Theory Model about Tax Administration and Tax Compliance

Author's Details:
(1)Thi Phuong Thao Pham (2)Thi Yen Luong (3)Thanh Thuy Tran
(1) (2) (3) University of Economics - Technology for Industries, Vietnam
Correspondence: Thi Phuong Thao Pham, 456 Minh Khai, Hai Ba Trung, Ha Noi

Abstract:
The objective of this paper is a research overview of tax administration and tax compliance. We also look at the relationship between tax administration and tax compliance. In the section we have a very detailed general analysis of concepts, categories, roles, evaluation criteria and factors affecting tax administration and tax compliance. The article is the theoretical foundation for the empirical assessment of the impact of tax administration on tax compliance in Vietnam.
Key words: Tax administration, tax compliance, Vietnam

1. Introduction

Taxes are the main source of revenue for the state budget (state budget), not only in Vietnam but also in most countries around the world. How to manage tax to ensure effective tax collection and in accordance with tax policies and laws is a top concern of the State and tax administration agencies. A good understanding of the compliance situation for the territories and economic sectors where customers operate is an indispensable condition for effective global HR mobility strategy implementation. In order to strengthen tax administration, in order to promote tax compliance, it is necessary to explore and evaluate the importance of the factors of tax administration affecting the compliance with tax obligations of enterprises.

2. Literature review

2.1. Research on tax compliance

In Vietnam, the subject of tax compliance is also exploited by researchers using both qualitative and quantitative methods. Nguyen Thi Le Thuy (2009) analyzed the tax compliance behavior and characteristics of enterprises through a survey of enterprises in Hanoi to improve tax collection management [27]. Nguyen Thi Thanh Hoai et al (2011) studied theoretical issues about tax compliance, assessed taxpayers' tax compliance monitoring to establish an effective tax compliance monitoring mechanism in Vietnam, mainly done by methods of statistical research, synthesis and analysis [28]. Nguyen Hoang and Dao Thi Phuong Lien (2013) conducted a survey of 200 businesses and 200 individuals in Hanoi to evaluate the impact of tax policies on tax compliance [21]. Dang Thi Bach Van (2014) summarizes the studies related to factors affecting the tax compliance level of taxpayers [14]. Lèng Hoang Minh (2017) studies the rationale and current situation of tax compliance, in order to improve posture compliance in Vietnam. The author uses the method of survey, synthesis and analysis of tax administration data and evaluation through surveys and questionnaires to assess taxpayers' tax compliance in Vietnam [18].

In addition, some authors apply econometric models to test the factors affecting tax compliance of taxpayers. Nguyen Minh Ha and Nguyen Hoang Quan (2012) studied and assessed compliance behavior of private enterprises to determine the factors affecting tax compliance behavior through timely tax payment. The authors have applied quantitative research methods with data samples including 170 private enterprises in the area of Ho Chi Minh City from 2009 - 2010 [22]. Nguyen Tien Thuc (2013) builds a quantitative research model of factors affecting tax compliance behavior of enterprises in Vietnam [106]. Phan Thi My Dung and Le Quoc Hieu (2015) use a mixed method, combining qualitative and quantitative, to build models and determine the factors that influence and the degree of impact of each factor on the corporate tax compliance through a survey of 474 people who are managers of businesses and business householders in Ho Chi Minh City [29]. Bui Ngoc Toan (2017) examined the impact of factors affecting tax compliance behavior of businesses in Ho Chi Minh

City by quantitative method through a survey of 198 enterprises [4]. Pham Thi My Linh (2019) studied the factors affecting tax compliance of Vietnamese enterprises, specifically researching the enterprise sample in Hanoi [31].

In the process of synthesizing, analyzing and testing, the above studies propose factors affecting tax compliance of taxpayers and classify them in many different ways.

Nguyen Thi Le Thuy (2009) identifies 6 groups of factors affecting tax compliance behavior of enterprises, including (1) business characteristics (size, type, financial transactions, understanding knowledge of tax and accounting, seniority, cost of compliance), (2) Psychological characteristics of business owners / managers (attitudes towards tax evasion, fairness perception, fear on the potential for violation, complexity of the tax system, trust in relationships with tax authorities, autonomy in compliance with tax obligations), (3) industry characteristics (rate of return profitability, competition, size), (4) social factors (social norms, public opinion, public responsibility), (5) economic factors (interest rates, inflation), and (6) legal factors (efficiency of public expenditure, tax policy, tax collection management) [27].

In the study on tax compliance monitoring, Nguyen Thi Thanh Hoai et al (2011) synthesize the theory and classify the factors affecting tax compliance also including economic, social, legal policy, elements of the taxpayer itself. The difference is that the authors further classify the group of factors that belong to the management of the tax agency (ability of the tax agency) and the factor of the development of tax services [28].

Research model of Nguyen Minh Ha and Nguyen Hoang Quan (2012) proposes factors affecting tax compliance behavior of private enterprises, in terms of ability to pay taxes on time, including (1) individuals Factors related to the business (revenue, number of employees, total assets, liabilities, equity, performance of the business, amount of tax payable) and (2) information factors of business owners (gender, age, education, religion, experience, industry). The research results show that tax compliance behavior through the ability of private enterprises to pay taxes on time is influenced by factors related to the business performance of the business such as profit before tax, payable tax amount, business category and gender [22].

The research model of Nguyen Tien Thuc (2013) proposes 5 groups of factors affecting tax compliance behavior of enterprises, including: (1) industry characteristics (competition, profit margin, industry risk , growth rate), (2) accounting factors (tax knowledge, accounting knowledge, accounting activities), (3) psychosocial factors (social norms, spending public, tax ethics, perceived equity), (4) tax administration factors (law enforcement, ability to be subject to tax audits, penalties, stability and transparency, public services, costs implicit), (5) economic factors (tax rates, interest rates, inflation) [106].

Dang Thi Bach Van (2014) synthesizes the theory of factors affecting tax compliance of taxpayers, including (1) economic factors (real income, tax rate, probability subject to tax examination, penalties) and (2) psychosocial factors (perception of fairness, tax awareness) [14].

Research by Phan Thi My Dung and Le Quoc Hieu (2015) confirms 7 factors that positively affect corporate tax compliance including (1) tax system structure (tax rates, public spending, tax collection, tax administration procedures, fairness in sanctions, complexity of tax system, degree of technology application in tax declaration), (2) firm characteristics (organizational structure, number of owners ownership, size, uptime, operational efficiency), (3) quality of public administration (efficiency of public expenditure, benefits of public expenditure, audit density, tax monitoring system, system tax administration system), (4) tax service quality (equity, tax avoidance opportunities, quality of service, incentives from tax authorities, tax knowledge), (5) business lines (industry rate of return, competition, control over revenues and costs), (6) social norms (judgment of society, fairness of tax liability and tax rate), and (7 economic factors (interest rates, inflation, economic integration, compliance costs, ng financial assistance) [29].

According to Bui Ngoc Toan (2017), there are 7 factors affecting tax compliance behavior of enterprises, including (1) characteristics of tax authorities (tax inspection and examination, professional capacity of tax officials, information technology skills, propaganda and education activities, administrative procedures), (2) tax laws and policies (stability of tax regulations, loopholes in tax legislation , sanctions against violations), (3) Psychological characteristics of business owners / managers (perception of fairness, probability of non-compliance, tax authority satisfaction), (4) business performance characteristics (organizational structure, type,

size, seniority, tax knowledge, business performance), (5) industry characteristics (profitability, competition), (6) economic factors (interest rates, inflation, economic growth, efficiency of public spending, international integration, cost of compliance), and (7) social factors (age , gender of the manager, the role of the business position, tax culture) [4].

Leng Hoang Minh (2017) synthesizes the rationale on factors affecting tax compliance of taxpayers, including (1) tax policies and laws; (2) Tax administration activities of tax authorities (administrative procedures, management functions); (3) Tax officers' professional qualifications and ethics; (4) The facilities of the tax authority; (5) taxpayers (characteristics of business activities, economic factors, behavioral factors, ...); (6) The development of a system of tax agents; and (7) Socio-economic characteristics (interest rate, inflation, economic growth, influence, social opinion, ...) [18].

Pham Thi My Linh (2019) studied and tested 6 factors affecting tax compliance of enterprises, including: (1) The possibility of tax examination, (2) Sanctions, (3) Social standards , (4) Corporate Reputation, (5) Tax Ethics and (6) Ownership [31].

2.2. Research on tax administration and tax compliance

In Vietnam, there are very few studies on tax administration and tax compliance concurrently. Only a few studies have explored the aspect of tax administration for tax compliance. In the study of completing the tax collection management, a part of tax administration, Nguyen Thi Le Thuy (2009) analyzes the tax compliance behavior and characteristics of enterprises through surveying enterprises. in Hanoi [27]. Nguyen Thi Thanh Hoai et al (2011) studied tax compliance monitoring in Vietnam through theoretical issues on tax compliance, assessing taxpayers' tax compliance monitoring to establish a Effective Tax Compliance Monitoring in Vietnam [28].

On the other hand, some studies on tax compliance have mentioned factors related to tax administration such as Nguyen Tien Thuc (2013) building tax compliance model including tax administration factors (law enforcement , ability to be subject to tax examination, fine levels, stability and transparency, public services, hidden costs), Bui Ngoc Toan (2017) proposed characteristics of tax authorities (inspection and examination tax examination, tax officers' professional capacity, information technology skills, educational propaganda activities, administrative procedures), Leng Hoang Minh (2017) summarizes the theory including management factors. tax administration of tax authorities (administrative procedures, management functions), professional qualifications and ethics of tax officers, facilities of tax authorities [4], [18], [106].

3. Theoretical Models Of Tax Management And Tax Compliance

The topic of tax administration and tax compliance has been exploited by many researchers from many different angles, building up many different theoretical models or having similarities with each other. However, there is no truly complete theoretical model for the study of factors affecting tax compliance. Each research model is conducted based on specific conditions at the time of research, so it is difficult to suit all different socio-economic situations. However, these theoretical foundations lay the foundation for reference and development for the same researches.

In the research of the thesis, the author inherits theoretical models from the research perspective (surveying taxpayers to test the model) and a number of factors related to tax administration in the model. Factors affecting tax compliance. The author does not apply exactly the inheritance factor, but adjusts and builds on the specific characteristics and conditions of tax administration and tax compliance in Vietnam.

3.1. Popular behavioral psychology model

The popular behavioral psychology model is the classic model applied before being generalized into the popular behavioral psychology model theory. Valiarie and John Braithwaite (1985) argue that the common behavioral psychology of people is to choose to act when knowing the benefits and consequences associated with that action. When applying to tax administration, in order to achieve high compliance from taxpayers, tax authorities need to gradually manage from convincing taxpayers to punishing with mild to severe forms (written reminders,

penalties administrative penalty, criminal penalty, temporary ban from operation, permanent ban). An important feature of this model is that measures are taken in a sequence from low to high. A higher measure is taken only when the previously applied measure has failed. Therefore, this model is also called the model of Persuasion and punishment (Valiarie and John Braithwaite (1985)).

This popular behavioral tax administration model embodies traditional tax administration. In tax administration, the traditional management method used is the educational method, the administrative method and the economic method.

The educational method is shown in the way of convincing taxpayers, influencing their awareness in order to improve their self-awareness and actively comply with tax obligations. Propaganda and support for taxpayers is a way to persuade taxpayers and support taxpayers to understand tax laws and their obligations.

Administrative method is the way to directly affect taxpayers by making compulsory administrative decisions. In this tax administration model, the administrative method shown in the punitive measures (written reminders, administrative penalties, criminal penalties, temporary prohibitions, permanent ban). The corresponding contents of tax administration are handling tax law violations of taxpayers.

Currently, in tax administration practice, this traditional tax administration model is still used in conjunction with the compliance model in many countries.

3.2. ATO compliance model

This is a tax administration model established on the basis of assessing taxpayers' compliance. Tax administration according to taxpayers' level of compliance (also called compliance management) is one of the modern tax administration methods, often applied in the self-declaration and self-payment mechanism.

In this model, based on the compliance level of taxpayers, taxpayers are classified into corresponding groups and applied different management methods of tax authorities. This model was proposed by Grabosky and Braithwaite in 1986, and then adopted by the Australian tax authorities in the late 1990s [54]. Therefore, this model is also known as ATO compliant tower model.

The tax compliance model consists of two parts. The left side of the model reflects factors affecting taxpayers' compliance behavior, including five main groups of factors: business characteristics (Business), industry characteristics (Industry), social characteristics. (Socialogical), Economic and Psychological - referred to as BISEP. The right-hand pyramid shows the attitudes and behavior of the taxpayer (from willingness to comply to the level of non-compliance decisions), and the tax authorities' responses and responses (from favorable conditions for compliance to applying all legal measures).
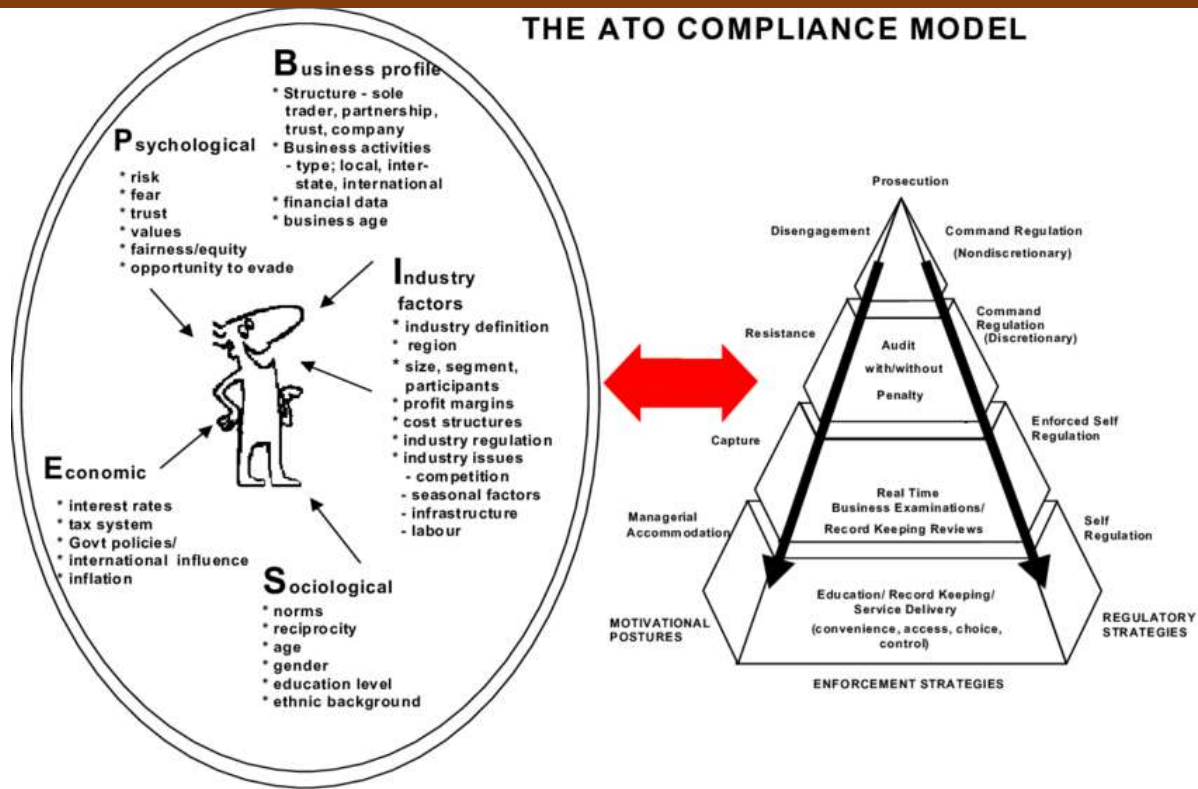
Figure 1. ATO tax compliance model

If taxpayers are willing to comply, the tax authorities will create favorable conditions for them to comply. If taxpayers try, but are not always, successful in tax compliance, the tax authorities will assist them in compliance. If taxpayers do not want to comply, but will comply if they are supervised, the tax authorities prevent their non-compliance through violation detection mechanisms. If taxpayers decide not to comply, the tax authorities will take all legal action to prevent and address their non-compliance.

The ATO compliance model demonstrates the existence of a combination of scientific research and practice. Braithwaite achievement reaches a critical point in order to theorize from fact to tax compliance theory. The structure of the ATO model comes as a consequence of a series of reforms that have attempted to bring a culture of more involuntary tax payments among citizens.

In the thesis's research, the author inherits two factors: business characteristics and psychological characteristics of taxpayers. In the proposed research model, the author builds two characteristics of the enterprise, the operational characteristics of the business and the psychological characteristics of the owner / manager, in the tax compliance model of the business. Karma.

3.2. Compliance model of Allingham and Sandmo

Allingham and Sandro (1972) built an econometric model of tax compliance based on the economic theory of crime by Becker (1968) [44], [50]. This model contributes to the theoretical basis of the original tax compliance models and is developed in many different directions by many researchers.

According to the theoretical framework of the Allingham and Sandro models (1972), the taxable income depends on I, p, f and t as follows:

$D = f (I, p, f, t)$ Of which: D: income level declared by the taxpayer to the tax office; I: income of taxpayer; p: probability of detection if understating taxable income; f: penalty for understating taxable income; and t: tax rate

Taxpayers have two strategic options: (1) Declare the actual income to be taxable; or (2) Declare the assessable income below the net real income.

The results of the model show that taxed income D is directly affected by income I, probability of discovery (probability of tax examination) and penalty level, but is negatively affected by tax rates. In a later stage, this model is developed and added to the G factor (government expenditure).

The model's approaches, based on the economics of crime, are based on the assumption that an individual pays taxes solely because of the economic outcome of risking tax evasion and because they fear being discovered and caught. punish. However, these economic benefits and mandatory sanctions issues cannot fully explain compliance or non-compliance. In fact, many studies show that, in most countries, the percentage of income tax returns being inspected and examined is very small, only about 1% (Alm, 2012). Therefore, although the model of Allingham and Sandro (1972) is simple and effective in some application cases, the tax compliance model needs to consider many other potential non-economic factors.

The model of Allingham and Sandro (1972) can be considered the most basic model related to tax compliance [44]. The factors of this model are inherited by many researchers and promoted according to many different research directions and research angles. From the research model of Allingham and Sandro (1972), the author also inherits two factors that have a positive influence on tax compliance, the possibility of tax examination and the penalty, to build the research model of the thesis. judgment. The author does not correctly apply these two factors, but combined with the content of tax administration in Vietnam, built into the factor of tax inspection, examination and handling of tax law violations.

3.3.   *Compliance model of Fischer et al*

Fischer et al. (1992) classified the factors affecting tax compliance according to four groups in the expanded tax compliance model, based on the theoretical background review by Jackson and Milliron (1986). identify 14 main factors affecting tax compliance. Four groups of factors influencing tax compliance in the Fishcher model include: (i) demographic factors (age, sex, education), (ii) opportunity for non-compliance (income level, income sources, occupation), (iii) attitudes and perceptions (equity of tax systems, effects of other taxpayers), and (iv) tax system / structure (complexity of the tax system, the possibility of detection and penalties, tax rate). Fishcher's tax compliance model incorporates economic, social and psychological factors; in which demographic factors indirectly affect the compliance decision of the taxpayer customs clearance, affect the chance of non-compliance and the taxpayer's perception attitude.
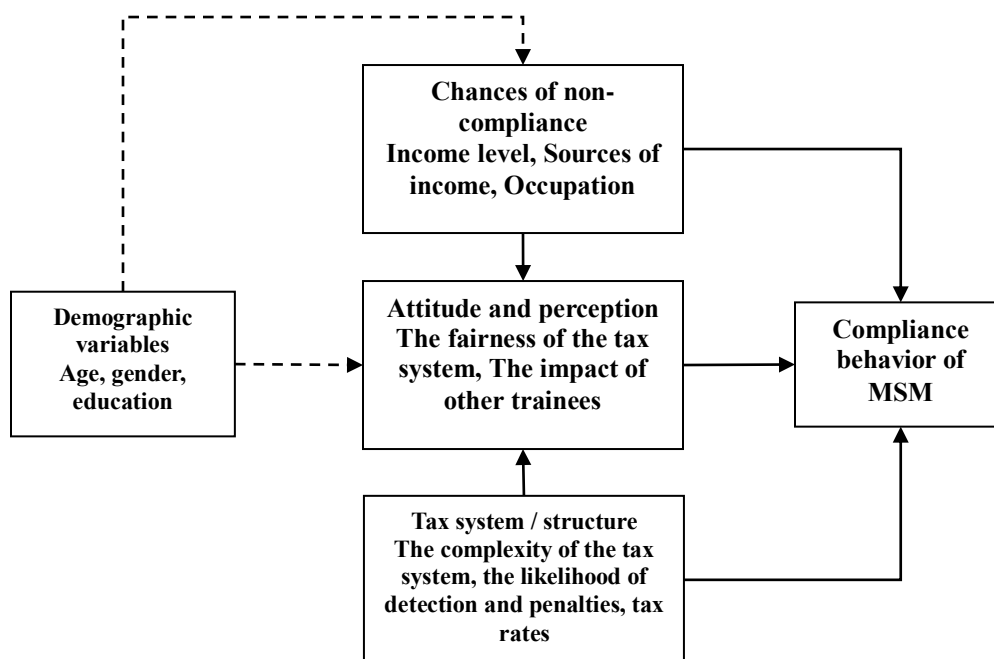

Figure 2. Fischer compliance model

(Source: Fischer et al., 1992)

This model provides a theoretical framework for the impact of socio-economic and psychological factors on taxpayers' compliance decisions. Fishcher compliance model has been highly appreciated and applied by many researchers, adding new factors (Tayib, 1998; Chan et al., 2000; Chau and Leung, 2009).

Fisher's tax compliance model is referenced and promoted by many researchers of the same topic. In the research of the thesis, the author also applies factors related to attitudes and perceptions (the fairness of the tax system, the influence of other taxpayers), the possibility of being discovered and the level of fine in his research model.

4. Conclusion

The subject of tax compliance is exploited by many researchers in the fields of economics, psychology, sociology and politics using many different methods and aspects. As a result, researchers have contributed to building many research models on compliance / non-compliance of taxpayers. However, there is no one model that can draw a comprehensive picture of tax compliance. At the same time, the research proposes and explores a lot of factors affecting tax compliance of taxpayers from many different perspectives and perspectives. This also makes it difficult for the next researchers to choose the set of variables to study on the topic of tax compliance.

From studies in the world, studies in Vietnam inherit the theoretical framework of the models and factors affecting tax compliance of taxpayers. These studies all generalize the main factors affecting tax compliance such as the operating characteristics of the business, the psychology of the owner / manager, the industry characteristics of the business, the factors the social, economic, and legal factors.

Regarding research methods, overseas studies are done by qualitative, quantitative methods or a combination of both methods. Researches in Vietnam are mainly done by qualitative methods combined with survey, synthesis and analysis. There are a few studies testing quantitative models to determine the factors affecting tax compliance of taxpayers.

The important role of tax administration in the taxation system as well as the crucial role of tax administration in ensuring tax compliance has been confirmed in many studies abroad. Tax administration agencies all want to improve taxpayers' tax compliance through tax administration. Among the many factors affecting tax compliance, factors within the scope of tax administration or tax administration can affect these factors, such as: advocacy, registration, registration, etc. tax declaration and collection, tax inspection and examination, handling tax law violations, settling complaints and denunciations about tax, quality of tax services, and application of technology in tax administration.

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