THE IMPACT OF ETHICS ON TAX COMPLIANCE BEHAVIOUR IN DEVELOPING COUNTRIES

by

Mmole Enoch Legwale

Student number: 14035902

Submitted in partial fulfilment of the requirements for the degree

MCom (Taxation)

in the

FACULTY OF ECONOMIC AND MANAGEMENT SCIENCES

at the

UNIVERSITY OF PRETORIA

Supervisor:

Dr A.H. Schoeman

Date of submission:

31 August 2021

ACKNOWLEDGEMENTS

"For I can do everything through Christ, who gives me strength" (Philippians 4:13).

First, I would like to praise and thank God Almighty for giving me the strength and wisdom to complete this study. I would also like to give many thanks to my supervisor, Dr Anculien Schoeman, who has supported me in every way possible. I am also grateful to my language editor, Rika Weiss for editing my dissertation. Last but not least, I would like to express my gratitude to my family and friends for their words of encouragement and support throughout this journey. This achievement would not have been possible without the support from all of you.

ABSTRACT

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STUDENT:	Mmole Enoch Legwale
SUPERVISOR:	Dr Anculien Schoeman
DEPARTMENT:	Department of Taxation
DEGREE:	MCom (Taxation)
COURSE CODE:	07250185

Background: Individuals do not like paying taxes and they take various actions to reduce their tax liability. In developing countries, the role of taxation is significant as tax revenue assists governments in covering public expenses. Therefore, tax compliance is a major issue affecting revenue collection. A number of factors influence tax compliance behaviour, and scholars have explored these from an economic and a behavioural perspective. One factor that has been identified is ethics; therefore, in order to fully understand compliance behaviour, ethical dimensions should be considered. The ethical convictions of individuals differ, and these differences influence compliance decisions. The present study aimed to determine how ethics influenced tax compliance behaviour with the intention of assisting tax authorities to shift their focus pertaining to improving tax revenue collection in developing countries.

Main purpose of the study: The main purpose of the present study was to conduct a systematic review of academic literature on ethical factors that influence the tax compliance behaviour of individuals in developing countries.

Method: The research question was clearly defined, and the objectives of the study were formulated. Reliable and credible academic literature was identified and selected through the use of predetermined criteria. The data from the literature was synthesised in an orderly manner, and conclusions were drawn in an attempt to answer the research question.

Results: It was found that individuals' decisions about being tax compliant or not were influenced by their personal ethics, which were affected by their ethical orientations (deontological and teleological), their ethical evaluations (relating to altruism, openness, tradition, self-enhancement (egoism), moral equity, relativism and contractualism) and social norms. It was noted that personal ethics derived from the internalisation of social norms.

Conclusions: The findings indicated that personal ethics accounted for individuals' own moral values, whereas social norms involved a correlation between individuals and society. As regards the influence of personal ethics and social norms on individual tax compliance behaviour, it was concluded that there was a direct relationship between personal and social factors.

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LIST OF ABBREVIATIONS AND ACRONYMS

Table 1: Abbreviations and acronyms used in this document

Abbreviation	Meaning
GDP	Gross domestic product (GDP) is one of the main indicators of a particular country which is used to measure economic performance (Statistics South Africa, 2013:1).
SARS	South African Revenue Service (SARS) is the tax authority in South Africa which has a mandate to "collect all revenues due, ensure optimal compliance with tax and customs legislation, and provide a customs and excise service that will facilitate legitimate trade as well as protect the economy and society" (National Government of South Africa, Not dated:1).

CHAPTER 1:
INTRODUCTION

1.1. INTRODUCTION

A very common everyday phrase is that the only things that are certain in life are death and taxes (Alm, 2019). However, Alm argues that taxes are far from being certain because taxpayers act in certain ways to reduce their tax liabilities. "Individuals do not like paying taxes, they take a variety of actions to reduce their tax liabilities" (Alm & Torgler, 2011:635). Governments are faced with the challenge of convincing taxpayers to adhere to the provisions of their tax systems (James & Alley, 2002:28).

It is undeniable that compliance is a major issue for all revenue authorities (James & Alley, 2002:29). In developing countries, the role of taxation is of unquestionable importance because tax income assists these countries in obtaining revenue to cover their expenditures (Ghani, Abd Hamid, Sanusi & Shamsuddin, 2020:19). Tax compliance is, therefore, a major concern because it has an impact on a country's revenue collection and on its ability to meet its expenditures. Umar, Derashid, Ibrahim and Bidin (2019:338) note that developing countries experience enormous challenges in raising tax revenues to finance much-needed development.

Tax compliance refers to a situation where tax returns are submitted to tax authorities in a timely and accurate manner as specified by the tax provisions of a country. Neglecting to disclose accurate actual income, claiming expenditure and rebates which are not allowed, and not paying the tax that is due are recognised as non-compliance (Wadesango, Mutema, Mhaka & Wadesango, 2018). In terms of section 235 of the South African Tax Administration Act (South Africa, 2011:28), criminal offences relating to non-compliance include failing to notify the South African Revenue Service (SARS) of an amendment to registered particulars, submitting an incorrect certificate to SARS, submitting incomplete documentation, and withholding any amount of tax payable to SARS.

Previous studies have identified a number of factors that influence tax compliance behaviour. To identify these factors, scholars have followed two broad approaches, namely, the economic deterrence approach and the behavioural approach (James & Alley, 2002:33).

According to the economic deterrence approach, taxpayers examine the benefits and costs of complying or not complying; in other words, they base their decision on what would be economically rational. The behavioural approach analyses tax compliance based on other factors that affect individuals' decisions, and these factors link with taxpayers' conduct. James and Alley (2002:33) note that the behavioural approach "… is concerned with wider behavioural issues and draws heavily on concepts and research from disciplines such as psychology and sociology".

According to a study done by Jackson and Milliron (1986:130), the factors influencing tax compliance are age, gender, education, level of income, source of income, occupation, influence of peers, ethics, fairness, complexity, probability of detection, sanctions and tax rates. Taxpayers' behaviour is not always self-centred and logical (as portrayed in the standard neoclassical paradigm), but is often motivated by other factors such as those relating to ethics (Alm & Torgler, 2011:636).

According to the behavioural approach, the ethics of a taxpayer refer to the taxpayer's moral principles or values (Jackson & Milliron, 1986:136). Taxpayers may decide to pay taxes in compliance with requirements because they believe that it is right to be tax compliant (Alm & Torgler, 2011:638) even though opportunities are available not to be compliant. Ethics have been defined as systems describing the rules of conduct that provide recommendations about behaviour in social or interpersonal settings; thus, in this sense, human affairs are regulated and moderated by ethics or morals (Reckers, Sanders & Roark, 1994:826). Ethics include the aspects of morality, social norms, altruism and fairness (Alm & Torgler, 2011).

Yong, Lo, Freudenberg and Sawyer (2019:773) suggest that more future studies need to focus on the ethics of taxpayers because ethics may influence taxpayers' tax compliance behaviour. Also to be considered are the interrelations between ethics and other factors, such as the fact that "a less ethical taxpayer could be more influenced by the probability of detection, compared to taxpayers with high ethics, who could comply regardless" (Yong *et al.*, 2019:773). In order to fully understand an individual's compliance behaviour, ethical dimensions should be taken into account as individuals have different ethics, and these differences can influence compliance decisions (Alm & Torgler, 2011:636). The present study, which aimed to determine how ethics influenced tax compliance behaviour with the

intention of assisting tax authorities to shift their focus pertaining to their need to improve tax revenue collection in developing countries, noted the findings referred to above.

1.2.   RATIONALE FOR THE STUDY

Tax revenue plays an integral part in achieving sustainable economic development and in financing social programmes and infrastructure development (Nkundabanyanga, Mvura, Nyamuyonjo, Opiso & Nakabuye, 2017:931). Two of the key factors contributing to economic development are good public infrastructure and government services. Specifically, a government's inability to provide public services slows down economic development. There are numerous factors that cause governments in developing countries to fail to provide adequate public services, one of them being insufficient tax revenue (Fuest & Riedel, 2009).

A country's ability to generate the tax revenue it needs to provide, for example, adequate public services, can be established by determining the ratio of its tax to its gross domestic product (GDP). GDP is a main indicator of a country's economic performance (Statistics South Africa, 2013:1), and a "… tax-to-GDP ratio is a gauge of a nation's tax revenue relative to the size of its economy as measured by GDP" (Investopedia, 2021:1). Studies have revealed a difference in the tax-to-GDP ratio of developing and developed countries. In 2005, the average tax-to-GDP ratio of the world's developed countries was 35%, whereas it was 15% in developing countries (Fuest & Riedel, 2009). In 2019, the average tax-to-GDP ratio in the developing countries of Argentina, Mexico, Niger, Russia, South Africa and Zambia was 15%, whereas it was 24% in the developed countries of Australia, Chile, Greece, New Zealand, Norway and the United Kingdom (World Bank Group, 2021). This data reflects the poor ability of developing countries to generate the tax revenue that is essential to provide adequate public services (Fuest & Riedel, 2009).

All over the world, tax non-compliance is one of the factors that adversely affect tax revenue collection. In developing countries, tax non-compliance is regarded as a serious offence and a top corruption activity because it reduces tax revenues (Alasfour, 2019:243). Tax non-compliance can allude to: failure to remit the correct amount of tax; failure to report accurate income or deductible expenses; and failure to register for tax. Other studies divide tax non-compliance between intentional and unintentional behaviour. Tax compliance is the

taxpayers' inclination to adhere with tax laws. Tax compliance is also the taxpayers' capacity and enthusiasm—usually determined by ethics—to adhere to tax laws (Alasfour, 2019:248).

In their research study, Awang and Amran (2014:106) consider factors influencing tax compliance mainly from an economic perspective. Alm (2019), also adopting an economic perspective, refers to the economic-of-crime approach according to which an individual is regarded as logical if that individual maximises the expected utility of tax evasion and weighs the fruits of successful cheating against the risk of being detected and punished. This approach suggests that individuals are compliant due to the fear of being caught and punished for not reporting all their income. Thus, according to the economic-of-crime approach, compliance is dependent on audits and penalties. This approach is not conclusive because the percentage of audits is low in most countries, the penalties rarely exceed the amount of unpaid taxes, and penalties are not frequently imposed (Alm, 2019).

Another approach which, in the case of the present study, applies to the issue of tax compliance is the behavioural or psychological approach. There is a growing acceptance that the behavioural approach can assist in improving the understanding of individual behaviour (Alm, 2019:14). A comprehension of behaviour has been studied in a wide range of disciplines and has served to clarify how individual behaviour that is shaped by human nature and social environment can affect individuals' will and capacity to obey tax obligations (Holzinger & Biddle, 2016). The behavioural approach entails two concepts, namely, the non-expected utility theory and the social effects theory (Holzinger & Biddle, 2016).

The non-expected utility theory considers taxpayers who over-estimate the chance of being detected. For example, if the probability of detection is 1%, a taxpayer would exaggerate the probability to 5%. Therefore, these taxpayers make decisions based on ambiguity rather than on risk because their decisions are determined by uncertainties with unclear probabilities rather than by uncertainties with clear probabilities. This suggests that ambiguous-averse taxpayers could be compliant if tax authorities hide specific information on audit practices and probabilities (Weber, Fooken & Herrmann, 2014). The non-expected utility theory is similar to the economic model; however, it takes into consideration behavioural biases by changing the subjective probability that taxpayers will be charged a penalty or the objective that taxpayers seek to maximise (Holzinger & Biddle, 2016).

The theory of social effects, also referred to as social interaction modelling, considers the fact that taxpayers' decisions could be influenced by their distinct social and cultural environments. Social effects include factors such as social norms, fairness, reputation and psychological costs (Weber *et al.*, 2014). Compared to other models, social interaction models adopt a more realistic view of tax decisions by including additional factors such as the tendencies of individuals to pay tax. According to Holzinger and Biddle (2016), important factors that play a role in social interactions include personal and social norms, fairness and trust, the responsive regulation theory, trust and power, heuristics and complexity, and agent-based models.

In summary, prior research postulates that taxpayers evade tax because the economic benefit of non-compliant behaviour outweighs the risk of being detected and penalised or punished. However, tax compliance is increasingly being recognised as a social matter, and non-compliance is viewed as a problem caused by specific factors such as unethical behaviour. The ethical factors of tax compliant behaviour that come into play to determine whether behaviour is correct or incorrect relate to the values and codes of conduct that are upheld in respect of being honest, not cheating and meeting obligations (Awang & Amran, 2014:107). Alm and Torgler (2011:636) add that it is impossible to gain an understanding of an individual's compliance decisions if ethical dimensions and the implications of behaviour are not considered. Furthermore, the ethical convictions of individuals are different, and these differences cannot be ignored when assessing individuals' compliance decisions. The above research findings formed the basis of the rationale for undertaking the present study which aimed to determine how ethics influenced tax compliance behaviour in developing countries.

1.3. RESEARCH PROBLEM

People know that they need to pay their taxes; therefore, although there might be opportunities for them to evade paying taxes, they sometimes do not make use of these opportunities. In other instances, people evade paying taxes regardless of sanctions that have been imposed. In developing countries especially, the problem is that people do not always comply with tax laws, causing governments to fail in raising the tax revenue they need for growing the economy and improving the lives of the poor. If the tax revenue authorities can understand the reasons for tax non-compliance, they might be able to

redirect their efforts to improve tax revenue collection by focusing on identified problem areas.

1.4. RESEARCH QUESTION

The inability of governments to collect sufficient tax revenue, and thus their inability to provide the necessary goods and services to their citizens, led to the question: What are the ethical factors influencing tax compliance behaviour in developing countries?

1.5. RESEARCH OBJECTIVES

- To identify the types of ethical factors that influence tax compliance behaviour
- To determine the effect of these identified ethical factors on tax compliance behaviour

1.6. STRUCTURE OF THE MINI-DISSERTATION

The main outcomes of this present study are presented in the format of a mini-dissertation. The structure of the mini-dissertation is summarised below.

1.6.1. Chapter 1: Introduction

This chapter provides the background to the research topic, clarifies the rationale and purpose of this study and presents the research question and the main research objectives. Lastly, Chapter 1 presents an overview of the structure of the mini-dissertation.

1.6.2. Chapter 2: Method for conducting the systematic review

In Chapter 2, the theory of each research element is explained. This chapter gives a detailed description of the research design and methodology used in this research. The chapter commences with an orientation of the research design and provides a motivation for the use of systematic review as a methodology. Lastly, this chapter outlines the data collection process and the results obtained.

1.6.3. Chapter 3: Literature review

This chapter presents various aspects identified during the review of the selected literature. Conclusions are drawn from the literature review with a view to answering the research question and achieving the research objectives.

1.6.4. Chapter 4: Analysis of data and findings

Chapter 4 clarifies the data analysis technique that was followed in the study and, using the research question to structure the discussions, presents and discusses the results obtained. Some of the information in this chapter is presented in the form of tables.

1.6.5. Chapter 5: Conclusion

This chapter summarises the findings and conclusions of the present study. In addition, it outlines the limitations of this study and makes recommendations for future research.

CHAPTER 2
METHOD FOR CONDUCTING THE SYSTEMATIC REVIEW

2.1. INTRODUCTION

Some scholars have suggested that research is not only about gathering information but also about answering unanswered questions or creating something that does not currently exist (Goddard & Melville, 2004). Research is also referred to as a search for knowledge (Kothari, 2004:1). Goddard and Melville (2004) list the following types of research: experimental, creative, descriptive, ex post facto, action, historical, and expository research. Each type of research has its own specific design and methodology. The purpose of this chapter is to describe the research design adopted in this study that was best suited to addressing the research question.

2.2. RESEARCH DESIGN ELEMENTS

2.2.1 Philosophical stance of the study

Research philosophy is about the origin, development and nature of knowledge. Simply put, a research philosophy concerns the manner in which data about a specific phenomenon is gathered, analysed and used. The four main research philosophies are pragmatism, positivism, realism and interpretivism (Business Research Methodology, Not dated:1).

The terms pragmatism, pragmatist and pragmatic are usually used to indicate a dedication to success by dealing with situations in a practical way to get things done. Pragmatists can be described as not being guided by principles, but by the inclination to achieve their ends. Pragmatic researchers have minimal interest in pedantic arguments, abstraction and idealisation because they focus on practical tasks (Talisse & Aikin, 2008:1). In pragmatist research philosophy, concepts are considered to be relevant only when they support the action. Pragmatism entails being practical, being attentive to contexts in the present and not allowing doctrine or ideology to become a burden. Being action-orientated is the logical stance of a pragmatic inquiry (Warwick, 2021:1). In summary, compared to a wonderer, thinker or seeker of truth, a pragmatic researcher is a negotiator and a doer (Talisse & Aikin, 2008:1).

Montague (1909:463) divides pragmatism into the following four categories: biological, psychological, ontological and logical pragmatism. Biological pragmatism can be described as an instrumentalist theory of knowledge. Psychological pragmatism is the motor theory of truth. Ontological pragmatism is the humanistic theory of reality. According to logical pragmatism, the truth of a hypothesis depends on or is measured by the value of its consequences. In summary, pragmatism is linked with knowledge, truth, reality and consequences.

Positivism deems knowledge to be trustworthy only if that knowledge is factual (Business Research Methodology, Not dated). A positivist researcher is not involved in the process of data collection, interpretation and analysis (Mukherjee, 2019:12). A positivist researcher leans towards using quantitative methods such as questionnaires, social surveys and official statistics because these can provide representative and reliable information. In positivist research, the researcher seeks to explore the relationship between two or more variables (ReviseSociology, Not dated:1). According to Ryan (2018:1), "positivists value objectivity and proving or disproving hypotheses".

Interpretivism is the direct opposite of positivism in that it values subjectivity (Ryan, 2018:1) and involves researchers who interpret the elements of a study (Business Research Methodology, Not dated). Researchers following an interpretivist approach lean towards using qualitative methods such as participant observation or interviews.

Realism propounds the independence of reality from the human mind and the dependence of reality on assumptions of scientific knowledge (Business Research Methodology, Not dated). According to Montague (1909:460), "realism is the doctrine that the same objects that are known by someone may continue to exist when they are not known by any one, or that things may pass in and out of the cognitive relation without prejudice to their reality, or that the existence of a thing is not correlated with, or dependent upon, the fact that somebody experiences it, perceives it, conceives it, is conscious of it, or in any way aware of it". Therefore, realism declares that objects can exist without subjects. This means an object can exist without anyone being conscious of its existence (Montague, 1909:461).

The present research fell within the ambit of pragmatism in that it analysed whether the concept of ethics was relevant to the action of being tax compliant. Further, this study considered the knowledge, truths, reality and consequences of the influence of ethics on taxpayers' behaviour.

2.2.2 Nature of the study

Studies can differ in their nature, and the different types can be divided into three categories, namely, descriptive, exploratory and causal (Awang, 2012:36). These three categories are briefly discussed below.

As the name suggests, descriptive research describes the attributes of an existing phenomenon or a population. In descriptive research, scientific procedures and methods are used to accumulate data and thereafter to create data structures that define the attributes of a targeted population. Contrary to exploratory research, descriptive research is based upon prior comprehension of the nature of a research problem. Notwithstanding the fact that the researcher has prior understanding about the problem, undeniable evidence is still required to determine the researcher's course of action (Awang, 2012:33).

An exploratory research design is used to simplify the nature of ambiguous issues (Awang, 2012:32). Ambiguity exists when the nature of the problem and the research objectives are unclear and when understanding alternative decisions proves to be difficult (Awang, 2012:32). The main purpose of exploratory research is to investigate a situation or an issue to obtain a better understanding of it. Exploratory research does not intend to provide undeniable evidence on which to base a particular course of action. This type of research is usually conducted with the anticipation that subsequent research will be needed to provide such undeniable evidence (Awang, 2012:33).

Causal research is used to gather meta data structures and information that will enable the researcher to duplicate the knock-on-effect relationship between two or more variables (Awang, 2012:34). Further, it offers the opportunity to identify, determine and explain causality among different variables (Awang, 2012:35). A causal research design enables decision-makers to obtain the greatest level of understanding within the research process.

Table 2 summarises the three different types of nature of study.

Table 2: Summary of the three types of nature of study

	Exploratory	**Descriptive**	**Causal**
Objective	To discover insights and new ideas about the problem at hand	To describe the problem at hand and relate it to the characteristics of the population under study	To determine the cause-and-effect relationship between the independent and dependent variables
Characteristics	Flexible, versatile, and not based on a proper research design	Based on specific objectives, research question(s), and research hypotheses of the study	Manipulating independent variables and measuring the effects on the dependent variables
Methods	Expert interviews, pilot surveys, analysis of secondary data, qualitative research design	Structured data collection	Laboratory experiments, change in the level of independent variables

Source: Awang (2012:35)

The present study is descriptive in nature. A descriptive approach was chosen because research on tax compliance was ongoing and the aim of the present study was to describe factors that might influence tax compliance, specifically in relation to ethics. Different types of ethical factors were considered to determine what effect they could have on a taxpayer's decision to comply or not comply with tax directives as well as on the taxpayer's related behaviour.

2.2.3 Method of reasoning

Induction, deduction and abduction are three forms of reasoning (Lipscomb, 2012:244), and these are described below.

Argumentation or reasoning may be categorised based on whether supporting facts are partial or conclusive or only give the appearance of providing support (Flach & Kakas, 2000:3).

If the supporting facts of a particular argument provide indisputable support for the conclusion reached, that argument is deductive in nature. By implication, all the supporting facts of the argument are correct, which, consequently, makes it impossible for the conclusions reached to be false. An argument based on conclusive supporting facts is described as a deductive argument (Flach & Kakas, 2000:3).

When the supporting facts of an argument impart partial support for the final conclusion reached, the argument concerned is inductive in nature. According to Flach and Kakas (2000:3), "the premises of an argument provide partial support for the conclusion if, should the premises were true, they would give us good reasons but not conclusive reasons to accept the conclusion". Arguments of this kind are inductive in nature.

The main difference between inductive and deductive reasoning is that inductive reasoning aims to develop a theory whereas deductive reasoning aims to test an existing theory (Scribbr, 2021a:1).

Generating hypotheses and choosing a few of these hypotheses for further investigation are known as a process of abduction (Kapitan, 1992:1). Abduction can also be defined as the insightful, creative or imaginative moment where an interpretation or understanding is grasped (Lipscomb, 2012:244).

The present study analysed academic literature to determine which types of ethics had an influence on taxpayers' compliance behaviour. Deductive reasoning was, therefore, an appropriate method of reasoning to adopt because tax compliance behaviour was not a new research topic.

2.2.4 Time horizon

There are two types of time horizon for research purposes, namely, longitudinal and cross-sectional. These two types are briefly described below.

A longitudinal study is when the same individuals are examined in repetition to determine whether any changes have occurred over a period of time (Scribbr, 2021c). This type of study is done over time based on a variable or a group of subjects. The goal of a longitudinal study is to research almost all dynamics relating to a specific problem.

A cross-sectional study refers to the collection of data from different individuals or sources at a particular point in time (Scribbr, 2021c). The method is to select various groups of individuals and to study how various factors differ. A cross-sectional study collects data or information from more than one case or group at a single point in time.

Table 3 presents a differentiation between a cross-sectional and a longitudinal study.

Table 3: The two different types of time horizon

Cross-sectional study	Longitudinal study
Quicker than a longitudinal study to conduct	Is done over a period of time (from a few years to even decades)
Conducted at a given point in time	Researchers are required to revisit study participants at proper intervals.
Conducted with samples that differ	Conducted using the same sample over an extended period
Cannot be used to draw a conclusion about the cause-and-effect relationship	Justifies the cause-and-effect relationship
Studied at a single point in time using multiple variables	Only one variable is considered to conduct this type of study.
Usually, cross-sectional studies are not as expensive as longitudinal studies to conduct.	Longitudinal studies tend to be more expensive because they could continue for a number of years.

Source: QuestionPro (Not dated:1)

The present study covered literature spanning from 1986 to 2021 with the objective of gaining an understanding of the topic under study as dealt with in the literature published during this period. Even though this literature was published over a period of three decades, the present study, having been conducted at a particular point in time, should be regarded as cross-sectional.

2.2.5 Unit of analysis

The unit of analysis chosen for a research project is most important. The following are examples of units of analysis: social interactions, artefacts, geographical units, individuals or groups (Conjoint.ly, 2021:1). A unit of analysis can be described as the "what" or "who" that is being researched (Sedgwick, 2014:1).

A study's research question drives the choice of the study's unit of analysis. The unit of analysis refers to the major entity to be analysed in a study (Conjoint.ly, 2021:1). In the case

of the present study, the unit of analysis was academic literature that dealt with aspects related to the influence of ethics on taxpayers' compliance behaviour.

2.2.6 Nature of the data

The origin and the type of data used in a research study reflect the nature of the data. The origin of data refers to the original source of the data. Academic researchers gather information from a range of sources, and these sources may be primary or secondary. Examples of primary data are raw information and first-hand evidence. Secondary data provides second-hand information, which can include commentary from other researchers. "A secondary source describes, interprets, or synthesizes primary sources" (Scribbr, 2021b:1).

A researcher may follow a quantitative or a qualitative approach when collecting and analysing data. A qualitative approach involves words and meanings whereas a quantitative approach involves statistics and numbers (Scribbr, 2021c:1).

Quantitative data can be expressed in the form of graphs or numbers. This type of research approach is used to confirm or test assumptions and theories. Experiments, observations in numerical format and surveys with closed-ended questions are common methods used in quantitative research (Scribbr, 2021c:1).

The expression of meanings in the form of words is characteristic of qualitative research. This type of research approach is used to gain an understanding of experiences, thoughts or concepts. The aim of this approach is to gain in-depth insight into a particular topic that is not yet understood. The following methods are used in qualitative research: exploring concepts and theories, describing observations in words, and conducting interviews using open-ended questions (Scribbr, 2021c:1).

Quantitative research is used when the researcher wants to confirm or test something whereas qualitative research is used when the researcher wants to understand something (Scribbr, 2021c). The present research adopted a qualitative research approach to obtain an understanding of the role of ethics in taxpayers' compliance decisions. The academic

literature reviewed for this study can be categorised as a secondary source of data; in other words, the study obtained data based on second-hand information.

2.3. SYSTEMATIC REVIEW

The research methodology used in this study was that of a systematic review. A set of procedures was used to provide an exhaustive summary of the reviewed academic literature. The steps followed were to: 1) clearly define the research question; 2) determine criteria to be used to search for data of relevance to this study; 3) assess the quality and reliability of the identified data; 4) synthesise the data in an orderly manner to be able to draw conclusions (Coetzee, 2019:23).

A systematic review process is well planned and developed in order to decrease biases and exclude studies that are irrelevant or of low quality (Linares-Espinós, Hernández, Domínguez-Escrig, Fernández-Pello, Hevia, Mayor, Padilla-Fernández & Ribal, 2018).

The use of a systematic review makes it possible to clearly define a research question, recover reviews that have been previously published, take note of their limitations, and justify why a more comprehensive review is required (Bullard, 1999:106). Conducting a systematic review enables the use of a search strategy that determines the primary academic literature to be used and the most valid literature to be selected. "A systematic review specifies the method of combining data from different studies, discusses variation within and between studies, and presents specific conclusions, contrasting these with existing literature and standards of care" (Bullard, 1999:106).

After selecting appropriate and reliable academic literature, the next steps are to evaluate the biases contained in each work, to determine the quality of the literature and to present information obtained in the form of tables and/or text that synthesise the evidence (Linares-Espinós *et al.*, 2018). It is important to note that a study that employs a systematic review should recognise the constraints of such a review and recommend areas requiring further research.

The procedures that are characteristic of a systematic review were followed in the present study. For example, the research problem was identified (see section 1.3), the research

question was defined clearly (see section 1.4), and the research objectives that the study attempted to achieve in order to answer the research question were formulated (see section 1.5). Section 2.4 describes the procedures of first identifying and then recording the academic literature reviewed. The conclusions drawn from synthesising the literature in accordance with the research objectives are presented in Chapter 5.

For this study, which aimed to determine the types of ethics that had an influence on taxpayers' compliance behaviour, it was important to review as much literature as possible as it would result in gaining more comprehension and knowledge of the topic under study. Choosing a systematic review was ideal for synthesising and appraising the large amount of literature and drawing conclusions from the systematic analysis of sources.

2.4.   IDENTIFYING AND RECORDING ACADEMIC LITERATURE

This section explains the procedures followed to recognise and record academic literature that was relevant and valuable to determine the types of ethics that influenced taxpayers' compliance behaviour. It also provides details of the databases and information sources that were used, the inclusion and exclusion of data, and the keywords that were used to ensure that relevant academic literature was reviewed.

2.4.1. Databases and information sources

Most of the literature used in this systematic review consisted of academic research articles. Care was taken that the literature used was of the highest quality. A one-step approach was followed to search for literature. Google Scholar and the databases EBSCOhost, ProQuest and ScienceDirect were used, and these were accessed via the Department of Library Services of the University of Pretoria. Keywords (see section 2.4.3) were used to guide the literature search.

2.4.2. Inclusion and exclusion of data

When conducting a search for literature, not all results obtained are relevant; therefore, this study followed a process of including and excluding data. As the study of tax compliance has grown enormously over the past twenty years (Alm, 1996:106), studies published during the last three decades were considered for selection. Having made this selection, keywords were used to identify the most appropriate and relevant literature for this review. This was followed by a two-step approach to select relevant literature. The first step was to evaluate the title of the publication and determine whether it contained the keywords set. The second step was to read through the abstract of each publication to determine whether the literature was relevant and useful for achieving the research objectives and answering the research question.

Only full-text and peer-reviewed academic publications were considered to ensure that the literature used was accurate and of high quality. A peer-reviewed article (also known as a scholarly article) is critiqued by experts from the same field: this is considered necessary to ensure the high quality of academic writing. ABDC, Scopus, ISI and IBSS lists were consulted to evaluate the quality of the articles used in the present review.

2.4.3. Keywords

The use of keywords in the present research made it possible to narrow down the articles identified to those that dealt with the main topic of this study. The keywords were drawn from the words used in the research question (see section 1.4). The search results served as a guide to determine whether the keywords were effective and whether they had to be refined or changed. The change would involve replacing keywords with synonyms.

Table 4 shows the results of using different combinations or synonyms of keywords.

Table 4: Combination of keywords used to search for academic literature

Keywords	Number of publications identified
"Tax compliance"	5 179
"Taxpayers' behaviour (behaviour)"	363
"Tax compliance" & "ethics (morals)"	197 (165)
"Tax compliance" & "developing countries"	113
"Tax compliance" & "ethics" & "morals"	89
"Tax behaviour" & "ethics" & "morals"	9

2.4.4. Recording identified academic literature

The academic articles reviewed for this study were identified through employing the databases, keywords and criteria mentioned above. The quality of the articles was evaluated by using the ABDC list, Department of Higher Education and Training and Scopus, ISI and IBSS lists approved by the Department of Higher Education and Training. Articles that were selected for review were further filtered by assessing their titles and abstracts. The filtering process was necessary in order to exclude articles that were irrelevant to the topic of this study.

The selected articles were cited from the relevant databases and exported to Endnote, which is a computer application that helps to manage references and insert in-text references (Clarivate, 2021:1). Endnote was an important tool to store all the academic articles in one place.

2.5. CONCLUSION

The aim of this chapter was to explain the present study's research design characteristics: the philosophical stance taken was that of pragmatism; the nature of the study was descriptive (the findings from selected articles were described in detail); deductive reasoning was followed; the research design was cross-sectional (data was obtained at a specific point in time); and the type of data used in this study was of a qualitative and secondary nature.

This chapter also discussed the selection of the systematic review as the most appropriate research methodology for this study. Further, it discussed the procedures applied to identify and record academic literature, the databases used, the inclusion and exclusion of data, and the keywords used to search for academic articles.

In the next chapters, the academic articles that were selected for review are summarised in the form of text or tables, from which conclusions are drawn. Important to note is that the academic articles were analysed systematically to ensure that conclusions drawn would assist in achieving the research objectives and answering the research question.

CHAPTER 3:
LITERATURE REVIEW

3.1. INTRODUCTION

The literature that was reviewed for this research study was analysed to determine whether ethics had an impact on taxpayers' compliance decisions. The manner in which the literature was identified and recorded was discussed in Chapter 2 (see section 2.4). The purpose of Chapter 3 is to present an overview and a discussion of aspects identified in the literature that was reviewed.

3.2. SUMMARY AND BRIEF DISCUSSION OF REVIEWED LITERATURE

3.2.1. Tax revenue in developing countries

The key factor that facilitates economic growth is the provision of public services and infrastructure (Fuest & Riedel, 2009). Raising more domestic revenue is a high priority in most sub-Saharan African countries (Ali, Fjeldstad & Sjursen, 2014:828). Governments create fiscal space, supply essential public services and decrease foreign aid and single-resource dependence through revenue mobilisation. One of the most important economic policy tools is taxation: the receipt of tax is a government's main source of revenue, allowing it to finance the provision of public services and infrastructure and to redistribute income (Varvarigos, 2017:961). Clearly, a well-implemented tax system will facilitate the reduction of inequalities between the rich and the poor (Ghani *et al.*, 2020:19).

Tax is a major point of discussion worldwide. Ghani *et al.* (2020:19) describe tax as a mandatory charge levied on the revenue and assets of taxpayers, the payment of which promises nothing specific in return. These authors state that although tax is countries' main source of income (this income being especially important in developing countries because it assists them to finance their expenditure), the problems of minimising tax evasion and maximising tax collection remain difficult to solve.

Numerous developing countries have failed to raise the tax revenue they require to finance their public sectors. In 2005, there was a 20% difference in the average tax-to-GDP ratio between developed and developing countries (Fuest & Riedel, 2009). Revenue from tax is

a great need in developing countries; however, the domestic tax bases in most African countries are weak because the practices of tax avoidance and evasion are rife (Ali *et al.*, 2014:828; Fuest & Riedel, 2009).

3.2.2. Tax compliance

Compliance with tax provisions includes correctly computing and reporting taxes, filing returns on time, and paying all amounts due to revenue authorities in a timely manner (Franzoni, 1998).

Administrative compliance and technical compliance are two aspects of tax compliance (Awang & Amran, 2014:107). Administrative compliance refers to taxpayers' adherence to the administration of tax (i.e. submitting tax returns and paying taxes on time), whereas technical compliance refers to the calculation of tax according to the technical provisions of the tax laws. Nkundabanyanga *et al.* (2017:935) define tax compliance as "complying with the spirit as well as the letter of the law". Alasfour (2019:248) gives a comprehensive definition of tax compliance: tax compliance is when a taxpayer willingly complies with the country's tax laws, which results in the economic stability of that country; tax compliance is when a taxpayer reports all income and pays all tax in accordance with the provisions of law, regulations and court judgements.

The opposite of tax compliance is tax non-compliance. Tax non-compliance refers to the failure to remit the amount of tax that is due and to correctly disclose actual income earned and actual deductions claimed (Alasfour, 2019:248). Tax non-compliance comprises two categories, namely, tax avoidance and tax evasion (Awang & Amran, 2014:107; Yong *et al.*, 2019). These two activities are differentiated based on legal points (Nkundabanyanga *et al.*, 2017:934).

Definitions of tax avoidance and tax evasion that are universally accepted do not exist (Fuest & Riedel, 2009). According to Nkundabanyanga *et al.* (2017:934), tax avoidance is when the tax liability is reduced legally by actions that fully harness tax laws, such as tax arbitrage across income, income splitting and postponement of taxes. On the other hand, tax evasion includes illegal and intentional practices by taxpayers to decrease their legal tax obligations (Nkundabanyanga *et al.*, 2017:935).

Tax non-compliance can be either intentional or unintentional; both tax evasion and tax avoidance can be intentional. The similarity between tax evasion and tax avoidance is the intention to decrease or alienate tax liability. From a legal perspective, tax evasion is illegal because it is the deliberate non-adherence to tax law provisions in order to reduce tax liability. On the other hand, tax avoidance reflects the true facts of a transaction; however, these facts are structured in a manner in which the outcome of the tax treatment is different from the intention of the tax law. Both avoidance and evasion decrease tax liability, avoidance being legal and evasion being illegal (Alasfour, 2019:248).

Taxpayers' stance towards tax payment is influenced by many factors, which include their attitude towards public institutions, their perception about whether taxes are fair or not, the social norms that are common in their society, and their view about their chances of being detected and punished for being non-compliant (Franzoni, 1998:52). According to Franzoni (1998:52), "without questioning the relevance of ethical motivations, the economic analysis of tax compliance has focused mainly on how evasion can be deterred through detection and sanctions". Reckers *et al.* (1994) believe that ethical values are in conflict with rational behaviour and utility maximisation.

It is important for every citizen to be tax compliant because it ensures a reliable stream of income for the government to finance its economic development plans. Non-compliance, which is the difference between the tax that should have been voluntarily paid on time and the actual amount of tax collected (Awang & Amran, 2014:108), affects the ability of government to achieve its planned economic development. Tax decision-making models often focus on economic and behavioural characteristics that affect compliance. Reckers *et al.* (1994:825) express the opinion that "most behavioural experiments have not incorporated individuals' tax ethics in their models, therefore, tax ethical beliefs is one factor that has been overlooked in these decision making models". Yong *et al.* (2019:773) concur and suggest that future research needs to focus more on ethics as it appears that the ethical convictions of taxpayers influence their decision to pay taxes or not. The role of ethics is discussed below.

3.2.3. Ethics

Individuals seem to be influenced by ethical values when their action is prompted by a sense of duty and not by the possibility that their action will result in gains. Another view is that ethical values are influenced not by rationality but by the belief that they allow for better and more efficient decision-making (Reckers *et al.*, 1994:827).

Individuals are tax compliant and thus act ethically if they perceive compliance as being morally correct. Questions about what is right or wrong relate to morals and morality. Morality can be divided into two categories, namely, moral judgements and moral attitudes. Moral judgements are the decisions individuals make to carry out an action because it is the right thing to do or to act or behave in a certain way because they have reasons to do so (Robbins & Kiser, 2020). Moral attitudes are the boundaries individuals set between what is right and what is wrong, and these boundaries serve as conditions for motivation and action (Robbins & Kiser, 2020).

According to Robbins and Kiser (2020), there are two morality-based mechanisms that affect voluntary tax compliance, namely, moral imperatives and moral alignment. Being tax compliant involves obedience, adherence and submissiveness. Being tax compliant voluntarily seems to flow from the innate nature of individuals; such individuals do not need the persistent action of tax authorities to persuade them to meet their tax obligations (Khafidhoh & Suryarini, 2017:65).

Moral imperatives are inherent duties or principles that stem from moral judgements and moral attitudes that encourage individuals to act or behave in a certain way regardless of the situation they find themselves in (Robbins & Kiser, 2020). On the other hand, moral alignment refers to individuals aligning themselves to the morals and values of a particular group (Robbins & Kiser, 2020). Moral imperatives are similar to personal norms in the sense that they refer to individuals' ethics whereas moral alignment is similar to social norms in the sense that it refers to the ethics that individuals absorb from a particular group. From the literature, it can thus be deduced that a person's tax compliance is influenced by personal and social norms.

Table 5 provides a brief summary of personal ethics and social norms, and these are discussed below the table.

Table 5: Personal and social norms

	Personal ethics	Social norms		
		Descriptive norms	**Injunctive norms**	**Subjective norms**
Description	Standards that are self-imposed or behaviour that is expected in a given situation Standards arise from internalised values.	A person's perception of what other people do in a given situation.	The perception of what most people think others should do in a given situation.	A person's perception of what those who are important to him/her think he/she should do in a given situation.
Social goal being achieved by conforming to norm	Managing self-concept.	Satisfying the desire to be right in one's choices and behaviours	Building and maintaining relationships.	Building and maintaining social relationships.
When is the ethics applicable?	When ethics are enforced based on the anticipation of self-enhancement or self-deprecatory.	Our use of the evidence of others' behaviour to decide the most effective action especially when the source of reference is similar to ours.	Behaviour is motivated by promising social rewards.	When people are motivated to comply with the norms of others.

3.2.4. Personal ethics

Reckers *et al.* (1994:826) define ethics or morals as normative systems of rules of conduct that guide the behaviour of people in social or interpersonal settings. These rules of conduct reflect the morals that regulate and moderate human affairs. Five dimensions of moral actions, identified by Ho and Wong (2008:370), are: empathy, socialisation, moral knowledge, autonomy, and a dimension of moral judgement. Ethics are a system of beliefs about what is right and what is wrong. Some believe the difference between morals and ethics is that morals represent rules whereas ethics represent beliefs; however, many regard morals and ethics to be synonymous in meaning (Ho & Wong, 2008:370).

Reckers *et al.* (1994:829) summarise the role that ethics play in taxpayers' compliance as follows: Ethical values are different amongst individuals; there are specific ethical values which highly correlate with self-reporting tax compliance; and the choices considered during decision-making can be limited by specific ethical values. Therefore, ethical beliefs are one of the screening factors taxpayers use when they 'edit' their decision-making. Ethical values set boundaries and reduce the choices available to the decision-maker if they interfere with the ethical beliefs of the decision-maker. The behaviour of taxpayers cannot be viewed through the same system of morality because the ethical beliefs of individuals differ.

Khafidhoh and Suryarini (2017:66) conducted a study in which they explored whether personal ethics had a positive influence on taxpayer compliance. Based on their findings they accepted their hypothesis that personal norms influenced tax compliance. Wenzel (2004b) also found that personal ethics were a definite determinant of taxpaying behaviour, thus confirming that individuals' personal standards or morals had an influence on the process of deciding whether to be tax compliant or not.

Taxpayers' ethical beliefs guide their decisions. Personal ethics construct the rational and neutral behaviour—mostly driven by profit-seeking—of individuals. In order to analyse the types of ethics that influence taxpayers' compliance decisions, ethical orientations are discussed next, after which ethical evaluations are dealt with. Figure 1 provides a graphic portrayal of the model of the role of ethics in tax compliance behaviour.

Figure 1: Model of the role of ethics in tax compliance behaviour
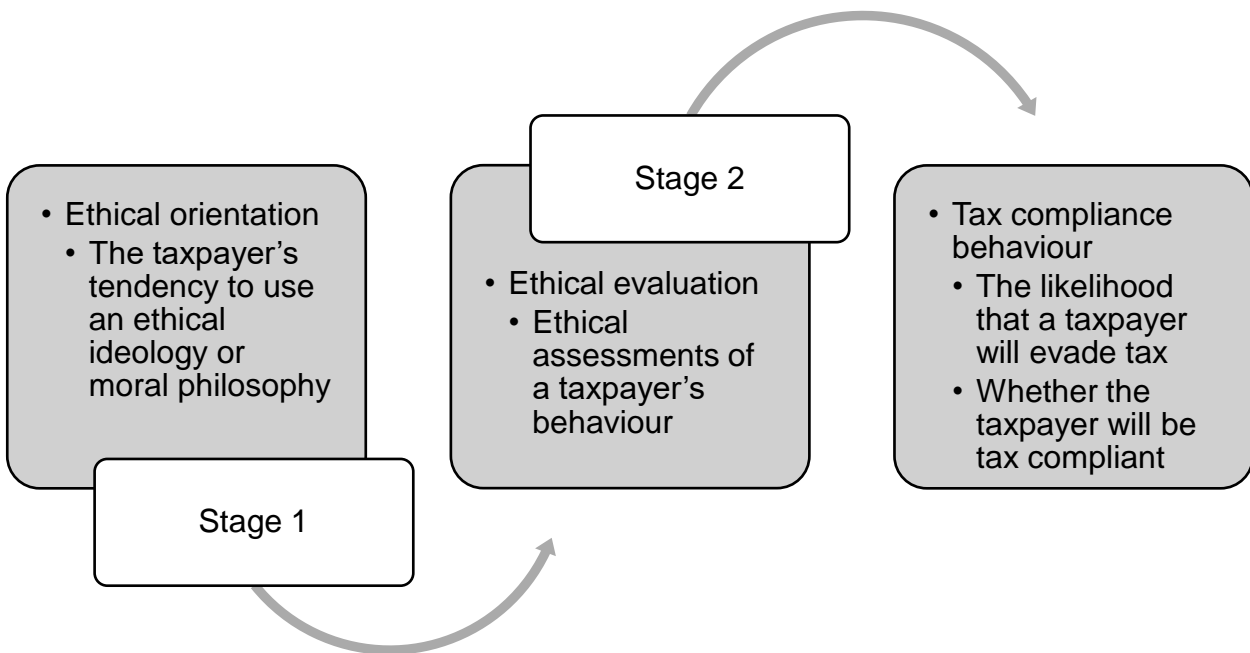
Source: Henderson and Kaplan (2005:44)

3.2.4.1.   Ethical orientations

According to Henderson and Kaplan (2005:43), any theory regarding decision-making that includes ethical components should consider that the judgements made by individuals will, to various degrees, be affected by deontological and teleological ethical orientations.

Deontology refers to ethics that are based on the idea of duty (Baron, 2012:1). Whether an act is moral or immoral depends on its inherent nature, notwithstanding its consequences (Conway & Gawronski, 2013:216). Therefore, the focus of deontology is the intrinsic righteousness of a behaviour or an act.

Teleological ethics, also known as utilitarianism, defines the morality of an action based on its consequences (Conway & Gawronski, 2013:216). The aim of teleology is to produce the greatest possible happiness across the population (Baron, 2012:1). Table 6 summarises the differences between deontology and teleology.

Table 6: Comparison between deontology and teleology

Comparison criteria	Deontology	Teleology
Meaning	Philosophy that examines morality and defines what is right and wrong	Philosophy that studies results or the aim and that questions the existence of the result or aim
Focus	The focus is to determine how a goal is achieved and whether the means are righteous.	The focus is to justify the means by linking the means to the end.
Principle	The fundamental belief is that what you do to others will eventually come back to you.	The fundamental belief is that any means is justified if it generates happiness and negligible pain.
Teachings	Teaching of moral values and righteousness	The teaching is that if the end goal is achieved then all the means are righteous.
Perspective	The values of each individual	Studies past events and predicts future results

Source: AskAnyDifference (Not dated:1)

Teleological ethics, which are based on the principle of producing the greatest happiness for the population, ask the question why individuals would take a decision that would bring them personal happiness as opposed to why they would take a decision that would lead to the happiness of the population. In the context of tax compliance, an individual who is teleologically inclined would take a decision that would be to the greater economic good of as many people as possible (Cummings, Longo & Rioux, 2012:98). Therefore, tax compliance will be avoided if this action produces lesser economic benefits to the greatest portion of the population. From a teleological perspective, individuals are expected to comply with the general rules of tax as these rules aim to generate the greatest social happiness (Cummings *et al.*, 2012:98), and such compliance will be morally correct if the benefits to the majority outweigh the costs (Ho & Wong, 2008:371).

Viewed through the lens of deontology, tax compliance means something different because deontologists do not proceed inductively (Cummings *et al.*, 2012:98). Unlike teleological ethics, deontological ethics propound the idea that the rightness or wrongness of something depends on the action and not on the outcome of that action. "Establishing tax law compliance or non-compliance as a duty using logic alone would constitute the bulk of the deontologist's concern with the question of treating persons as means or ends" (Cummings *et al.*, 2012:98). Therefore, the deontologist will be tax compliant if the action of being tax compliant is morally correct.

3.2.4.2. Ethical evaluations

Stage 2 in the model portrayed in Figure 1 involves individuals' ethical evaluations. Individuals perform ethical evaluations when they assess whether their compliance or non-compliance will represent ethical behaviour or not (Henderson & Kaplan, 2005:45). Individuals fall back on more than one rationale when making ethical judgements. The value model portrayed in Figure 2 depicts some ethical evaluations that could influence ethical behaviour.

Figure 2: The value model
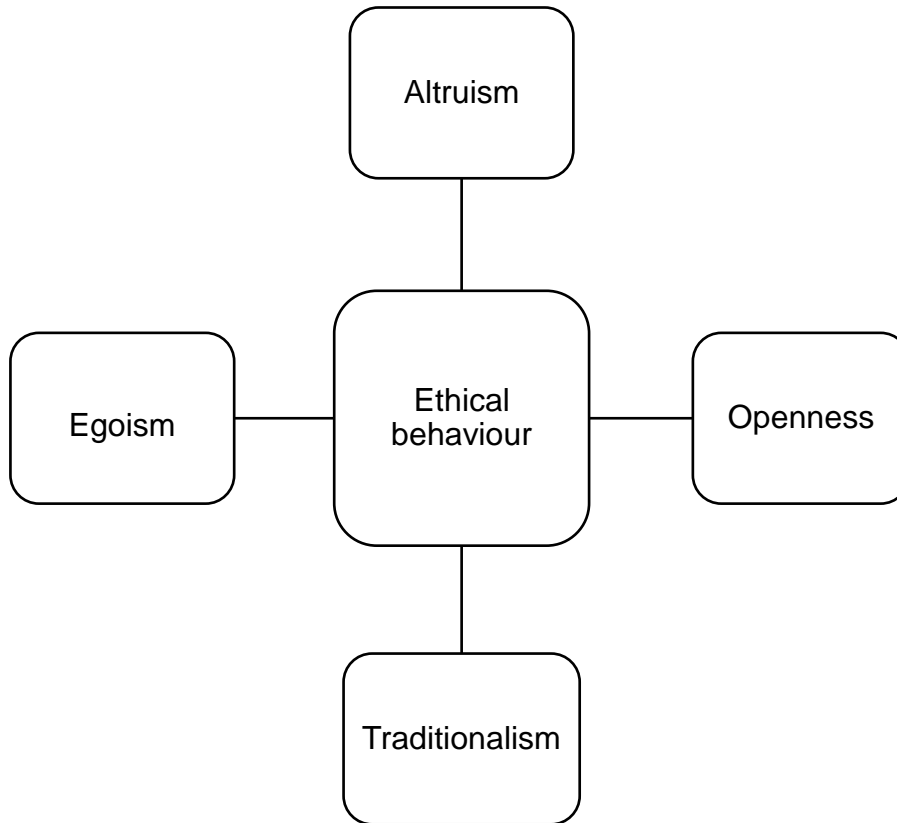
Source: Fritzsche and Oz (2007:338)

An individual with altruistic values believes in a world filled with peace and free from conflict and war, and in a strong social justice system that corrects injustices and provides care for the weak (Fritzsche & Oz, 2007:337). In short, altruism is the will to act or behave in a way that considers the interests of other individuals (Alm, 2014). Individuals are sole decision-makers and actors, and, if they believe their decisions and actions will affect other individuals, they will accept greater accountability for their own decisions (Stolley, 2018:40). In the context of tax compliance, altruistic individuals will decide to be tax compliant if they believe that their compliant behaviour will bring peace and provide for others in need. Individuals with a greater sense of accountability will accept more responsibility for their actions and will find it harder not to be tax compliant (Stolley, 2018:40).

Individuals who are open to changing their values live a varied lifestyle that is filled with challenges and unfamiliar experiences. Their lives are exciting and stimulating. They are also curious, they find delight in exploring new things and they display an interest in

everything (Fritzsche & Oz, 2007:337). A person who is open to adopting changed values will practise tax compliance if compliance is deemed an exciting and a stimulating experience. However, tax compliance cannot be guaranteed because they are always open to change.

Individuals who uphold traditional values strongly believe in respecting the elderly, and they value the security of their families and the safety of their loved ones. Personality traits such as exercising self-discipline and resisting temptations are characteristic of people with traditional values (Fritzsche & Oz, 2007:337). Traditionalists will consider being tax compliant if this will demonstrate respect for the elderly and ensure the safety of the ones they love. A traditionalist tends to exercise self-discipline when confronted with the temptation to evade taxes.

As indicated in Figure 2, egoism could influence ethical behaviour.

Figure 3: Egoism model
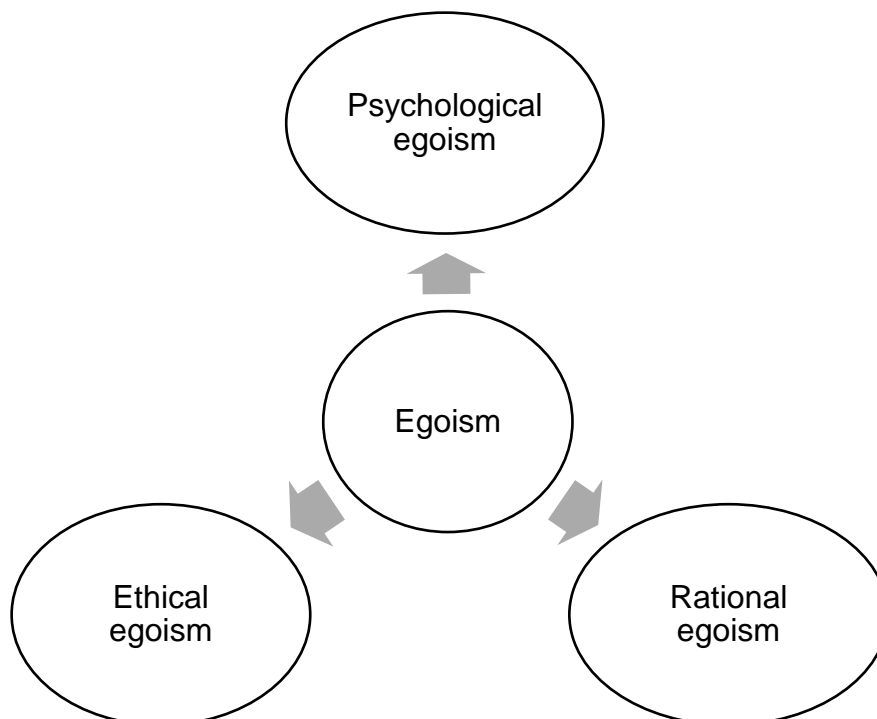
Self-interested or egoistic individuals believe in authority, the right to lead and to have an influence over other individuals. These individuals value material possessions and wealth

(Fritzsche & Oz, 2007:337), which suggests that they will be tax compliant if it places them in a position of having authority or influence over other people. Also, they will be tax compliant if it will maximise their wealth. Yuniarta and Purnamawati (2020:996) warn that individuals who love money may display less ethical behaviour and also less sensitivity towards others. As indicated in Figure 3, egoism can be divided into three categories, namely, psychological egoism, ethical egoism and rational egoism.

Psychological egoists are individuals whose main aim is to look after their own welfare (Shaver, 2002:1). Although personal welfare will result from these individuals' actions, it might not be the sole aim of their actions (Shaver, 2002:1). For example, if individuals' tax compliance does not satisfy their desire to improve their own welfare, they may decide to be tax compliant if it would satisfy their desire to improve the welfare of others (e.g. through economic development and poverty eradication). Therefore, psychological egoists will decide to be tax compliant if they consider the results of being tax compliant to be desirable.

Individuals who are ethical or rational egoists will perform an action if, and only if, the action is in their self-interest; however, an ethical egoist will perform the action only if it is morally correct (Shaver, 2002:1). On the other hand, a rational egoist does not consider morality when performing an action. In the context of tax compliance, an ethical or rational egoist will practise tax compliance if it will benefit them to the maximum in terms of self-interest. An ethical egoist will further determine whether being tax compliant is a moral action. Therefore, according to an ethical egoist, an act will be morally correct if it satisfies that individual's needs and self-interests (Ho & Wong, 2008:371).

Henderson and Kaplan (2005:45) have identified and described three evaluations relating to ethics, namely, moral equity, relativism and contractualism. Moral equity, which is similar to altruism, relates to perceptions about whether the observed behaviour of individuals is morally right, fair and just. Relativism relates to the guidelines or requirements that are inherently part of individuals' social system. In other words, relativism refers to the reactions individuals elicit when their behaviour pleases other individuals with whom they share social traits. Lastly, contractualism relates to whether observed behaviour will violate implied obligations. As such, contractualism relates to an individual's inherent duty to other individuals of society. Henderson and Kaplan (2005:48) have established a direct relationship between individuals' ethical evaluation and their tax compliance. They have

found a positive association to exist between tax compliance and the assessment dimensions of moral equity, relativism and contractualism.

Ho and Wong (2008:371) have identified three important principles used during ethical evaluations; these are ethical universalism, rights and justice.

1. Universalism: This principle is based on the notion of duty according to which moral authority is achieved if the motive of an act is to treat everyone with respect. Consequences are not considered when determining whether an act is right or wrong. An act is considered to be morally correct if it respects the rights of people who are affected by the act and if all parties involved are treated fairly.

2. Rights: This principle refers to individual entitlement. Moral authority is achieved if individuals' rights relating to freedom of speech, choice, happiness and self-respect are guaranteed. According to this principle, an act is morally right if it is based on legal rights and on the principles of duties.

3. Justice: This principle relates to equity and fairness. Moral authority is achieved if opportunities, wealth and burdens are distributed fairly and equally among everyone. An act is morally correct if everyone is treated equally and has equal opportunities.

Evidence obtained by Henderson and Kaplan (2005:64) indicate that individuals' ethical evaluations guide their intended tax compliance behaviour. Further, ethical orientations relate to tax compliance behaviour only through their impact on ethical evaluations. Therefore, ethical evaluations mediate the relationship between tax compliance behaviour and ethical orientations.

In summary, individuals' ethics can be understood as their inherent sense of what is right or wrong—it is a preference parameter for being unconditionally dedicated to ethical standards of conduct (Eisenhauer, 2008:48). Personal ethics—based on Kohlberg's concept of the stages of morality (as cited in Young, Lei, Wong & Kwok, 2016:567)—are influenced by what social groups consider to be acceptable ethical behaviour. Consequently, individuals' behaviour is influenced by what is approved by the social groups they belong to, motivating them to conform to the morality set by that group. Therefore, if individuals from a particular group are tax compliant, a greater degree of tax compliance is likely to be achieved within that group (Young *et al.*, 2016:567). Personal ethics are derived from the internalisation of

social norms (Khafidhoh & Suryarini, 2017:65). Social norms are described in the next section.

3.2.5. Social norms

Based on the literature referred to above, an individual's personal moral values and behavioural expectations can be described as personal ethics (Kostritsa & Sittler, 2017:335). Some of the personal ethics that are significantly related to tax compliance include the expectation of experiencing guilt over non-compliance, ethical judgement concerning taxpaying, and general honesty (Wenzel, 2004a:214). Previous research on personal taxpaying norms, morality and ethics neglected the determination of the origin of these personal norms (Wenzel, 2004a:214). According to Wenzel (2004a:214), absorption from the environment and the processes of social learning form the social basis of personal norms. People are always ready to respond to social norms, and how other people behave has a strong impact on individuals' choices (Sritharan, Salawati & Cheuk, 2020:1449).

The above findings indicate that the relationship between personal ethics and social norms should not be ignored. For example, if the personal ethos of an individual is that tax evasion is wrong, and the social norm of the community to which that individual belongs is that one should be tax compliant, it will discourage that individual from evading to pay tax.

Individuals who display greater non-compliant behaviour view tax non-compliance to be more frequent among people who are known to them (Wenzel, 2004a:215). In regard to social norms it is important to understand that people build their social fields based on some social norms they consider relevant to themselves as opposed to other social norms. It is also important to recognise that social norms could be significant to the personal ethical views of an individual even if these norms become unnoticeable to that individual (Wenzel, 2004a:215).

Kostritsa and Sittler (2017:335) postulate that social norms can be categorised as injunctive, descriptive and subjective. Injunctive norms refer to the moral values an individual believes other individuals to have. Descriptive norms refer to how an individual perceives the general behaviour of other individuals. Lastly, subjective norms refer to individuals' views about how they should behave based on how the people close to them want them to behave.

"Social norms affect one's ethical belief and more importantly, they can be intermediated in two ways – internal mediation, which focuses on the intrinsic value derived from being true to oneself, and external mediation, which focuses on the intrinsic value derived from conforming to group behaviour" (Young *et al.*, 2016:566).

Sritharan *et al.* (2020:1449) mention the view of the Organisation for Economic Co-operation and Development that individuals are willing to adhere to social norms and that the choices individuals make are strongly impacted by the behaviour of other individuals. Sritharan *et al.* (2020:1455) have found that social norms have a positive and significant correlation with tax compliance behaviour, a finding that emphasises the relationship between the decision-making of social groups and of individuals. Therefore, if an individual perceives that tax compliance is possible but that the majority of individuals in the community do not comply fully, the individual will be encouraged to be non-compliant (Wenzel, 2001). This is supported by Kohlberg's concept of moral development (cited in Young *et al.,* 2016:567), which states that acceptable ethical behaviour is determined by what the members of a particular group approve of and by the adherence of individual members of the group to the ethical values of the group.

The social influence theory of Kelman (cited in Sritharan *et al.,* 2020:1449) proposes that an individual's action, attitude, subsequent reactions, beliefs and behaviours are influenced by those of others through three stages, namely, compliance, identification and internalisation.

Compliance refers to the acceptance of the goals and influence of the community, not because of a personal belief in the community, but because of the desire to gain the community's praise and avoid its sanctions (Vandenberg, Self & Seo, 1994:123). Identification is the acceptance of the influence and goal attachments of a society in order to maintain a satisfying relationship with that society (Vandenberg *et al.*, 1994:123). Lastly, internalisation involves the acceptance of social influence and goal attachment based on an agreement between an individual's personal norms and the norms exemplified by society (Vandenberg *et al.*, 1994:123).

To be noted is that personal norms take into account only an individual's own moral values, whereas the three social norms described above involve a correlation between the individual

and society. Social norms are more visible than personal norms because social norms take external factors into account (Kostritsa & Sittler, 2017:335). According to Sritharan *et al.* (2020:1449), compliance occurs when individuals begin to acknowledge external factors. Therefore, external social factors should be taken into account because individuals give them more consideration when deciding whether to be tax compliant or not. In other words, external social factors have a greater influence than personal norms on the behaviour of an individual. The external social factors that determine an individual's behaviour or decision-making emanate from the government, peer groups or relevant authorities (Sritharan *et al.*, 2020:1449).

3.3. CONCLUSION

In this chapter, the academic literature relating to the influence of ethics on tax compliance behaviour was systematically analysed and the findings were discussed. Furthermore, this chapter aimed to address how the research question was answered through meeting the research objectives.

The research question of this study concerned the identification of the ethical factors that had an influence on the tax compliance behaviour of citizens in developing countries. The research question led to the formulation of the following research objectives:

- To identify the types of ethical factors that influenced tax compliance behaviour
- To determine the effect of these identified ethical factors on tax compliance behaviour

The findings indicated that taxpayers were influenced by factors such as ethical orientations, ethical evaluations (i.e. personal norms) and social norms. The review of relevant literature revealed that an individual's own moral standards had an influence on that individual's decision whether to be tax compliant or not. Furthermore, it was found that personal ethics were a solid determinant of taxpaying behaviour, emphasising the importance of ethics when it came to tax compliance behaviour.

Reference was made to the definition of ethics or morals as the normative system of rules of conduct that guided individuals in social and interpersonal settings. It was pointed out that

ethics had two morality-based mechanisms that affected tax compliance, namely, moral imperatives and moral alignment. Mention was made that moral imperatives stemmed from moral judgements and moral attitudes, whereas moral alignment stemmed from the morals and values of a particular group.

Moral imperatives were indicated as being similar to personal ethics in that they concerned an individual's ethos. Further, individuals' ethical orientations and ethical evaluations played a role in their tax compliance behaviour. First, individuals applied their ethical ideology or moral philosophy when deciding whether to be tax compliant or not: they considered what their duty was and what the morality of their action was based on its consequences. Thereafter, individuals ethically evaluated their behaviour, basing their decision about whether to be tax compliant or not on more than one rationale. Ethical evaluations were made based on altruism, openness, traditionalism, self-enhancement, moral equity, relativism and contractualism.

As indicated in this chapter, moral alignment was similar to social norms as it referred to the ethos an individual absorbed from a particular group through internalisation. It was noted that personal ethics were derived from the internalisation of social norms (i.e. personal ethics had a social basis and developed through absorption from the environment and a process of social learning); therefore, there was a strong relationship between personal ethics and social norms. Social norms were reported to comprise injunctive, descriptive and subjective norms, and these norms could be internally or externally mediated.

With reference to the finding that personal ethics were part of individuals' own moral values and that social norms involved a correlation between individuals and society, it was concluded that both personal ethics and social norms had a strong influence on individuals' tax compliance behaviour.

CHAPTER 4
ANALYSIS OF DATA AND FINDINGS

4.1. INTRODUCTION

The aim of this chapter is to analyse the quality of the academic literature that was identified and reviewed for this study. In order to gain a deeper understanding of the reliability and relevance of the literature, it was evaluated using different processes. To assess the quality of data, it was determined whether the journals in which the articles analysed were published are on the ABDC Journal Quality List. Additional lists such as the Scopus, International Scientific Indexing (ISI) and Interdisciplinary Behavioural and Social Science (IBSS) were also consulted. The aim was to establish if the literature identified for review had been published in approved journals, thus proving the credibility and high quality of the sources used.

4.2. ANALYSIS OF DATA

This section outlines the data analysis and quality assessment of the academic literature that was reviewed for this study. The outcomes and findings are presented in tabular format where applicable.

4.2.1. Year of publication

The literature reviewed was published in the period from 1986 to 2021. In order to find out if any period related significantly to this study, the literature was analysed according to the year of publication. An interval scale of five-year periods was used, and the results are presented in Table 7 below.

Table 7: Selected literature published during the five-year periods indicated

Five-year periods of publication	Number of articles
2021–2016	17
2015–2011	9
2010–2006	4
2005–2001	7
2000–1996	5
1995–1991	3
1990–1986	1
Total articles	**46**

Based on the information given in Table 7, the average number of articles per five-year period was six, most of the literature was published between 2016 and 2021, and the least amount of literature was published between 1986 and 1990. The fact that so much of the literature used was recent, suggested that the topic was still relevant at the time of the present study. Therefore, the year of publication was considered to be relevant to this study.

4.2.2. Country perspective

The purpose of this study was to determine the impact of ethics on tax compliance behaviour in developing countries. In order to determine whether the literature reviewed for this study related to developing countries, the articles were analysed in terms of the countries that the research focused on. This analysis helped in determining whether the findings reached in this study had a bearing on developing countries. The profile of the literature in terms of the countries focused on is shown in Table 8.

Table 8: Selected literature by country perspective

	Country perspective	Number of articles
Developed Countries	China	1
	Jordan	1
	United Kingdom	1
	United States of America	9
	Indonesia	1
Developing Countries	Kenya	1
	Malaysia	3
	South Africa	2
	Tanzania	1
	Uganda	2
Other	Global	24
	Total articles	**46**

Based on the information given in Table 8, 12 articles focused on developed countries and 10 on developing countries, whereas the remaining 24 articles focused on other countries around the world. Therefore, it was concluded that more studies had been done on developed countries than on developing countries and that this is a gap that needs to be addressed in future studies. Therefore, the conclusions drawn in this study relate more toward developed countries compared to developing countries.

4.2.3. Individual's perspective

Individuals are responsible for different types of taxes such as personal income tax, corporate income tax and tax in respect of trusts. Whereas individuals are responsible for paying personal tax, companies are liable for paying company tax and trusts for tax of trusts. Individuals in the employ of a company or trust have the responsibility to ensure tax compliance.

Individuals paying personal income tax try to increase their disposable income by minimising expenditure such as tax. From a corporate tax point of view, the aim is to maximise after-

tax reserves for distribution to stakeholders or for investment purposes. Lastly, trusts have the objective to hold assets and to distribute the returns from those assets to beneficiaries.

Since the interests of individuals, companies and trusts differ, it is necessary to consider whether the ethics affecting tax compliance apply to individuals (who are responsible for their own personal tax) or to companies or trusts. Therefore, the literature reviewed for this study was analysed to determine which tax the individual concerned was responsible for. The results are summarised in Table 9.

Table 9: Selected literature by individual perspective

Which tax was the individual responsible for?	Articles
Personal income tax	35
Corporate tax	9
Tax in respect of trusts	0
Total articles	**46**

The majority of the articles used in this study concerned individuals who were responsible for paying their personal income tax. Only nine of the articles involved individuals responsible for corporate income tax, and no articles involved individuals responsible for taxes in respect of trusts. Therefore, the conclusions drawn in this study were limited to individuals who were responsible for personal and corporate taxes.

4.2.4. Construct validation

The constructs used to select the literature for review were tax compliance, tax ethics, taxpayer behaviour, behavioural economics, personal ethics and social norms. The keywords listed in section 2.4.3 of Chapter 2 were used to determine these constructs. Of importance here is the following statement made by Bamberger (2017:235): "No phenomenon can be fully understood until it can be measured, and an understanding of the relationship between it and other constructs is contingent on an understanding of how such latent or unobservable factors are indicated by observable and measurable factors." The constructs identified in this study are summarised in Table 10.

Table 10: Selected literature by constructs identified

Constructs	Number of articles
Tax compliance	46
Tax ethics	40
Taxpayer behaviour	42
Behavioural economics	39
Personal ethics	33
Social norms	28

The constructs in Table 10 were identified in all the publications selected for this study. It is important to note that the academic literature reviewed for this study was valuable in contributing to achieving the study's research objectives. As indicated in Chapter 3, personal ethics and social norms had an impact on individuals' tax compliance behaviour; therefore, the constructs identified above were considered relevant for the purpose of this study.

4.2.5. Research classification and data collection method

The academic literature reviewed for this study was analysed to identify the classification of each and the data collection method each used. The results are summarised in tables 11 and 12.

Table 11: Classification

Classification	Number of articles
Historical	12
Experimental	20
Descriptive	14
Total	**46**

Table 12: Data collection method

Method	Number of articles
Systematic analysis	10
Survey	20
Theoretical modelling	8
Statistical modelling	8
Total articles	**46**

It must be noted that the articles reviewed for this study were spread evenly between classification and data collection tools. The wide variety of classification and data collection methods could be due to the long period over which tax compliance was researched. The variety of research methodologies was appropriate for the present study; it indicated that data was collected using different methods.

4.2.6. Quality assessment

The academic literature reviewed for this study was analysed using the ABDC Journal Quality list, which assesses the quality of journals in which articles are published. This list grades journals according to four classes: A*, A, B and C where A* indicates the highest quality and C the lowest quality. The ratings of the literature that was reviewed (profiled by the year in which the articles were published) are presented in Table 13. Journals not listed are indicated in the "Not listed" column.

Table 13: Quality assessment—ABDC rating

Year	ABDC rating				
	A*	A	B	C	Not listed
2021–2016	1	2	3	3	8
2015–2011	2	2			4
2010–2006		1	1	1	2
2005–2001		2			5
2000–1996				1	4
1995–1991	1	1			1
1990–1986					1
Total	**4**	**8**	**4**	**5**	**25**

Of the 46 articles reviewed for this study, 21 were published in journals that appeared on the ABDC list. Of these articles, 12 had either an A* or an A rating. The remaining 25 articles were published in journals that could not be found on the ABDC list.

Other lists of journals which are accredited by the Department of Higher Education are, for example, Scopus, International Scientific Indexing (ISI), and International Bibliography of the Social Sciences (IBSS). The 25 journals not on the ABDC list were verified using the rating lists mentioned above (see Table 14).

Table 14: Articles in accredited journals by year of publication

Year	Scopus	ISI	IBSS
2021–2016	4	1	3
2015–2011	1	2	1
2010–2006	1	1	
2005–2001	3	1	1
2000–1996		3	1
1995–1991	1		
1990–1986	1		
Total	**11**	**8**	**6**

All 26 articles not on the ABDC list were identified in the other lists, namely, Scopus, ISI and IBSS (which are accredited by the Department of Higher Education). It should be noted that the literature reviewed for this study was of a high standard and was selected from credible sources. Therefore, any conclusions drawn in this study could be deemed to be appropriate.

4.2.7. Journals on the ABDC list

The 21 articles reviewed for this study were published in journals that appeared on the ABDC list and were rated between A* and C. The journals, their ratings and the number of articles per journal are presented in Table 15.

Table 15: Quality assessment of journals and number of articles published

Name of journal	ABDC rating	Number of articles
National Tax Journal	C	1
Journal of Management	A*	1
Journal of Economic Psychology	A	1
Journal of the American Taxation Association	A	1
Journal of Business Ethics	A	5
Journal of Behavioral and Experimental Economics (formerly the *Journal of Socioeconomics*)	B	1
Journal of Financial Crime	C	2
Journal of Finance and Management in Public Services	C	1
Journal of Personality and Social Psychology	A*	1
World Development	A	1
International Journal of Law and Management	C	1
Journal of Economic Theory	A*	1
Academy of Accounting and Financial Studies Journal	C	1
Journal of Economic Surveys	B	1
International Journal of Social Economics	B	1
International Journal of Business and Society	A	1
Total articles		**21**

As indicated in Table 15, which lists all the journals in which the literature was published and that were included on the ABDC list, it is evident that the most popular journal in which to publish articles on tax compliance is the *Journal of Business Ethics*.

4.2.8. Citations

In research, distinguished literature is cited more often than is other literature. The quality of literature is often indicated by the number of times it has been cited. Google Scholar was

used to determine how many times the academic literature selected for this study was cited, profiled by year of publication. The results are presented in Table 16.

Table 16: Number of citations of articles by year of publication

	0	1 to 50	11 to 100	101 to 200	201 to 500	500 to 700
2021–2016	2	13		1		
2015–2011		3			2	2
2010–2006			2		2	
2005–2001		1	1	1	1	2
2000–1996			1		1	
1995–1991					2	
1990–1986			1			
Total articles	**2**	**17**	**5**	**2**	**8**	**4**

As expected, recently published literature was cited fewer times than literature published some time ago because of the shorter period available for receiving citations. There were only two academic publications without citations, and these were among the literature published most recently.

The literature reviewed for this study was cited numerous times, which lent credibility to the conclusions reached in this study. The number of citations was considered relevant for this study.

4.2.9. Number of citations by author

Four articles were cited more than 500 times. The authors of the articles, the journals in which they were published, and their years of publication are shown in Table 17.

Table 17: Additional information on the most cited articles

Author(s)	Journal	Year of publication	Citations
Alm, J.; Torgler, B.	*Journal of Business Ethics*	2011	647
Conway, P.; Gawronski, B.	*Journal of Personality and Social Psychology*	2013	540
Wenzel, M.	*Journal of Economic Psychology*	2004	556
James, S.; Alley, C.	*Journal of Finance and Management in Public Services*	2002	546

As indicated in Table 17, the article with the most citations (i.e. 647) was published in 2011. The authors included in Table 17 are well known and have published numerous articles. The high number of citations that the reviewed articles received lent credibility to the conclusions reached in this study. Therefore, the conclusions reached in the present study were relevant and appropriate to its objectives.

4.2.10. Authors of selected literature

Some research is carried out by a single author, and an analysis was done to determine whether the present study depended on the research of only one author to obtain data. The results are shown in Table 18.

Table 18: Number of articles per author

Author	Number of articles
Alm, J.	4
Wenzel, M.	4
Torgler, B.	2
Awang, Z.	2
Various	34
Total articles	**46**

As indicated in Table 18, 34 out of the 46 articles reviewed for this study were written by different authors whereas the remaining 12 articles had four different authors. Therefore, the present study did not depend on only one author to obtain data. It was also reassuring and relevant to know that the present study analysed articles by foremost authors in the field of study.

4.3. SUMMARY

The articles that were selected for review in this study were analysed based on various characteristics in order to determine whether any undue influence had occurred. Further, the quality of the articles was assessed according to various criteria to determine the credibility and relevance of the conclusions reached in the present study. The analysis and assessment of the quality of the articles were carried out according to the following process: the ratings of the journals in which the articles had been published were checked in the ABDC list; other lists, such as Scopus, ISI and ISBB, were consulted to check for the listing of these journals; the number of times the articles had been cited was checked; and the authors with the most citations were determined. The high quality of the literature reviewed for this study enhanced the credibility of the conclusions drawn in this study.

4.4. RESEARCH ETHICS

This section describes the research ethics that were applicable to the present study.

Research ethics are the moral principles that guide researchers to perform their research without deception or the intention to harm members of society, whether knowingly or unknowingly (Editage Insights, Not dated:1). The goals of research, such as to pursue knowledge and truth, should be aligned to research ethics. Every researcher should be responsible and should be held accountable to the general public; upholding ethical values enhances this responsibility and accountability.

Below are some of the ethical principles to be upheld in a study (Coetzee, 2019).
- Honesty: Data should not be fabricated or misrepresented.

- Objectivity: Bias should be minimised and personal matters that might affect the research should be communicated.
- Integrity: Honesty and sincerity are important when conducting research.
- Respect intellectual property: All sources of information should be acknowledged.

Throughout this study, all aspects were adhered to regarding honesty and sincerity. The findings obtained from this systematic review of selected literature were presented with objectivity, and integrity was exercised when conducting the research. All the sources used were properly acknowledged through in-text citations and in a references list. This demonstrated respect for the authors of the sources used.

CHAPTER 5
CONCLUSION

5.1. INTRODUCTION

This chapter outlines the limitations relating to the present study. Further, recommendations for future research are made based on the results obtained in this study.

5.2. LIMITATIONS

The identified limitations of the present study are briefly described below.

- The topic of this study was the influence of ethics on tax compliance behaviour in developing countries; however, out of a total of 46 articles reviewed for this study, only 10 focused on developing countries, 12 focused on developed countries, whereas the remaining 24 were based on a general global perspective (see Chapter 4, section 4.2.2). The limited available literature that focused on developing countries posed a problem.

- Tax compliance involves human responsibility and accountability in respect of a number of different aspects, and, to cover as many of these aspects as possible, an investigation should include personal income tax, corporate tax and tax for trusts. Therefore, it was necessary to determine whether the ethics influencing tax compliance behaviour applied to individuals responsible for these different types of tax. However, the literature reviewed for this study focused mainly on individuals responsible for personal taxes, and few studies included individuals responsible for corporate income tax and tax for trusts (see Chapter 4, section 4.2.3).

5.3. RECOMMENDATIONS AND FUTURE RESEARCH

This study presented a brief discussion of the ethical factors that influenced tax compliance behaviour. It is recommended that in-depth research on each identified ethical factor should be done so as to obtain a deeper understanding of how the different ethical factors affect tax compliance behaviour. In addition, further research should evaluate whether the ethical

factors affecting tax compliance behaviour apply to individuals who are responsible for different types of taxes, including corporate tax and tax for trusts. Last but not least, further research on the influence of ethical factors on tax compliance behaviour should be conducted in developing countries, and the results obtained on developed and developing countries should be compared.

5.4.   CONCLUSION

Countries depend on tax revenues to fund public expenditure and economic growth. One of the issues affecting the collection of tax revenue is the lack of tax compliance. Some taxpayers try to maximise their income by reducing their tax. The research conducted for this study focused on ethical factors that influenced the tax compliance behaviour of individuals in developing countries. It was found that both personal and social norms influenced taxpayers' tax compliance behaviour. Therefore, tax authorities should pay attention to the impact of both personal and social norms in an attempt to improve tax compliance behaviour.

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APPENDIX A:

Declaration of plagiarism

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DEPARTMENT OF TAXATION

Declaration Regarding Plagiarism

The Department of Taxation emphasises integrity and ethical behaviour with regard to the preparation of all written assignments. Although the lecturer will provide you with information regarding reference techniques, as well as ways to avoid plagiarism (see the *"Guidelines on Referencing"* document), you also have a responsibility to fulfil in this regard. Should you at any time feel unsure about the requirements, you must consult the lecturer concerned before submitting an assignment.

You are guilty of plagiarism when you extract information from a book, article, web page or any other information source without acknowledging the source and pretend that it is your own work. This does not only apply to cases where you quote the source directly, but also when you present someone else's work in a somewhat amended (paraphrased) format or when you use someone else's arguments or ideas without the necessary acknowledgement. You are also guilty of plagiarism if you copy and paste information <u>directly</u> from an electronic source (e.g., a web site, e-mail message, electronic journal article or CD-ROM) without paraphrasing it or placing it in quotation marks, <u>even if you acknowledge the source</u>.

You are not allowed to submit another student's previous work as your own. You are furthermore not allowed to let anyone copy or use your work with the intention of presenting it as his/her own.

Students who are guilty of plagiarism will forfeit all credits for the work concerned. In addition, the matter will be referred to the Committee for Discipline (Students) for a ruling. Plagiarism is considered a serious violation of the University's regulations and may lead to your suspension from the University. The University's policy regarding plagiarism is available on the Internet at *http://www.library.up.ac.za/plagiarism/index.htm*.

For the period that you are a student at the Department of Taxation, the following declaration must accompany **all** written work that is submitted for evaluation. No written work will be accepted unless the declaration has been completed and is included in the particular assignment.

Student	
I (full names & surname):	Mmole Enoch Legwale
Student number:	14035902

Declare the following:

1. I understand what plagiarism entails and am aware of the University's policy in this regard.
2. I declare that this assignment is my own, original work. Where someone else's work was used (whether from a printed source, the Internet or any other source) due acknowledgement was given and reference was made according to departmental requirements.
3. I did not copy and paste any information <u>directly</u> from an electronic source (e.g., a web page, electronic journal article or CD ROM) into this document.
4. I did not make use of another student's previous work and submitted it as my own.
5. I did not allow and will not allow anyone to copy my work with the intention of presenting it as his/her own work.

Signature

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