



## Power, Trust and Transparency as Determinant Factors of Tax Compliance: A Systematic Review

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### ABSTRACT

This systematic review emphasizes the importance of expanding and deepening the theoretical framework of research on individual taxpayer compliance, particularly through integrated models. The main objective of this article is to systematically review the literature on tax compliance based on three determinants: coercive power, trust in tax authorities and transparency; and provide a direction for future research. There are three review questions in this paper, namely: (1) What is the present situation of the literature on the connection between coercive power and tax compliance; (2) What is the present situation of the literature on the connection between trust in tax authorities and tax compliance; (3) What is the present situation of the literature on the connection between "relationship transparency" and tax compliance. A systematic review of the literature was used to perform this review, considering 66 studies published in several suggested databases. The results are a call for a more sophisticated understanding of not only how suggested factors (Coercive Power; Trust; Transparency) affect tax compliance, but also how they interact and change each other and then, influence tax compliance. This review implies that enhancing tax service, transparency, and government trust is more successful and relatively easier to proceed than encouraging positive behaviour among taxpayers. This review is the first to systematically analyse the literature on tax compliance based on three determinants (coercive power, trust and transparency), as found, no synthesis studies have comprehensively covered the issue. This results in unique, motivating, and relevant discoveries that may be used to direct future studies and serve as a tool for academics, practitioners, and policymakers. Furthermore, this study would aid governments and tax authorities to understand the motives and perceptions of taxpayers into taxes.

### KEYWORDS

coercive power, trust in tax authority, relationship transparency, tax compliance, tax non-compliance, tax system, systematic review

JEL H24, H26

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## Власть, доверие и прозрачность как определяющие факторы соблюдения налогового законодательства: систематический обзор литературы

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### АННОТАЦИЯ

В этом систематическом обзоре аргументируется важность расширения и углубления теоретической базы исследований соблюдения требований налогового законодательства индивидуальными налогоплательщиками, в частности, с помощью интегрированных моделей. Целью данной статьи является систематический обзор литературы по соблюдению налогового законодательства на

основе трех детерминант: сила принуждения, доверие к налоговым органам и прозрачность, а также предложение направлений будущих исследований. Рассматриваются три обзорных вопроса, а именно: (1) Каково нынешнее состояние исследований связи между принуждением и соблюдением налогового законодательства; (2) Каково нынешнее состояние исследований связи между доверием к налоговым органам и соблюдением налогового законодательства; (3) Каково нынешнее состояние исследований связи между «прозрачностью отношений» и соблюдением налогового законодательства. Нами был использован систематический обзор литературы с учетом 66 исследований, опубликованных в нескольких базах данных. Полученные результаты отражают необходимость более глубокого понимания того, как анализируемые факторы влияют на соблюдение налогового законодательства, а также того, как они взаимодействуют и затем влияют на соблюдение налогового законодательства. Обзор демонстрирует, что такие меры как улучшение налоговой службы, прозрачности налогообложения, а также доверия к правительству являются более успешными и относительно легкими в реализации, чем поощрение позитивного поведения налогоплательщиков. Данный обзор является первым, в котором систематически анализируется литература по соблюдению налогового законодательства на основе трех детерминант (принуждение, доверие и прозрачность), поскольку было установлено, что ни одно обобщающее исследование не охватывало всесторонне этот вопрос. Это приводит к уникальным, мотивирующими и актуальным выводам, которые могут быть использованы для выбора направления будущих исследований и послужить инструментом для ученых, практиков и политиков. Кроме того, данное исследование поможет правительствам и налоговым органам понять мотивы и восприятие налогов налогоплательщиками.

## КЛЮЧЕВЫЕ СЛОВА

принуждение, доверие к налоговому органу, прозрачность, соблюдение налогового законодательства, несоблюдение налогового законодательства, налоговая система, систематический обзор

### 1. Introduction

Taxation is a necessary component and plays an important role in all aspects of economic sectors [1]. Many important services and public goods are funded through funds earned from taxes. Consequently, individual desire to pay taxes is critical to a country's economic and social well-being [2]. Governments are projected [3; 4] to be pressed to encourage taxpayers not to dodge or underestimate their tax obligations as the demand for improving national health care, educational programs, and other critical public services is mounting.

Hence, understanding the factors that support ongoing cooperation between the official authorities and taxpayers may aid in promoting tax compliance [5]. The degree to which a taxpayer complies with tax legislation is referred to as tax compliance (TC), it is also a taxpayers' behaviour or action in meeting or failing to meet tax rules [6]. Voluntary tax compliance (VTC) and enforced tax compliance (ETC) are two types of compliance behaviour [7]. VTC re-

fers to taxpayers who voluntarily disclose their income, calculate the exact their income taxes, and file tax returns on time [8]. Whereas, ETC presents taxpayers as non-cooperative, egoistic and must be coerced into contributing to taxation in order to fulfil tax commitments [9].

Commonly, the degree to which an individual adheres to tax regulations and laws indicates TC. However, indeed, this is not the case. It is far from simple or straightforward to comply with tax responsibilities. Many factors can influence a taxpayer's ability to meet their tax payments. Based on control or the power strength, TC determinants can be classified into two groups.

Firstly, the factors under the control of tax authorities such as tax service [10], trust in government [11] [11], tax audits, tax rates and penalties [12].

Secondly, factors influenced by culture of society and values (e.g., beliefs & customs) [3] or by taxpayer itself such as personal norms [13]. The two categories

are known as enforcement approach and psychology approach.

Allingham & Sandmo [14]’s model, which designed as an economic model to deal with tax non-compliance behaviour, was essential in persuading scholars to use the deterrence strategy. The model came to the conclusion that economic factors, particularly income level, audit, tax rates, and penalties, had an influence on the tax decision. In this aspect, the enforcement paradigm has previously dominated TC studies, because Allingham & Sandmo’s model of tax evasion was popular at the time [15]. However, the inconsistency between the model’s prediction and actual data has prompted numerous researchers to look for other factors that influence TC [16]. Several governments are currently seeking to adopt an expansive fiscal policy as seen by rising government spending, although the actual tax revenues are not fully as expected due to the tax gap [17]. Hence, it is critical to ensure that people pay their taxes so that the intended tax revenue is achieved.

Power is a term used to describe a tax authority’s ability to find and prosecute tax evaders [7]. Presence of a tax investigation accompanied with consequences against non-compliant taxpayers, power grows. Some prior research [18; 19] has found that when taxpayers have a positive opinion of the power of tax authorities, they are more likely to follow the rules.

Although having the power is vital for increasing TC, relying just on power is insufficient because not all taxpayers have the same impressions or perceptions on tax authorities. Previous studies [20–24] suggest that taxpayers’ trust in authorities has an effects on taxpayers’ compliance, and taxpayers’ trust is dependent on their perception whether the authorities are responsible, transparent, and trustworthy or not. Further, increasing TC needs not only power, but also trust [25; 26], and transparency [27; 28]. Thus, when taxpayers feel that the tax authority has significant taxing powers, as well as appropriate transparency and a high degree of trust, they are more inclined to comply with the law because they believe that non-com-

pliance is illegal action. Several authors and taxations experts have pointed out many factors that might affect tax compliance behavior. Nevertheless, empirical evidence from integrating economic and non-economic factors is needed [15].

With the increase of published articles on the relation between economic approach and TC, especially in the last decade, the relation between power, trust and transparency with TC is now the subject of extensive research. However, prior studies did not address the issue completely and accurately. For instance, several studies, especially in European countries such as [29; 30], provided evidence on TC but the scope was only limited to the Slippery Slope Framework. Moreover, previous studies e.g., [31; 32] adopted the Slippery Slope Framework to investigate the direct relation between power, trust and TC, however no consistent conclusion found related to the examined determinants. Thus, this review suggests that the role of trust in authorities and transparency as a mediator factor is deserved to be considered in the future model. On top of that, studying socioeconomic factors is essential in determining tax compliance behavior. Historically, the economic deterrence approaches that included in the tax compliance model have not offered a complete compliance perspective [33].

To counter the inadmissible level of tax gap, it would be important to implement a measure that will lead to enhance TC, and therefore, it is so critical to identify and bear in mind the main determinants of TC as discussed in this study. Furthermore, the practical benefit of this study is that it is useful for tax authorities and in other related financial sectors to comprehend the taxpayers’ behaviour of tax payments and establish strategies to eliminate the tax gap.

The main objective of this article is to systematically review the literature on tax compliance based on three determinants: coercive power, trust in tax authorities and transparency; and provide a direction for future research.

Hence, to achieve the purpose of the study, this review seeks to answer the following *research questions* through

a systematic literature review of related literature:

RQ1. What is the present situation of the literature on the connection between coercive power and tax compliance?

RQ2. What is the present situation of the literature on the connection between trust in tax authorities and tax compliance?

RQ3. What is the present situation of the literature on the connection between “relation transparency” and tax compliance?

This manuscript is organized into five sections, the first which is this introduction. The methodology is presented in Section 2, which includes the systematic process of the study, information source, studies selection, data recording, and the review criteria. Section 3 explains the paper's results (search results) and lists for all of the studies that were included as tabulated in Tables 1, 2 and 3. Section 4 shows the findings of the review and suggestions for future research. Finally, Section 5 brings the paper to a close, main contributions, and limitations of the study.

## **2. Data and Methodology (the Protocol)**

### **2.1. Stages of a systematic review**

This study followed a systematic review protocol, which aids in gaining a full understanding of the research topic and giving more data for future investigations. Furthermore, due of its broad impact across a variety of study fields and sci-

entific disciplines, the systematic review methodology was selected as an advanced approach.

Tranfield et al. [34] published a comparative study between medicine discipline and management field about conducting a systematic review in the two mentioned fields. After the analysis for the applicability to conduct systematic review in management field, Tranfield et al. [34] proposed a set of steps as protocol, as presented in Figure 1. Based on that, this study has followed the suggested steps for review.

### **2.2. Data source**

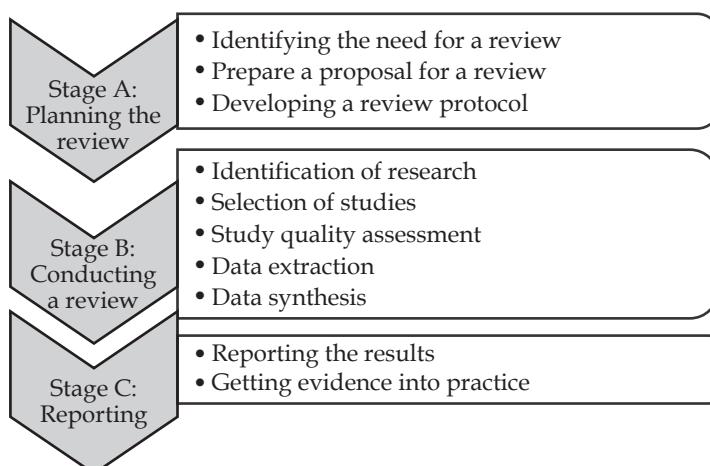
For information search, downloading, screening, extraction, and establishing of this review, four scientific digital databases were chosen:

1) Web of Science (WoS), which has a diverse set of manuscripts in a variety of fields such as applied sciences and social sciences.

2) Science Direct (SD) database, which provides a large number of scientific manuscripts across a variety of academic domains.

3) Scopus database, which contains multiple publishing contents connected to many and diverse disciplines of research.

4) Google Scholar, the most well-known database and comprehensive search engine for scholarly literature and academic resources.



*Figure 1. Stages of a systematic review (Tranfield et al. [34])*

The employed search strategy in the current review was designed and summarized as in Figure 2.

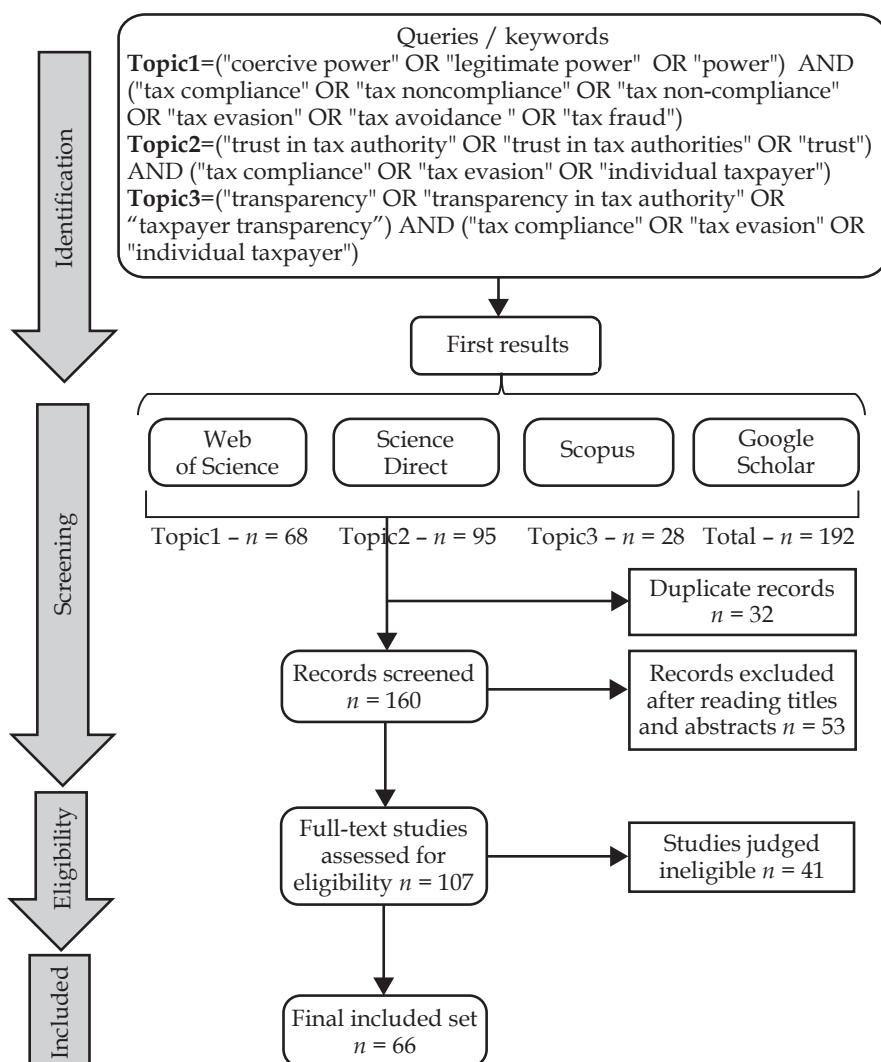
Tranfield et al. [34] designed a methodology for developing knowledge research in management field by systematic review. Tranfield et al. [34] stated that the information source for data are all the relevant resources of the search. Relevant sources will be obtained for a more in-depth analysis of the literature, and some will be selected for systematic review.

Moreover, these four databases were used which mostly are reiterated by sev-

eral researchers and authors such as [35–38]. Therefore, these databases were considered adequate and most appropriate for our review and assessment. Additional search sources were investigated and used in this research because of their importance in text analytics.

### 2.3. Search process

This study carried out an electronic literature search for the eligible manuscripts using four databases namely: WoS, SD, Scopus and Google Scholar. The search was conducted during 2021, to



**Figure 2. Flowchart of information through the different phases of a systematic review**

download and draft the scientific manuscripts, the updating for recent literature was included. The search started in the identified boxes for searching in the selected databases as listed earlier. For the search the conjunctive symbols were used (e.g., AND, OR), as well as three groups of terms (keywords/queries) were employed as shown in Figure 2.

The Boolean operators were used to find the most relevant articles, because they were more practical in this review. Content was picked for searching and filters based on various sorts of published manuscripts, review articles, and conferences. This choice was beneficial in terms of covering the most recent and pertinent publications in the review's chosen topic.

#### **2.4. Screening and study selection**

The search process consisted of three steps, began with articles collecting, followed by article's title, abstract scanning and full-text reading.

The articles with the preliminary results were collected in the first step from the identified databases (WoS, Science Direct, Scopus and Google Scholar). In this step, the number of results was large, but the researchers read the results systematically until they saw no more relevant articles which then, they suffice with that much screening. After screening and comparing the collected articles  $n = 32$  duplicate articles were removed.

In the second step, the relevant papers were identified in this phase by scanning their titles and abstracts. All of the publications that were extracted were thoroughly checked (reading the titles and abstracts) to see if they met the inclusion criterions.

If the paper was a match, it will be moved on to the next step. In the third step, the full-text reading was implemented, if the paper did not meet the review's criteria, it was eliminated. For the papers that met the study's inclusion criteria ( $n = 66$ ) which gathered as the final collection, full-text reading was undertaken, and the relevant and important information was extracted (data extraction). Details about these processes will be discussed in the next section.

#### **2.5. Data extraction and assessment**

The data extraction elements in this study were formulated and identified as that author, year of publication, database for downloading, type of article, aims of the study, method, and key findings which designed to provide insights for this review. In this stage, the data was collected and extracted by assessing and summarizing the numerous attributes of each article, which were then listed and classified in proper categories utilizing an Excel software. These elements were deemed the most relevant in determining the major points of discussion for this systematic review. The operation was wrapped up with a summary table of the key information of the final collected studies.

Furthermore, the critical assessment was implemented because of its thoroughness in judging the quality of the outcomes. The topic of each study, as well as the quality of the technique, were taken into account while evaluating the results. A comparison of studies was made to highlight the important aspects, strengths, and weaknesses of each paper. Furthermore, the geographical area of the data, the methodologies employed, and the outcomes were all evaluated more thoroughly (e.g., presentation of the results, whether the final results reflect the analysis).

#### **2.6. Inclusion criteria**

In order to find the most relevant papers in the process of research selection, certain inclusion and exclusion criteria were applied. The keywords employed in the current study served as the basis for the inclusion criteria. There were no restrictions on the type of publishing or the year of publication. Only English-language papers were retained in all the databases that were chosen.

Literature review articles were included, if relevant. All research articles, conference papers, conceptual papers, and thesis dissertations are included. Besides, all relevant manuscripts such as books and official reports were identified and included if it supports the aims of this study.

The published version of a working paper was preserved in the analysis after it was published in a scientific publication. Studies that do not meet any of the criteria for inclusion were excluded.

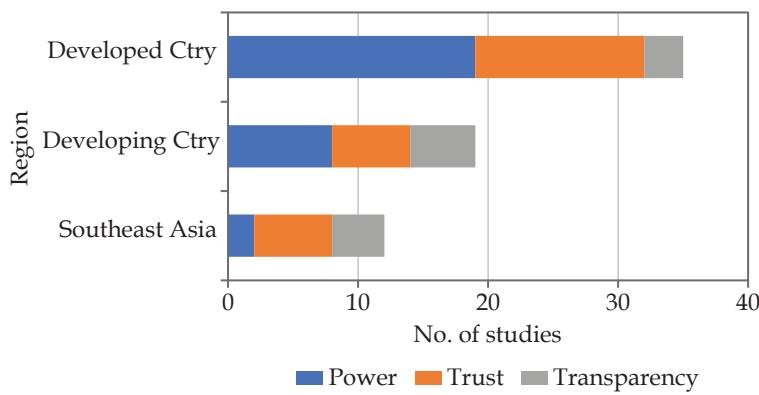
### 3. Analysis and Results

The data analysis and findings are divided into four sections. Section 3.1 describes the general trend and information of studies. In Section 3.2, the first unit of analysis was utilized to analyse the current state of the literature on the relation between power and TC (*RQ1*) for 29 articles that studied this relationship. In section 3.3, analysis on the current state of the literature of the relation between trust and TC (*RQ2*) for 25 articles related to this relationship was undertaken. Finally, in section 3.4, the content analysis of 12 articles was performed to analyse the relation between transparency and TC (*RQ3*).

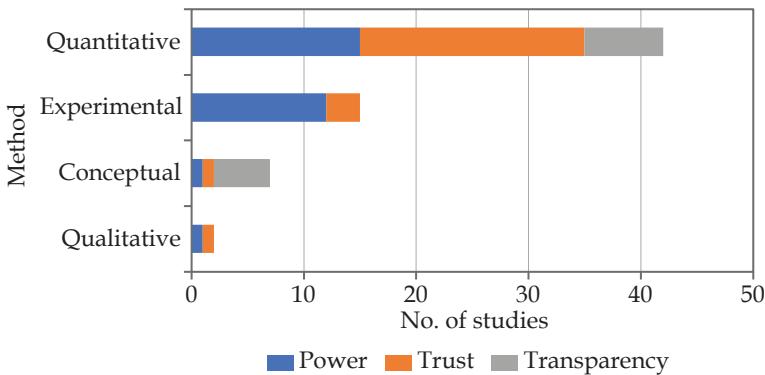
#### 3.1. Descriptive findings of studies

The general trend and information for the review outcomes are shown in Figures 3 to 6. From Figure 3, it is apparent that the majority of studies have been in developed countries which indicates the importance of economic factors towards TC issues. In developing countries, the research is still in growing stage, but not as much as developed nations. With regards to Southeast Asia region the research is still in infancy stage which need more concern and these studies do not focus on real taxpayers as their respondents.

In Figure 4, the outcomes illustrate that most of these studies were conducted through quantitative approach, nevertheless the results were rather inconclusive. There are some studies that employed experimental method, however most of them focused on students as subjects for research. The dearth of research was



**Figure 3. Distribution of studies by region**



**Figure 4. Distribution of studies by method**

found in qualitative approach, thus more research can be taken in particular the qualitative research is the initial underpinning for upcoming research. Moreover, the inconclusive results in the quantitative approach are probably attributable to the paucity of qualitative research in order to provide a profound explanation.

The distribution of studies by publication year are shown in Figure 5. The numbers point out that a large number of studies have been published in the last five years which imply to the significant of the concerned factors in these studies. Besides, the results shown that these pointed factors are recently within concentration and could be the more related to the changes of TC phenomenon.

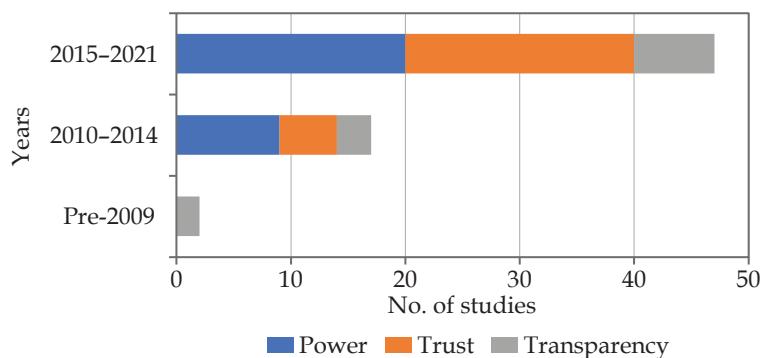
Finally, the last Figure (Figure 6) presents the level of the quality of studies. The dominant group of the studies was ranked in ISI index, this translating for us the quality of research and shows its importance for those interested as hot topics.

### **3.2. Power of tax authorities**

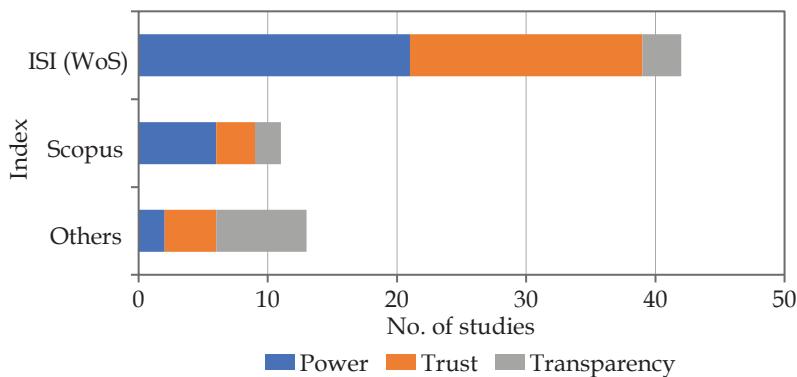
Summary of published studies on tax compliance based on coercive power determinant is shown in Table 1.

In today's practice and research, the connection between tax authorities and taxpayers is becoming increasingly important. Several scholars claim that enhancing the deterrent power of tax authorities, particularly the coercive power to increase ETC, can raise tax payments [7; 31]. Due to the expected effect of non-compliance is lower than the expected outcome of compliance, taxpayers are more inclined to avoid paying taxes [7; 39]. According to several studies [31; 40], enforcing compliance is achieved in case of a combined application of high power with trust.

In accordance with [41]'s conceptual approach, the model speculates on a dynamic relation between tax authorities and taxpayers to fuel cooperation in social dilemmas. This dynamic can be



**Figure 5. Distribution of studies by publication**



**Figure 6. Distribution of studies by index**

Table 1  
Summary of studies on tax compliance based on coercive power determinant

Study (Year)	Theory	Approach	Name of Journal	Index
Kasper et al. (2015)	SSF	Experimental	Journal of Behavioral and Experimental Economics	ISI (WoS)
Kogler et al. (2013)	SSF	Experimental	Journal of Economic Psychology	ISI
Kastlunger et al. (2013)	SSF	Quantitative	Journal of Economic Psychology	ISI
Gangl et al. (2015)	N/A	Conceptual	New Ideas in Psychology	ISI
Faizal et al. (2017a)	SSF	Quantitative	Asian Journal of Accounting and Governance	ISI
Kaplanoglou & Rapanos (2015)	SSF	Experimental	Journal of Behavioral and Experimental Economics	Scopus
Mas'ud et al. (2015)	SSF	Quantitative	International Journal of Business and Society	ISI
Wahl et al. (2010a)	SSF	Experimental	Law & Policy	ISI
Wahl et al. (2010b)	SSF	Experimental	Law & Policy	ISI
Batrancea et al. (2019)	SSF	Experimental Scenario	Journal of Economic Psychology	ISI
Damayanti & Supramono (2019)	SSF	Experimental Scenario	Montenegrin Journal of Economics	ISI
Chong and Arunachalam (2018)	SSF	Quantitative	In Advances in Taxation	ISI
Gangl et al. (2019)	SSF	Qualitative	Frontiers in psychology	ISI
Hartl et al. (2015)		Experimental	PloS one	ISI
Gangl et al. (2020a)	SSF	Quant	Policy Studies	ISI
Dijke et al. (2019 a, b)		Quantitative	Frontiers in psychology	ISI
Hofmann et al. (2017)	SSF	Experimental	Frontiers in psychology	ISI
Hofmann et al. (2014)	SSF	Experimental	Law & policy	ISI
Mas'ud et al. (2019)		Quantitative	Economics & Sociology	ISI
Olsen et al. (2018)	SSF	Experimental	International Review of Law and Economics	ISI
Muehlbacher & Kirchler (2011)	SSF	Quantitative	European Journal of Law and Economics	ISI
Taing & Chang (2020)	TPB	Quantitative	International Journal of Public Administration	ISI
Mas'ud et al. (2015)	SSF	Quantitative	International Journal of Business and Society	Scopus
Benk & Budak (2012)	SSF	Quantitative	African Journal of Business Management	Scopus
Lozza et al. (2013)	SSF	Quantitative	Journal of Social and Political Psychology	Scopus
Gangl et al. (2020b)	N/A	Experimental	Policy Studies	Scopus
Gobena & Dijke (2016)	SSF	Quantitative	Journal of Economic Psychology	Scopus
Gangl et al. (2016)	SSF	Quantitative	Contemporary Issues in Taxation Research	Google Scholar
Rodrigues (2020)	SSF	Quantitative	Instituto Superior de Economia eGestão	Master thesis

established by elaborating the potential interaction effects of power and other economic factors in order to develop TC and committed cooperation in the improvement of public goods. Hence, the relation between tax authority and taxpayers is a significant component that forms TC behaviour [39]. The interview results generated from taxpayers and tax auditors [42] that supported the prior arguments which indicated to that tax auditors and taxpayers consider power as relationship determinant and they use this determinant to explain their tax relationships and formulating the TC behaviour.

The general trend of the results of the experimental studies in developed countries such as [40; 43] indicate that the power of the authorities leads to an improvement in TC generally. However, a few of these studies [40; 44] showed a significant impact of the power of authorities on TC. Moreover, prior studies provided that coercive power and legitimate power have the influence on TC decisions, if applied separately with the targeted compliance. For instance, legitimate power has increased VTC, but coercive power has increased ETC [45–47]. Notwithstanding the improvement in key indicators of TC, we should here refer to that most of the previous findings came from experiments on groups of students, which are not produced from actual taxpayers. Nevertheless, findings from these prior studies are still beneficial for researchers to develop TC by different approach and different groups.

The results of the survey instrument from developed countries show that voluntary cooperation by taxpayers depends on legitimate power of tax authorities while ETC depends on coercive power, and coercive power was correlated negatively with voluntary compliance [48–51]. It was also found that committed cooperation behaviour originates from a climate of confidence [47] which is characterized by reason-based trust, the effect of enforced compliance leads to at least tax avoidance and increased evasion [18]. Furthermore, the political affi-

liation has represented a significant factor in shaping TC among participants [32]. However, the analysis of the findings showed a little evidence of a significant influence on TC [32; 49; 51], probably due to the sampling method which was not clear or inappropriate to almost all survey-based studies.

This section will further discuss previous studies that were conducted in developing countries. The ability of tax authorities to reinforce compliance, forming compliance behaviour of taxpayers is a matter of interest, which in turn would lead to VTC or ETC [19; 43].

In a scenario-based experiment on Turkish taxpayers of 411 self-employed, Olsen et al. [52] found that highlighting authorities' enforcement capacity (e.g., high power) elevates intention of ETC, but induces negative emotions for the readiness to evade. A combination of high power and high trust, on the other hand, decreases negative feelings and promotes compliance intentions by reducing the willingness to avoid tax. In the same way, [53]'s result from students experiment match with [52] and show that TC is influenced by the perceptions on tax authorities' power among taxpayers. However, taxpayers present a higher TC level when they find reciprocity in trust. In this case, we comprehend that perception on tax authorities' power is important but on its own not enough to explain TC. Therefore, mutual trust is required.

In contrast of the prior debate using global cross-country data, Mas'ud et al. [21; 54] documented through pioneer empirical evidence that the power of authorities showed no influence on ETC across 37 African countries and 158 globally countries.

In a study conducted by [26] the data set was obtained from the survey questionnaire of 300 self-employed taxpayers. The result of the study confirmed the main assumptions of many past models such as [39] and [7], where they found that the power improves ETC, but only partially. Nevertheless, the result still supports the general trend of the prior studies.

Conversely to the former results, the outcomes via survey data of students and some citizens by [55] demonstrated that the power of authority did not show any significant effect on intended TC. This contrary result can be attributed to the sample used (snowball sample), and to the nature of the population which was indeterminate and unclear. Similarly, a Malaysian study by [20] used the Slippery Slope Framework as a model and investigated the determinants of intention of ETC using a mixed sample (students & taxpayers).

A survey study by quota sampling approach found the power of tax administration has influenced the intention of ETC, and the results propose that respondents will comply with their tax obligations if they consider that the tax authorities are efficient in their administration of the tax code. With opposite findings, Faizal et al. [56] revealed that coercive power has no influence on TC.

### 3.3. Trust in tax authorities

Summary of published studies on tax compliance based on trust in tax authority determinant is shown in Table 2. According to [19], when trust is low compared to high trust, strategic taxpaying behaviour (e.g., utilizing tax loopholes) will increase. Likewise, [7] and [25] claim that when individuals' trust in tax authorities is poor, they are more likely to try to maximize their individual results by dodging taxes, lowering compliance.

Governments, particularly tax authorities, need to encourage taxpayers to follow the law and pay their fair share of taxes in a timely manner. They can accomplish so through influencing the behaviour of taxpayers by building a trust connection with them [26]. Moreover, the public's opinion of the tax authority, as well as the wider culture of feeling responsible toward a nation, play a large role in trusting tax authority. Those who regard the tax authority as trustworthy will have their attitudes and beliefs modified or re-shaped [57; 58]. Therefore, increasing trust in the tax authorities would eliminate misconceptions about

co-paying taxes and promote voluntary compliance.

The importance of trust as a driver of TC is generally supported by conceptual evidence for example [12; 41; 59]. Some economic models like Slippery Slope Framework suggests that the social dilemma of TC can be solved by trust in authorities [7; 41]. In line with that, an experimental study using data from a 44-countries (the majority are developed countries) and students as an experiment discovered that trust in tax authorities enhances TC intentions and relaxes tax non-compliance across nations which differ in economic, cultural backgrounds and political [43] (Table 2).

TC research is progressively positioning that the goodness of the connection between tax authorities and taxpayers is a critical component in determining TC [6; 7; 39]. The results of the qualitative study [42] and secondary data from 31 European & Soviet countries [60] support the prior findings from both conceptual and experimental analysis which indicate that taxpayers indeed perceive trust in authorities as determinants of the relationship and it can explain the relationship between tax authority and taxpayer. Habibov et al. [60] added that establishing trust is one of the welfare state's most important defence in preventing tax manipulation, and it works by reinforcing people's willingness to be obedient and pay more taxes.

In the tax literature from developed countries utilizing survey method, the significance of the connection between tax authorities and taxpayers, as well as the ensuing climate between the two sides, has been repeatedly emphasized. For example, [9] found that the best predictor of VTC was trust in tax authorities, but ETC was adversely associated to trust. Trust appears to hearten TC while reducing the feeling of being obliged to pay taxes. This result was corroborated by [61] who found that trust in tax authorities is a powerful predictor of overall TC, and that trust in tax authorities is a vital element in motivating individuals to voluntarily comply.

Table 2

**Summary of studies on tax compliance based on trust in tax authority determinant**

<b>Study (Year)</b>	<b>Theory</b>	<b>Approach</b>	<b>Name of Journal</b>	<b>Index</b>
Kastlunger et al. (2013)	SSF	Quantitative	Journal of Economic Psychology	ISI (WoS)
Gangl et al. (2015)	N/A	Conceptual	New Ideas in Psychology	ISI
Faizal et al. (2017a)	SSF	Quantitative	Asian Journal of Accounting and Governance	ISI
Batrancea et al. 2019	SSF	Experimental	Journal of Economic Psychology	ISI
Damayanti & Supramono (2019)	SSF	Experimental	Montenegrin Journal of Economics	ISI
Gangl et al. (2019)	SSF	Qualitative	Frontiers in psychology	ISI
Gangl et al. (2020a)	SSF	Quantitative	Policy Studies	ISI
Hofmann et al. (2020)	SSF	Experimental	Frontiers in psychology	ISI
Olsen et al. (2018)	SSF	Experimental	International Review of Law and Economics	ISI
Muehlbacher & Kirchler (2011)	SSF	Quantitative	European Journal of Law and Economics	ISI
Benk & Budak (2012)	SSF	Quantitative	African Journal of Business Management	Scopus
Lozza et al. (2013)	SSF	Quantitative	Journal of Social and Political Psychology	Scopus
Gangl et al. (2016)	SSF	Quantitative	Contemporary Issues in Taxation Research	
Gobena & Van Dijke (2017)	Fairness Heuristic Theory	Quantitative	Journal of Economic Psychology	ISI
Habibov et al. (2017)	N/A	Qualitative	International Social Security Review	ISI
Hauptman et al. (2015)	N/A	Quantitative	Journal of Local-Self Government	ISI
Kogler et al. (2015)	SSF	Quantitative	Economics of Governance	ISI
Nasution et al. (2020)	TPB	Quantitative	Entrepreneurship and Sustainability Issues	ISI
Horodnic (2018)	N/A	Review	International Journal of Sociology and Social Policy	ISI
Nurkholis et al. (2020)	SSF	Review	Cogent Business and Management	ISI
Youde & Lim (2019)	N/A	Quantitative	International Journal of Public Administration	ISI
Mardhiah et al. (2019)	SSF	Quantitative	Center for Economic Studies and ifo Institute (CESifo), Munich	Google Scholar
Rodrigues (2020)	SSF	Quantitative	Instituto Superior de Economia e Gestão	Master thesis
Alia & Ahmada (2014)	N/A	Quantitative	International Journal of Public Administration	ISI
Azmi & Aziz (2015)	Social Exchange Theory	Quantitative	Electronic Government	Google Scholar

Notwithstanding the significant role of trust in tax relationship, many studies [18; 32; 50] offered a medium role for trust (only positive direction). The findings evidenced that VTC is profoundly associated to trust, where the committed cooperation was discovered to emerge from a trust climate marked by reciprocal trust and a moral obligation to collaborate. According to the findings, lawful authorities have a direct impact on taxpayer cooperation, trust in the authorities, and the notion of a service-oriented climate. Also, the outcomes [32] showed that, political-leaning participants expressed different levels of VTC depending on the party they followed.

On the other hand, despite the sample respondents are real taxpayers, the empirical analyses of survey (online & interview) by prior studies [47; 62] indicated that trust in tax authorities was not found to be a determinant substantially associated with TC. However, the population of these two studies was from four different countries i.e., the respondents were from several cultures, thus it is quite normal to find a conflicting result. Trust in tax authority is negatively associated with ETC in the US case and not in the Ethiopian case [63]. Further, it was found that trust in tax authority is statistically significant and negatively correlated with tax non-compliance [51]. These converse results may attribute to intention as predictor, non-random sampling technique or self-reported measures. For a long time, trust has been acknowledged as a critical component of TC. Consequently, tax authorities establish a trust relationship to induce taxpayers' behaviour to comply with tax law. As a result, it is critical to know what factors influence taxpayers' attitudes about TC.

From developing countries, an Indonesian study examined 324 students using an experimental research design with regression analysis. The findings revealed that trust in tax authorities has a significant impact on TC. Surprisingly, when taxpayers have trust reciprocity, they have the highest TC [53]. In another experimental study performed by [52]

used the same technique but utilized 411 self-employed taxpayers for testing. The findings showed a positive direct impact of trust in tax authorities on VTC. Although the positive effect, the study examines behavioural intention rather than real taxpayer behaviour, thus it does not provide enough insights into taxpayers' decisions of TC.

Citizens will have trust in authorities if they believe authorities treat them with respect and if taxpayers and authorities have a mutually respectful relationship. In addition to respect, the authorities' ability to treat taxpayers fairly and transparently is essential to their credibility. Thus, the key factors that contribute to trust in authorities are respect and fair treatment of taxpayers [7; 39; 41].

Moreover, the premier suggestion by [7]'s framework accentuated that trust in authorities predicts VTC. From the foregoing literature review of the survey for developing nations, it was concluded by [64] that trust in tax authorities is pivotal in explaining TC. In particular, it was assured by [65] that in a scenario where authorities are trustworthy, VTC is at a high level. Another research revealed that trust in tax authorities boosts voluntary compliance, and that tax revenue has a close correlation to VTC [66]. However, the study by [26] failed to find evidence of the relationship of trust in tax authorities with voluntary cooperation, although the data was collected from self-employed taxpayers.

Trust in authorities is one of the crucial aspects of comprehending TC and trusting the tax authorities is expected to lead to high compliance [57]. From this point, in a survey study, trust in tax authorities has been investigated. For instance, [56] used questionnaire to investigate the effect of trust in tax authorities on VTC. The outcomes supported the prior findings from other researchers in which trust was linked to VTC. However, the questionnaires were distributed only in limited population specifically for a group of academic staff in some public and private universities which would in-

fluence the generalization of the results. Not only that, the use of academics as respondents represents a very limited category of salaried-taxpayers and ignoring other groups of taxpayers. In this regards, [25] highlighted that the intention to file a tax return is substantially correlated by trust in the tax authority. Also, the study discovered that working youngsters still had a low degree of tax literacy. However, [67] found no significance relationship for tax agents' trust of tax authorities towards their intention to continue using e-filing systems of authorities.

### **3.4. Relationship transparency**

Summary of published studies on tax compliance based on trust in "relation transparency" determinant is shown in Table 3.

Enhancement of the relationship between tax authorities and taxpayers necessitates a grasp of taxpayer behaviour. Further the observed TC is contingent on taxpayers' willingness to participate, which also is contingent on tax authorities and taxpayers' viewpoints of tax-related phenomena being similar [68]. Increasing transparency is one technique for boosting public trust. As well as transparency regarding poor performance may, in fact, increase public-sector distrust. The most intuitive of the aspects driving confidence in tax systems is reciprocity between tax authority and taxpayers [23]. To increase TC, efforts must be made to raise the quality of tax services and transparency in the tax system [24].

Hence, it is reasonable to conclude that information transparency in tax relationships will benefit both taxpayers and

Table 3

#### **Summary of studies on tax compliance based on "relation transparency" determinant**

Study (Year)	Theory	Approach	Name of Journal	Index
Capasso et al. (2020)	N/A	Quantitative	Journal of Policy Modeling	Scopus
Adeyeye & Otusanya (2015)	TPB	Quantitative	International Journal of Economics and Accounting	Google Scholar
Kiow et al. (2017)	N/A	Review	International Business and Accounting Research Journal	Google Scholar
Noked (2018)	N/A	Conceptual	Laws	Google Scholar
Siahaan (2013)	N/A	Quantitative	Journal on Business Review	Google Scholar
Nunkoo et al. (2018)	N/A	Quantitative	Tourism Management	ISI
Meijer (2007).	N/A	Conceptual	Eur. Food & Feed L. Rev	Google Scholar
Mohamad & Othman (2013)	N/A	Conceptual	International Journal of Economics and Management Engineering	Google Scholar
Pasquier & Eyers (2016)	N/A	Conceptual	IEEE International Conference on Cloud Engineering Workshop	Scopus
Park & Blenkinsopp (2011)	N/A	Quantitative	International Review of Administrative Sciences,	ISI
Al-Maghrebi et al (2017)	TPB	Quantitative	South East Asia Journal of Contemporary Business, Economics and Law	Master Thesis
Eggert & Helm (2003)	N/A	Quantitative	Industrial Marketing Management	ISI

tax officers as tax office representatives. This means there would be no information imbalance, or unilateral control of information, which could affect the decision-making and compliance process of taxpayers and tax officials.

It is believed that transparency could give the authorities a wonderful opportunity to improve taxpayer's compliance. Taxpayers will try to avoid paying taxes if they believe the authorities is not transparent. On other hand, authorities anticipate from taxpayers to be transparent in their dealing and compliant with tax authorities' procedures and laws.

In a conceptual study [27] asked that, "Does transparency lead to more compliance?" where the author argued that transparency can have an impact on the market relationship between citizens and businesses. Because citizens have more full information on which to base their decisions, thus transparency can strengthen the market. Supported to that argument, an empirical study by [69] in marketing sector found that, relationship transparency (between vendor and customers) is greatly associated with customers' decisions, and it increased repurchase and customers' satisfaction from vendors. This information, which is made available through transparency, aids consumer decision-making, and a key underlying assumption is that transparency encourages compliance behaviour. The role of flow of information as part of transparency in enhancing compliance is supported by [70] who believed that information flow can aid in demonstrating regulatory compliance, allocating accountability, assisting investigations, and boosting transparency in general.

Regarding the influence of incomplete tax transparency on tax non-compliance, Noked [71] discussed that limited tax transparency is problematic, although increasing tax transparency is not the optimal, but can addresses tax non-compliance. Capasso et al. [72] confirm that tax transparency and tax morale have a positive link. This demonstrates that citizens are more willing to pay tax if they have a better understanding of

the fiscal framework that they are supporting. Also, the study implies that in the availability of more information, displays incentives and participation may enhance the implicit contract between the government and taxpayers, namely tax morale. According to [28], there are substantial links between government accountability, transparency, clarity, fiscal corruption reduction, and VTC. Specifically, they found that government's transparency individually or collectively impacts VTC significantly. Likewise, transparency, as a moderating factor, was found to be a crucial moderator in enhancing citizens' satisfaction and lowering corruption through its role in the process, in which corruption diminishes satisfaction [73].

On the other hand, although transparency has been found to have a major influence on citizens' reactions to authorities and on their degree of willingness, an Indonesian study on individual taxpayers working in service sector [74] revealed that there is no link between tax transparency and taxpayer voluntary compliance. Nevertheless, the study argued that tax transparency has a positive and considerable indirect influence on VTC through trust, as people will trust regulators' motives if regulators acting transparently, and they will willingly acquiesce to their choices. In this regard, the evidence by [75] on the effect of transparency on trust towards citizens compliance have supported and reinforced the arguments made by the optimistic transparency experts, where the survey results stressing that transparency in public institutions is the solution to public mistrust in the authorities.

To determine the factors that influence individual taxpayers' compliance. A review study by Kiow et al. [76] proposed that the individual taxpayers' behaviour is determined by their ethical judgments, which are further affected by government transparency. Transparent environments will boost taxpayers' compliance behaviour by increasing their trust in public authorities. Taxpayers are worried about the government's transparency in pro-

viding information, particularly when utilizing tax dollars. Inefficiency in the public sector may be hampered by a lack of transparency. On the other hand, the review also found that increasing transparency may lead to less rather than more trust since it will be easier for taxpayers to monitor authorities and they will be more likely to blame authorities for little mistakes over time.

A review by [76] was supported by the findings from a conceptual approach to [77]. Transparency is vital to guarantee the cooperative's long-term viability by providing relevant financial and non-financial facts now and in the future. Failure to communicate enough information to members and other stakeholders might lead to bad perceptions. Compliance behaviour, on the other hand, can be achieved by transparency in addition to procedure monitoring and evaluation. These conceptual consequences were further corroborated through an empirical examination from a very specific population in Selangor state by [78], where the results demonstrated that taxpayers are more likely to pay taxes if they perceive the government is more transparent in its budget and doing better. Further, the transparency in the public budget has a significant role when accompanied with tax knowledge and tax education amongst taxpayers.

What should be mentioned here along with the previous discussions are regarding the role of transparency in the connection between authorities and taxpayers. The Malaysian Tax Act 1967 stated that, tax authorities is required to provide services and information for taxpayers, fairness, integrity, and advice or assistance, which fall under the concept of transparency and responsibilities of tax authority [79]. On other side, since the tax authority is responsible, the taxpayer must bear the responsibility and must be co-operative, honest, well mannered, and behave with integrity and transparency. Moreover, providing correct and reasonable information to IRBM and assistance in keeping the supporting documents [80; 81].

#### **4. Discussion and Suggestions for Future Research**

The main objective of this systematic review sought to discover the current state of the empirical and conceptual studies on the identified three factors (power, trust, transparency) in individual tax compliance, then to give propositions for future research. The outcomes of this review show that the bulk of studies do not make extensive use of theories as a foundation for enhancing the field's credibility.

When theoretical views are used, there is an over-reliance on [7]'s model (Slippery Slope Framework), and there is no indication of innovation in expanding or embracing new theories. Based on the review, this study proposes three theoretical perspectives that are highly advantageous in the field of TC for individual taxpayers: social influence theory, social identity theory and social exchange theory as an integrative model. These three theoretical viewpoints are especially well suited to the field of TC because they primarily reflect the nature of individual taxpayers, and they also emphasize the importance of the interaction between the external factors and individuals' attitudes.

This review admits that other theories such as reasoned action theory and planned behaviour theory are cornerstone of individual behaviour theories, but they are repeatedly and commonly utilized in current tax research. As a result, concentrating on theories suggested will fill the major gaps and make a significant contribution to the field of research. Further the current systematic review uncovered the mass used of the Slippery Slope Framework to empirical investigations in TC issue. However, the evidence on using the model in the tax environment was inconclusive. In our view, the Slippery Slope Framework may not the first and most significant with the TC context. Nonetheless, the framework is valuable in serving researchers to understand taxpayer's behaviours and practices.

Overall, this systematic review emphasizes the importance of expanding and deepening the theoretical framework of research on individual taxpayer compliance, particularly through integrated models. Although this review has limited the propositions to three theoretical viewpoints, the specific theories that TC researchers can use should be carefully chosen to give support for specific research issues. Theories constructs can provide perspectives, and researchers can provide new and unique findings, if they are appropriately chosen.

We know from prior studies, the government practices by tax policy are important for taxpayers. Specifically, taxpayers act because of their understanding of these practices, ultimately their personalized understanding impacts their tax decisions. This systematic review reveals that taxpayers have motivated understanding when there are transparent practices. Thus, we suggest that by using mediating factors can provide useful research insights in the relationships between tax authorities and taxpayers. However, there is still a dearth of research in the tax transparency literature. Despite the fact that taxes researchers have showed an increased interest in recent years on government's transparency and tax transparency with tax behaviour [74; 76; 78], as far as we know, none of them has looked at the theoretical nor empirical connection of the "relationship transparency" in TC domain. Hence, further empirical research would contribute to the knowledge on TC literature.

Moreover, the existing research were quite biased due to evidence of sampling and population. For instance, in several studies in particular experimental method researchers tend to select students as respondents who are not real taxpayers, or academics and ignore other categories, so expanded research with actual taxpayers as respondents is encouraged. In addition, the investigated population of prior studies were very specific through examining only a specific area of a country that would affect the precise of results in general.

Furthermore, in order to properly comprehend concerns of TC, apart from focusing on actual taxpayers and researchers must also be more methodical in terms of the sorts of taxpayer categories included in samples, as well as precisely classify taxpayers in order to fully comprehend how and why taxpayer compliance is indeed important.

Regarding the Southeast Asia context, the empirical findings of the existing studies may be beneficial somewhat to tax authorities in Southeast Asia to comprehend the ETC amongst taxpayers and minimizing the tax gap. However, they have contained some limitations like lack of generalizability by using non-random quota sampling method which can resulted in high skewedness and kurtosis of sample and also mostly examined behavioural intention of students who are not real taxpayers [20]. Further, the results showed no significant effects [56].

Thus, more investigation is needed. In addition, many TC studies have been conducted in developed countries as discussed previously, however [82] and [43] argued that due to cultural, social, and political differences, the outcomes drawn from these studies may well not be applicable for developing nations. Moreover, different countries and individuals have different levels of compliance [29; 82]. Furthermore, almost all studies that have investigated the trust variable in TC only tested respondents' intention and utilising very small sample or group [25; 67].

Although these studies found that trust in tax authority helps to explain individual compliance behaviour, the role of trust in tax authorities into TC in developing countries particularly Southeast Asia context, has not been fully understood, thus this constitutes a path for further research using data that are more representative of the population.

To answer the research questions, this study provided a systematic review analysis. Three questions were reviewed together for their theoretical and practical importance. Based on the analysis

of the research factors, the study factors are essential as an integrative model which can shape tax compliance positively. These factors are related to the external environment of individual, such is the government policies, and tax authorities' procedures. The two types of tax compliance which are voluntary tax compliance and enforced tax compliance can be affected by the identified factors that related to the compliance behavior and characteristics. Thus, different factors may determine taxpayers' attitudes which then impact taxpayers' behavior.

### 5. Conclusion

To the best of our knowledge, this systematic review is the first synthesis of empirical studies exploring the three factors in individual tax compliance field employing a rigorous methodology. Primarily, the review of 66 articles proposes some progress towards better understanding of tax compliance. The economics factors in tax compliance are a worthwhile approach of research. However, there is a need to improve research quality and create more effective integration of models. The current review illustrates the diversity of tax compliance scenarios and research foci that have been examined, as well as the attractiveness of tax behaviour as a research topic. Prior studies relied on a limited set of theories, but there is still plenty of room for improvement that are uniquely applicable to tax context towards developing the existing knowledge. The current review highlighted the importance of mixed-methods and comprehensive samples in performing tax research. There are serious flaws in the methodology used in prior studies, and researchers must use effective approaches that address tax compliance issues.

Increasing the level of deterrents, as previous studies have shown, leads to inconclusive findings and would be lowering tax attitudes and, therefore, reducing tax compliance. As a result, governments can adopt non-enforcement techniques to improve taxpayers'

willingness and, consequently, their tax compliance. Hence, steps must be taken to alter formal policies not just to modernize government and improve structural economic and social conditions, but also to foster public trust. As a lack of trust in authorities negatively impacts tax compliance, thus, it is necessary to take steps to create vertical trust within tax system. This can be accomplished, for instance, by providing the citizens particularly taxpayers a sufficient information and enhancing the concept of transparency between authorities and taxpayer.

This systematic review was completed in a methodical manner, and it has a variety of strengths and weaknesses. This review included articles that were either empirical or theoretical, allowing us to cover the entire range of intellectual activity on the subject. In analysing the papers, we took a stringent approach. The articles were extensively evaluated by the authors, ensuring that the articles assessments were more accurate. With regards to the limitations, many of the studies included in the analysis have defined and quantified tax compliance activities in various ways, which is one of the review's weaknesses. This study attempted to resolve these issues, although of that in comparing papers for the review, arguably we may have lost some detail. However, we did everything we could to evaluate what we are able to control of the subjects. Moreover, this study acknowledged the limited contribution since our review of economics factors was limited for only three factors (power, trust, transparency) on tax compliance. However, the three identified factors are the most influential and comprehensive in economics approach. This study included only English publications, and only looked at articles that had been published in electronic databases so the review may suffer from some of the common systematic review flaws, such as the omission of significant studies and a constraint on creativity and innovation due to the application of rigorous criteria.

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