

# How does tax service quality influence tax compliance in Vietnam? The role of trust and knowledge

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*Abstract*



worldwide, including Vietnam; this sector represents approximately 90% of businesses globally (World Bank, 2019). Consequently, non-compliance by SMEs poses a significant risk to the government (Bornman & Ramutumbu, 2019). Therefore, SMEs present an appropriate context for examining the impact of behavioural factors on tax compliance.

Although limited studies have examined the roles of behavioural and social factors ± V XFK DV DXWKRULWLHV¶ WD[ V HUYLFH TXDOLW\ LQIOXHQQFH 60(V¶ WD[ FR NQRZOH SMEs, they have primarily focused on direct effects and produced inconsistent results (e.g., Masari & Suartana, 2019; Sritharan et al., 2022; Susuawu, Ofori-Boateng & Amoh, 2020; Yunianti et al., 2019). Little is currently known about the indirect impact of tax service, leading to calls for additional research on the indirect or interaction HIIHFWV RI WKLV IDFWRU RQ WD[ FRPSOLDQFH 7KLV services may influence tax compliance through trust, with tax knowledge acting as a PRGHUDWRU 7KH UHVHDUFKHUV FRQWHQG WKDW W understanding why some continue to engage in tax evasion despite the high quality of







in the case of Land and Building Tax in Gianyar Regency. Meanwhile, Dharmayanti (2023) argued that tax service quality only enhances tax compliance if it fosters trust. This underscores the importance of trust in business tax compliance. Therefore, the researchers propose the following:

**H<sub>4</sub>:** Trust mediates the relationship between tax service quality and tax compliance.

## 2.6 The moderating role of tax knowledge

Tax knowledge provides various benefits, enabling them to make payments, file tax returns, grasp tax principles and understand the consequences of non-compliance with tax obligations (Puspita, Subroto & Baridwan, 2016; Wong & Lo, 2015). According to the SSF (Kirchler et al., 2008), tax knowledge reduces uncertainty and suspicion regarding tax policies and systems, thereby positively influencing taxpayer trust in authority and tax compliance. Tax knowledge assists taxpayers in fulfilling their tax obligations properly and accurately













## 4.2 Common method bias

First, the researchers used a factor analysis to test for common method variance. Results showed that four factors (measured by scaled data) had eigenvalues greater than 1.0, while the single factor accounted for only 36.28% of the total variance. Second, follow









of tax knowledge find tax services less important, and these services are less likely to alter their compliance behaviour.

3 UHYLRXV UHVHDFK KDV IRFXVHG RQ WKH GLUHFV H compliance (e.g., Kirchler & Wahl, 2010; Masari & Suartana, 2019; Sritharan et al., 2022; Yuniarti et al., 2019). This study adds to the existing body of knowledge on tax compliance among SMEs by elucidating the mechanisms through which tax services influence tax compliance via direct, indirect, and interaction effects. The findings support the assumptions of the SSF. This framework and other research have shown that enhancing trust in authorities results in increased honesty regarding tax payments, which, in turn, promotes voluntary compliance (Kogler et al., 2013). Our study contributes to the literature by confirming the mediating role of trust on the influence of tax service quality on tax compliance among SMEs. Further, the present study confirms the effect of tax knowledge on the relationship between the quality of tax service provided by tax authorities and tax compliance. In doing so, this research connects tax service quality, trust and tax knowledge in a theoretically meaningful way. Additionally, while much of the literature on tax compliance has focused on developed countries (Alm et al., 2010; Gobena & Van Dijke, 2016), the present study supports the mechanisms of the SSF and the social and psychological approach in the context of a developing country.

## 5.2 Managerial implications

First, the findings indicate that tax authorities should invest more in their tax services IRU 60(V DV WKLV LPSURYHV 60(V¶ WUXVW LQ WD[ compliance. Tax services are crucial for SMEs with limited human resources and knowledge of taxation. As a result, tax authorities must provide comprehensive tax information, promptly address business issues, and satisfy business requirements to enhance tax compliance. They need to improve their commitment to tax services, the facilities related to online or offline tax services or associated equipment, and the demeanour of tax officers. Interoperable administration is essential for ensuring promptness and timeliness. Tax services from the tax authority are provided in most functional departments, so the synchronised coordination between departments must be connected to interact in a timely fashion with businesses. Moreover, cooperation with third parties related to tax services, such as the Treasury, central bank, Ministry of Public Security and Ministry of Planning and Investment, is important for resolving tax procedures.

Second, the findings indicate that when SMEs possess greater knowledge about taxation, tax authorities can save on costs related to their service. As a result, the government and tax authorities should improve taxation knowledge for SMEs by promoting tax policies, facilitating business dialogue, providing training and addressing business issues. Utilising various social media platforms is crucial for disseminating tax knowledge to the public.

Third, research results indicate that trust affects tax compliance. Thus, tax authorities should not only improve the quality of tax services but also ensure fairness in crafting tax policies to enhance the tax confidence of SMEs. Additionally, the government and tax authorities ought to maintain a business-friendly regulatory environment and bolster their fairness and transparency in decision-making to increase trust among SMEs toward government authorities.





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24. Tax authority keeps its records accurately.
25. Tax authority makes accurate promises about delivery time of services.
26. Tax authority protects information about businesses
27. Tax authority has up-to-date equipment.
28. Tax staffs are well dressed and appear neat.
29. Tax authority is professional in its site which is visually appealing

***Tax compliance***

What is the extent to which you agree or disagree with each of these statements?

30. Our enterprise always register and supplement tax registration information on time.
31. Our enterprise always declare taxes fully and on time.
32. Our enterprise always pay taxes fully and on time.
33. Our enterprise always report tax obligations accurately and completely.