

Tax Authority Information Assistance and Tax Compliance: Moderating Effect of Perceived Trustworthiness

(Susan Hydra Sikayu, PhD Student of Curtin Business School)

ABSTRACT

Distrust towards the tax authority may create cooperation gap among taxpayers, making the long term goals of the tax authority difficult to accomplish. While past studies have supported the views that trust enhances individuals' willingness to engage in altruistic conduct, literature on the interaction effect of perceived trustworthiness and tax information assistance on tax compliance remains limited. This study examines the moderating effect of the perceived trustworthiness towards the tax authority on the relationship between the use of tax information assistance and the taxpayers' willingness to comply. A field survey using questionnaire was used to gather data from the self-prepared individual taxpayers (n = 406) of Malaysia in 2013. The questionnaires were distributed through mails, personal distributions to the organisations, and third party distributions using cluster and snowball sampling techniques. The use of tax information assistance and the participants' willingness in terms of reporting compliance was found to be negatively associated. The "simple slopes" procedures recommended by Aiken and West (1991) were then performed using PROCESS introduced by Hayes (2013). The results indicated that the negative association between information usage and reporting compliance was significant among individuals with low levels of trustworthiness perceptions but not significant among those with high levels of trustworthiness perceptions. Additionally, the results indicated that the conditional effect of perceived trustworthiness on the above relationship remained significant (p -value < 0.025) even after controlling for several taxpayers' characteristics such as gender, occupational category, age, income and educational level. Thus, these findings suggest that the relationship between tax information usage and reporting compliance changes as a function of taxpayers' trustworthiness perceptions. Most importantly, these findings support the view that taxpayers' compliance can be influenced by how the tax authority is being perceived. Hence, perceptions that the tax authority is consistently in pursue of providing help through the execution of excellent services should be given focus. In short, policies which are receptive in dealing with taxpayers should be supported.