons. They purchase tax agent services to lodge accurate tax returns due to lack of knowledge about tax rules and to minimize the tax bill, fear of making mistakes and being penalized or lack of time to attend own tax compliance. Their overall findings reveal a significant relationship between the need for professional tax services to meet tax compliance obligations. The advisory services provided by the incumbent auditor was studied by Habib & Hasan (2015), McGuire et al. (2012) and Huang & Chang (2016). The empirical findings of the research conducted by Habib & Hasan (2015) identified that employing an incumbent auditor improves the quality of financial reporting and support for spillover benefit. Similar research conducted by McGuire et al. (2012) examined whether the combined audit and tax expertise of the external audit firm are associated with the level of client tax avoidance. Their findings suggest that firms that hire audit firms with industry-specific tax experts exhibit a higher tax avoidance level than firms that do not hire audit firms with tax experts. Further, Huang & Chang (2016) explore that the poor tax internal control system can benefit auditors providing tax services. Another research conducted by Smulders, Stiglingh, Franzsen, & Fletcher (2017) and Blaufus, Hechtner, & Möhlmann (2017) examined the influence of external tax compliance cost. They revealed that with the size increase of the firm, external tax compliance cost paid to tax agent increase, but no relationship was observed between tax preparation expenses and tax liability.

Tax Planning Measures:

Management involvement is another area that important in tax compliance. Park, Ko, Jung & Lee (2016) investigate the effect of managerial ability on tax avoidance in 2941 Korean based firms. Their findings show the negative relationship between managerial ability in tax avoidance. Further, they identified that managers with a higher level of ability improved the firm's management performance by reducing tax avoidance more than managers with a low-level ability. Tax planning is the legitimate process carried out by managers or external tax agents to obtain tax benefits. However, aggressive tax planning is not considered a legitimate process. Law & Mills (2015) found that pressure of financial constrain lead for aggressive tax planning to get the undue tax benefit. Wahab (2016) & Akhtar, Akhtar, John, & Wong (2019) examined Multinational Corporation's (MNCs) tax planning process and their tax evasion. Wahab (2016) investigate the tax planning activity of MNC in Malaysia and identified that multinational corporations have more opportunities to avoid tax than domestic companies. Their findings indicate that foreign sales and earning management tend to exhibit a higher level of tax planning. At the same time, the involvement of quality auditors is negatively associated with aggressive tax planning in MNCs. Akhtar et al. (2019) examine the impact of tax evasion on a multinational firm. They find that even MNCs commit multiple tax evasion unless they not experience long-term reputational damage on constant media follow-up. Also, they discovered that the magnitude of penalties is too low to hurt MNCs tax non-compliance.

The complexity of the tax system:

Exploratory mix method research conducted by Isa (2014) in Malaysia identified three dimensions of tax complexities. Taxpayers encounter complexity in tax computation, record keeping and tax ambiguity. The first two complexity dimensions were faced largely by smaller companies. On the other hand, the least difficult tax-related areas were dealing with tax agents, submitting tax returns within the given time and dealing with the tax authority (Isa, 2014). The qualitative study conducted by Tach & Halpern-Meekin (2014) examined the influence of structural constraints in the tax system on tax compliance decisions. They found that the tax code conflict with the complexity of the tax structure. Yoon, Yoo & Kim (2011) identified that complexity of the tax system and the ambiguity of the tax code create an uncertain situation for taxpayers in their compliance decision. Tax law ambiguity and complexity in performing compliance obligations make taxpayers' unintentional underreporting (Langham et al., 2012; & Isa, 2014). This creates a burden for taxpayers to obtain tax professionals' support to overcome uncertainties and meet their obligations (Yoon et al., 2011). Isa (2014) reveals that smaller companies face difficulties in hiring qualified tax professionals or maintaining in-house teams to attend their tax compliance. However, Park et al. (2016) identified no significant relationship between complexity and tax compliance. To maintain the equity in the tax system, Langham et al. (2012) advise creating an optimal compliance environment for taxpayers to successfully comply with tax obligations and avoid difficulties in performing compliance activities without any complexity support to increase the level of compliance.

Corruption & Tax Transparency:

Alm et al. (2016a) argued that even though corruption and tax evasion are distinct and separate problems in society, they can easily be intertwined and reinforced. The research conducted using 193 countries Batrancea, Nichita, Batrance & Gaban (2017) found that shadow economy and corruption are complemented. Alm et al. (2016a) argued that a corrupted society might enable more tax evasion as corrupt tax officials demand bribes from taxpayers to reduce their taxable income. As the relationship between corruption and tax evasion is unexplored, Alm et al. (2016a) attempted to test how the potential bribe affects a firm's tax reporting decision. The survey of 16000 firms across 32 countries with 8000 valid observations Alm et al. (2016a) found that corruption is a driver of evasion. Their results indicate that corrupted tax officials are a statistically and economically significant determinant of tax evasion. Thereby, Doyle (2015) suggests that when nations have judiciaries free from political influence, enforce law efficiently while protecting social interest, significant improvement in the education system and living standards minimize the red tape and facilitate economic transactions with a low corruption level. On the other hand, trust is an important indicator of taxpayer compliance affected by transparency (Augustine, 2020). As the transparency creates a sense of trust among taxpayers, Augustine (2020) researched Indonesia to test how the government disclosure about their plans, processes, and action influences voluntary tax compliance. He found that even sharing too much information about government plans, processes, and action confuses taxpayers as they fail to understand or interpret information. Ultimately this leads taxpayers to tale ineffective compliance decisions. Similar research conducted by Siahaan (2013) in Nigeria attempts to understand how the government's accountability and transparency in revenue generation affect tax non-compliance. They reveal that the government transparency and accountability towards people impact change the behaviour of taxpayers and lead to increased revenue collection.

Transfer Pricing:

Jost, Pfaffermayr & Winner (2014) conducted a study to analyse the risk associated with transfer pricing on tax compliance of multinational enterprises. They found that previous audit experience, accounting arrangement of intangibles and intercompany transactions create the risk on transfer pricing. Additionally, they observed the significant effect of intercompany transactions or intercompany agreements to cover intercompany transactions on transfer pricing risk. Klassen et al. (2017) surveyed a US-based multinational firm to examine the use of transfer pricing strategies and practices on tax minimization. They reveal that even though the transfer pricing strategies and practices are not uniform across multinational firms, they reflect tax minimization.

Sociological Factors

Researchers began to incorporate social influence into tax compliance research in the late 1990s (Reckers, Sanders, & Roark, 1994; Bobek et al., 2007). The psychological study conducted by Bobek & Hartfiled (2003) highlighted that there is a consistent role of social influence in voluntary compliance. Similarly, Henderson & Kaplan (2005) found that the ethical behaviour of taxpayers improves the tax compliance level.

Religiosity:

The influence of religiosity on tax compliance attitude examined by several researchers (Mohdali & Pope, 2014; Alm, Clark & Leibel, 2016; Khalil & Sidani, 2020) as religiosity, in general, encourages good social conduct of people (Khalil & Sidani, 2020). Alm, Clark & Leibel (2016) examined factors that affect the non-filling rate in the United States. They found that the non-filling rate fell modestly with religious membership. Another research conducted in Malaysia under the sequential exploratory mixed method by Mohdali & Pope (2014) focuses on exploring role of religiosity in determining taxpayers' attitudes. Even the religious beliefs influence eighty per cent of the respondents' daily lives, they found that religiosity has a minimal but statistically significant positive impact on voluntary tax compliance. Hence, they conclude that each individual's internal values firmly determine tax compliance attitude. Khalil & Sidani (2020) investigate the linkage between tax evasion attitudes and religiosity among Christians and Muslims in Lebanon in the context of weak tax administration. They found that religiosity is not a major explanatory variable associated with tax evasion in the Lebanese context. However, they highlighted that most studies identified the positive impact of religiosity on tax morale. There is still a dearth of studies that examine the association between these two variables.

Peer Effect:

The influence of network on tax compliance behavior of an individual’s investigated in the past (Battistona & Gamba, 2016; Alm, Bloomquist, & McKee, 2016b; Gioacchino & Fichera, 2020; Puspitasari et al., 2017; and Gamannossi degl’Innocenti, & Rablen, 2020). Alm et al. (2016) argued that individuals' tax compliance behaviour is affected by their neighbours' behaviour or those with whom they may interact regularly. Their findings show that providing information on whether one's neighbours are filing their tax returns and reporting income has a statistically significant and economically large impact on individual filing and reporting behaviour (Alm et al., 2013). Similar experimental research conducted by Puspitasari et al. (2017) in Indonesia studied the peer reporting behaviour on one's tax compliance decision. They also conclude that peer reporting behaviour determines the behaviour of taxpayers. However, Alm et al. (2016) highlighted that neighbour information does not constantly improve compliance. Hence, they suggested using a multi-faceted policy approach to improve compliance by building the service paradigms to affect individual tax compliance behaviour. Gioacchino & Fichera (2020) examine the influence of peers in the reference group in tax compliance decisions. They developed an agent-based model to understand the peer effect on connected individuals in a network. Their findings reveal that targeting to improve the civic sense of central individuals in the network, tax authority can minimize the diffusion of prosocial behaviour and poster compliance. Hence, they suggested tax authorities to use data analytic techniques in the current digital era to identify the most influential individuals in the network and promote voluntary tax compliance.

Citizenship Behavior:

Pellizzari & Rizzi (2014) investigate the impact of citizenship attributes on compliance behaviour. They employed Slippery Slope Framework in the agent-based model to investigate citizenship attributes – risk aversion, appreciation of public expenditure, expectation about peers' compliance and national inclination to comply. The investigation results reveal that compliance decision not only depends on individual traits but also the perceived quality and quality of per capita public expenditure. They conclude that even though power is required to achieve higher compliance, citizenship attributes significantly impact tax compliance decisions. On the other hand, Gangl, Torgler & Kirchler (2015b) study the impact of patriotism on tax compliance decisions of citizens in Austria. The social identity of citizens in a specific social group provides important guidance to understand social behaviour (Tajfe & Turner, 1986 as cited in Gangl Hofmann, Kirchler., 2015a). Dover (2016) discussed the social identity of citizens as patriotism using three promotional tools – the national flag, national achievements and national landscape. Their results indicate that national flags and national achievements trigger patriotism, which can trigger patriotism without nationalism. Hence, they suggested public institutions to elicit patriotism and not nationalism.

Tax Knowledge:

Knowledge is an essential commodity people use to make an economic decision. Researchers identify tax knowledge as an essential determinant that enhances people's compliance behaviour. Nichita, Batrancea, Pop, Batrancea, Morar, Masca, Roux-Cesar, Forte, Formigoni & Silva (2019) surveyed 358 Romanian taxpayers to study how tax literacy influences compliance decisions. They created a tax literacy index to estimate tax compliance among Romanian taxpayers and found that higher tax literacy directly connected to higher voluntary compliance. They conclude that higher tax literacy has numerous benefits other than financing public goods through voluntary compliance. Literate taxpayers can grasp the purpose of taxation and are willing to pay their fair share of taxes. Similar research conducted by Ali & Ahmad (2014) in Malaysia also found that tax literacy influences tax return filling. The research from 500 youth taxpayers Ali & Ahmad (2014) found that tax knowledge strongly predicts trust in authority. As the tax knowledge influences the tax morale of an individual, they become more responsible and better understood about the importance of contributing to public expenditure through tax when they are more tax literate. Mukhlis, Utomo & Soesetio (2015) study the role of taxation education programs on sharping tax knowledge among handicraft SMEs in Indonesia. They found that the taxpayer education program has a positive and significant impact on tax knowledge, tax knowledge has a significant and positive effect on tax fairness, and tax fairness has a significant positive effect on tax compliance. They believe that strengthening taxpayer education is significant in sharping the tax knowledge. Similarly, Newman & Nokhu (2018) find that tax knowledge positively influences the tax compliance behaviour of the taxpayer in Zimbabwe. To create responsible taxpayers Newman &

Nokhu (2018) suggest an introductory tax course at the beginning of every higher education program. Similarly, Hassan & Nawawi (2016) argued that tax authorities should make a possible effort to educate taxpayers as taxpayers use the information given by tax authorities in tax education programs for their compliance decision. As tax payers only focus on getting basic tax knowledge and understanding their responsibility, they suggest to provide text-based information like pamphlets, advertisements, and websites effectively educate taxpayers. A survey conducted by Andreas & Savitri (2015) with 100 taxpayers about the taxpayer's awareness program reveals that taxpayer's awareness program expedites to obtain tax registration and comply with tax obligations. However, Ghani, Hamid, & Shamsuddin (2020) conducted qualitative research in Malaysia to investigate the effect of tax knowledge, compliance cost, complexity and morale towards tax compliance among self-employed taxpayers. Their findings reveals that formal tax education increases the level of tax awareness since participants know tax gives lots of benefits to the country and the nation. However, the overall results of their study show that tax knowledge has no significant effect on the level of tax compliance among self-employed taxpayers in Malaysia.

Socio-demographic Categories:

Researchers attempt to understand the relationship between social-demographic categories with tax compliance decisions. Hofmann, Voracek, Bock, Kirchler et al. (2017) highlights that research on the relationship between tax compliance and age, sex, education and income level shows inconsistent results. They have conducted four meta-analyses to examine the relationship between tax compliance and age, sex, education and income. Considering data from several large scale international and European surveys shows that age and sex are crucial in tax research. Although the relationship between age or sex and tax compliance is weak and differs over regions, female taxpayers are tax compliant than male taxpayers. However, their overall findings appear that socio-demographic categories have little impact on tax compliance. Hence, they recommend looking at explicit age and sex effects on tax compliance decisions. Another research conducted by Antwi, Inusah & Hamza (2015) in Ghana examined the effect of demographic characteristics of small and medium scale entrepreneurs on their tax compliance decision. They found that women entrepreneurs in Ghana are more non-compliant than men. Moreover, young entrepreneurs are less compliant than their older counterparts. Hence, they recommend an intensive tax awareness program to educate entrepreneurs to enhance tax compliance.

Emerging Factors

The advancement of internet and communication technology (ICT) significantly impacts competitiveness (Goolsbee, 1998; Moodley, 2002) in every aspect of business conduct. Since the digital economy is increasingly becoming the economy itself difficulty to ring-fence from the real economy for tax purposes (OECD, 2014). It is a question of how to execute constitutional power to tax transactions in the digital economy. McLure (1999) argued that taxing electronic commerce would hinder the growth of small e-commerce firms. Contrary to McLure, OECD (2014) claimed that with the digitalization of economic conduct, firms use different mechanisms for artificially reducing taxable income or shifting their profits to low-tax jurisdictions in which little or no economic activity is performed.

Chatama (2013) examines how information and communication technology (ICT) in tax administration improve revenue collection in Tanzania. His analysis reveals that after implementing a technology-driven revenue administration system, revenue collection of Tanzania increased from 23% to 41%. Despite the contribution from other economic factors, ICT enhances better tax administration. The empirical investigation conducted by Gnangnon (2020) in developing countries explored that a rise in internet usage is associated with a greater extent of tax transition reform in developing countries. The study conducted by Gangodawilage, Madurapperuma and Aluthge (2021) identified that the technology driven tax system influence the tax compliance behaviour of entrepreneurs in Sri Lanka. Hence, adopting technology for tax compliance supports tax authorities in using confirmatory compliance strategies to improve the interactive climate.

Base Erosion & Profit Shifting:

With the increase of e-commerce business practices, Alm & Melnik (2012a) and Argilés-Bosch, Somoza, Ravenda, & García-Blandón (2020) empirically identified that digital firms significantly avoid taxes that traditional firms. Alm & Melnik (2012a) investigated the potential impact of cross-border shopping prevalent on eBay-based transactions. They found that state revenue is less than one per cent compared with actual sales tax revenue. Even though there is little danger for the government ability to generate revenue, Alm & Melnik (2012a) highlighted that the significant expansion of online commerce creates a severe threat to generate sales tax. Hence, Argilés-Bosch et al. (2020) proposed that the government immediately prevent tax avoidance by e-commerce business firms. Further, Baumann & Friehe (2013), Sharman (2012) & Agrawala & Wildasin (2020) identified that e-commerce business practices support multination firms to set up business entities in low tax jurisdictions and shift the profit by setting intra-company pricing to avoid taxes. Even though e-commerce increases the tax base mobility, it facilitates revenue authorities to enforce destination-based taxes to avoid revenue loss to the state (Agrawala & Wildasin, 2020).

Perceived Detectability and Social Presence:

With the technology-driven tax system introduced to prepare tax returns instead of hiring tax professionals, LaMothe & Bobek (2020) examine whether individuals are more willing to tell economically motivated lies to a computer system than a human tax professional. Using 211 actual taxpayers in the United States of America, LaMothe & Bobek (2020) conducted an empirical investigation to access the underlying objectives. As the computer system does not have social presence and detectability, the taxpayer deliberately attempts to commit an intentional non-compliance on their tax return. Therefore, this study suggests that taxpayers who use the electronic tax system are more willing to lie about their taxes because lies are less likely to detect and have a less social presence than tax professionals. Hence, they proposed to enhance the feeling of social presence and perception of detectability to lower the willingness to lie to a computer system in complying with their taxes.

Third-Party Reporting:

The solution to enhance the detectability and social presence Li, Wang, & Wu (2020) proposed third-party reporting in the electronic tax system. This helps tax authorities to trace economic activities from various sources and impute the actual tax liability of the firm. Hence, their findings suggest that technology adoption effectively improves tax enforcement and compliance by integrating asymmetric information, deterring moral hazard, injustice, and collusion in tax enforcement and administration. The same has been recognized by Xiao & Shao (2020). They identified that increasing the enforcement action through the electronic tax system create difficulties for firms in concealing profit from the tax authority.

Perceived ease of use and perceived usefulness:

Haryani et al. (2015) researched in India to investigate the behavioural intentions of individuals about the adoption of the electronic tax filing system. An exploratory study with 250 respondents found that people tend to use electronic tax filing systems as they are more convenient and quicker than traditional paper tax filling methods. They conclude that electronic tax filing is greatly influenced by perceived ease of use and usefulness. However, they highlighted that their model does not fully explain individuals' intention to use the electronic tax filing system.

System Integration:

Azmi, Sapiei, Mustapha, & Abdullah (2016) study the role of technology adoption in VAT compliance in Malaysia using 401 SMEs. They found that tax compliance cost enhances the technology adoption by SMEs as the tax compliance cost is a significant issue for SMEs in Malaysia. Integrating the electronic tax system with the SME's accounting system facilitates tax filing requirements without additional cost. This is questionable for other taxes as this specific focus is on VAT compliance. Similar research conducted by Azmi et al. (2016) and Darono & Irawati (2015) identified that coercive pressure is vital for continued post-implementation of the tax system.

Perceived Risk

Trust of the technology-based tax system is dependent on the perceived risk associated with the tax system (Gangodawilage et al., 2021). The risk of using a technology-based tax system is influenced by manipulation and security threats. Hence, tax authorities should focus on these matters as the trust of the tax system is lost when taxpayers do not have confidence in the technology driven tax system.

In the recent past, researchers have attempted to investigate the behavioural intention of taxpayers about technology adoption in tax compliance. As the empirical studies in technology adoption on tax compliance are in the infant stage, researchers tested very few factors that affect the tax compliance intention of citizens and businesses in the digital space. Haryani, Motwani, & Matharu (2015) studied perceived detectability, social presence, ease of use and performance expectancy of the technology-driven tax system. However, it is yet to explore the appropriate model to evaluate the compliance intention of taxpayers in the digital space.

Conclusion

The current study identified four main categories within tax compliance behaviour by expanding it to the fifth category. We are convinced that most papers focus on building trust to promote voluntary compliance under a service climate and use the power of authority to manage compliance behaviour through enforced compliance in the antagonistic climate. A new avenue opens for tax authorities to integrate trust and power with technology to introduce a confirmatory compliance system (Gangodawilage et al., 2021).

Our findings suggest that people who support technology adoption for tax compliance identify a new way of interacting with tax authorities. Following the different interactive climates and integrating each category together open a door in the future to develop a new compliance model to evaluate the tax compliance behaviour of citizens and businesses in the digital economy.

Also, policymakers can find ways to improve fiscal policies in increasing tax compliance among citizens and businesses, especially among entrepreneurs.

The authors identify several limitations as the study associated with the methodology adopted. Despite our extensive effort to search relevant literature may have failed to capture all papers in tax compliance behaviour. In particular, we exclude books, book chapters, conference papers due to variability in the review process. Even authors took every precaution in carrying out the analysis, and authors recognized their subjectivity regarding the classification of papers. Also, the application of bibliometric methods is constrained as publication needs time for significant impact. Hence, it remains impossible to predict which papers will be the most influential paper in the field in the future.

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