

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

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Abstract

A limited number of studies have examined the roles of behavioural and social factors, such as authorities' tax services, tax knowledge and trust, on the tax compliance of small and medium-sized enterprises (SMEs). By applying the synergistic climate of the slippery slope framework, this study examines the mechanisms by which tax service quality influences the tax compliance of SMEs in Vietnam via direct, indirect and interaction effects. Data was collected from a sample of 362 SMEs located in Vietnam using a stratification sampling method. The results indicate that tax service quality affects tax compliance directly and indirectly through trust. Furthermore, it was found that tax knowledge negatively moderates the relationship between tax service quality and compliance. The implications of these findings for tax authorities and SMEs operating in Vietnam on enhancing SMEs' tax compliance are discussed.

Keywords: tax compliance, trust, tax knowledge, small and medium enterprises, tax authorities

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1. INTRODUCTION

Tax compliance has garnered significant attention from governments due to the negative impact of non-compliance on tax revenue collection. Insufficient tax collection hinders governments from fulfilling their social and economic responsibilities for a prosperous society and economy (Sapiei, Kasipillai & Eze, 2014). As a result, researchers across various disciplines have conducted studies on tax compliance to better understand the factors that influence taxpayers' behaviours (Nguyen et al., 2020). Studies adopting an economic approach suggest that strong tax authorities, through strict fines and audits, represent the most effective means of pursuing tax evaders (Allingham & Sandmo, 1972; Srinivasan, 1973). Nonetheless, earlier research has shown that economic factors alone cannot consistently predict tax compliance and that further investigation of social and psychological factors is warranted (Alm, 2019; Batrancea et al., 2019; Kastlunger et al., 2013).

Consequently, the researchers in the present study used the synergistic climate of the slippery slope framework (SSF) by Kirchler, Hoelzl and Wahl (2008) to explain the non-economic factors affecting the tax compliance of small and medium-sized enterprises (SMEs) in Vietnam. The SSF integrates economic, psychological and sociological assumptions and proposes that antagonistic and synergistic climates shape tax compliance. In an antagonistic climate, perceptions of authorities' power determine taxpayers' compliance behaviour. In the synergistic climate, compliance depends on trust in tax authorities. Focusing on the synergistic climate, our study investigates the influence of the tax authorities' service quality, taxpayers' trust, and tax knowledge on the tax compliance behaviour of SMEs in Vietnam. Tax authorities include tax policy-makers and tax administrators. This study focuses on tax administrators, as they provide tax services to taxpayers in addition to their tax enforcement roles. Although tax service quality could partially indicate tax administrators' capability to enforce tax compliance, the researchers adopted a synergistic approach. The literature supports the notion that tax service quality is an effective tool for facilitating and stimulating tax compliance rather than enforcing it, as tax service quality creates a cooperative climate between tax administrators and taxpayers and empowers taxpayers to feel confident in their tax declarations while strengthening their trust in officials (Alm et al., 2010; Gangl et al., 2013).

Vietnam is a suitable context for our research, as the country has undergone reforms to enhance the quality of tax services offered by tax authorities to businesses in recent years (Nguyen, 2021). Since 2004, Vietnam has implemented a self-assessment system aimed at improving the efficiency of tax administration (Nguyen et al., 2020). However, this tax administration approach also has its drawbacks, as it depends on taxpayers' tax knowledge and behaviours. Additionally, low tax knowledge, slow adoption of tax regimes and policies by taxpayers, and ineffective tax services from tax authorities have led to some negative consequences in Vietnam's tax field (Dang, Le & Do, 2013).

In the intriguing research context of Vietnam, this study emphasises SMEs rather than other taxpayer groups. First, in contrast to the case for large companies, tax compliance for SMEs relies heavily on their owners' decisions (Kirchler, 2007). In other words, the attitudes and behaviours of owners significantly affect SMEs' tax compliance. Second, due to limited administrative capabilities, SMEs are more likely not to comply with taxes compared to their larger counterparts (Inasius, 2019; Kamleitner, Korunka & Kirchler, 2012). Lastly, SMEs are crucial contributors to economic growth in countries

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

Although limited studies have examined the roles of behavioural and social factors – such as authorities' tax services, tax knowledge, and trust – on the tax compliance of SMEs, they have primarily focused on direct effects and produced inconsistent results (e.g., Masari & Suartana, 2019; Sritharan et al., 2022; Susuawu, Ofori-Boateng & Amoh, 2020; Yuniarti et al., 2019). Little is currently known about the indirect impact of tax service, leading to calls for additional research on the indirect or interaction effects of this factor on tax compliance. This article proposes that authorities' tax services may influence tax compliance through trust, with tax knowledge acting as a moderator. The researchers contend that taxpayers' knowledge is essential for understanding why some continue to engage in tax evasion despite the high quality of the authorities' tax service and vice versa. Taxpayers with low tax knowledge may interpret support from authorities differently than those with more knowledge. In other words, tax knowledge can shape how taxpayers respond to tax authorities and their compliance. Through this approach, our study plays a modest yet important role in addressing the broader research gap concerning the mechanisms through which tax service quality affects tax compliance via trust and tax knowledge.

The article is structured as follows: first, the use of the SSF to develop a conceptual model explaining the factors affecting SMEs' tax compliance is analysed. Second, hypotheses are developed. Third, the results from the analyses and testing of the hypotheses are presented. Lastly, the theoretical and managerial implications of the findings are discussed, along with directions for future research.

2. LITERATURE REVIEW AND HYPOTHESES DEVELOPMENT

2.1 Slippery slope framework

Prior research has indicated that economic factors such as audit rates and penalties have produced inconsistent results, affecting taxpayers' compliance with tax obligations and disproving the idea that taxpayers deliberately engage in tax evasion as opportunistic behaviour (Alm, Sanchez & De Juan, 1995; Alm et al., 2010; Kirchler et al., 2010). The field of tax behaviour research has aimed to reconcile economic and psychological factors in explaining tax compliance.

In this regard, Kirchler and co-authors (2008) developed the SSF based on Becker's (1968) crime theory, which offers two sets of factors influencing tax compliance: antagonistic and synergistic assumptions. The SSF, the most comprehensive framework of its kind, synthesises tax compliance theories (Ritsatos, 2014). The SSF looks at power derived from taxpayers' perceptions of tax authorities' abilities to identify taxpayer non-compliance (Gangl et al., 2020). Consequently, antagonistic assumptions emphasise economic factors such as fines and audits as tools that tax authorities use to alter taxpayers' behaviour due to their non-compliance. On the other hand, synergistic assumptions focus on psychological factors that motivate taxpayers' trust in tax authorities' policies and services, creating a synergistic environment conducive to voluntary compliance (Hofmann et al., 2014).

This study solely concentrates on non-economic factors, such as trust, tax authorities' service quality and tax knowledge, and the researchers utilise synergistic assumptions to elucidate our research framework. The synergistic assumption highlights voluntary compliance, which is favourable for both tax authorities and taxpayers since it prevents an adversarial relationship with tax authorities and precludes the need for costly control measures. In this context, trust in authorities fosters citizens' adherence to tax obligations. Enhancing trust in authorities results in increased honesty regarding tax payments, which in turn promotes voluntary compliance (Kogler et al., 2013). Recent research indicates that other factors, including tax knowledge and service quality, contribute to a synergistic environment that improves tax compliance (Alm et al., 2010; Jaya, Ratnawati & Sardjono, 2017; Haning et al., 2019). Tax authorities' services provide essential information to help taxpayers abide by tax regulations (Agustiara & Jati, 2020). This service empowers taxpayers to attain confidence in their tax declarations while strengthening their trust in officials.

Furthermore, tax knowledge may impact compliance positively since well-informed taxpayers possess a comprehensive understanding of the societal role of taxes, thus reducing mistrust in authorities. However, tax knowledge could also lead to non-compliance, as knowledgeable taxpayers who understand the tax system might seek to use loopholes to minimise their tax payable (Gilligan & Richardson, 2005). Despite such controversial arguments regarding the effect of tax knowledge on tax compliance (Kwok & Yip, 2018), this study focuses on its moderating role rather than its direct influence, as examined in previous studies.

2.2 Tax service quality and tax compliance

2.2.1 Tax compliance

According to the Organisation for Economic Co-operation and Development (OECD) (2004), 'tax compliance' refers to implementing tax policy based on four pillars: tax registration, tax declaration, tax payment, and tax liability reporting. Moreover, some tax authorities define tax compliance as the capacity and willingness to comply with tax regulations, declare income accurately yearly, and pay taxes in full and on time (Bui, 2017). Tax compliance is the correct and complete execution of tax reports and notices, the correct calculation of payable tax amounts and tax payments, and the timely payment of tax obligations (Hidayat et al., 2014).

2.2.2 Tax service quality

Numerous perspectives exist concerning the quality of tax services, such as those by Muhammad and Saad (2016), Gangl and co-authors (2013), and Obid and Mustapha (2014). In their research, Obid and Mustapha (2014) argue that the accessibility of tax services and amenities for taxpayers is a key indicator of tax service quality. Muhammad and Saad (2016) assert that taxpayers' attitudes and expectations toward tax services vary. The OECD (2017) demonstrates that tax services provided by taxing authorities help mitigate taxpayer concerns. Importantly, tax authorities address the issue of tax service quality for a diverse range of taxpayers; consequently, various services are tailored to different taxpayers (Ali Al-Ttaffi & Abdul-Jabbar, 2016). Jaya and co-authors (2017) examined the public service of tax authorities from the viewpoint of five measurement gaps in tax service through perceptions and expectations (Parasuraman, Zeithaml & Berry, 1985; Parasuraman, Zeithaml & Berry, 1988). A recent study conducted in Vietnam's tax context by Au, Hoang and Ho (2022)

uncovered two new elements for the tax service quality scale: responsiveness and professionalism. Responsiveness refers to readiness, promptness and timeliness in the quality of tax service, while professionalism denotes waiting time, accurate service delivery and guidance provided by the tax authority.

2.2.3 Tax service quality–tax compliance relationship

The SSF offered an improved understanding of taxpayer behaviour and regulatory practices by emphasising the need to consider government power and trust in the government, and their dynamic interaction. The SSF depends on the integration of taxpayer trust and authority. According to the trust aspect, taxpayer compliance is influenced by taxpayer trust, which is formed through tax knowledge, confidence, and satisfaction (Alm et al., 2010; Jaya et al., 2017; Haning et al., 2019). Researchers in prior studies (Alm, Kirchler & Muehlbacher, 2012; Alm et al., 2012) discovered a new tax compliance approach based on the 'service paradigm' to assist with tax compliance and increase corporate confidence in voluntary tax compliance. Consequently, in addition to the traditional 'crime paradigm' for tax compliance, enhancing tax services and trust are essential variables in tax compliance. Due to its effect on tax revenue mobilisation, the nature of the tax service quality–tax compliance behaviour relationship holds many consequences for policy-makers and governments (Susuwu et al., 2020).

Several previous studies have confirmed the relationship between tax service quality and taxpayer compliance with tax laws. According to Alabede, Zainal Affrin and Idris (2011), perceived tax service quality is significantly positively associated with tax compliance behaviour. In their study, Dharma and Suardana (2014) found that service quality considerably affects taxpayer compliance. Ali Al-Taffi and Abdul-Jabbar (2016) examined the impact of tax service quality on SMEs' taxpayer behaviour in Yemen. According to the study, perceived tax service quality negatively influences non-compliance behaviour. Awaluddin and Tamburaka (2017) discovered that service quality significantly affects taxpayer compliance concerning motorised vehicle tax. Wisudawaty, Rura and Kusumawati (2018) recently determined the effect of system, information and service quality on taxpayer compliance. Thus, the researchers in the present study propose the following hypothesis:

H₁: *Tax service quality positively impacts taxpayer compliance.*

2.3 Tax service quality and trust

Public service quality is an indicator of government's performance, which is a key source of public trust (Haning et al., 2019). According to the SSF, there is a strong association between tax service quality, trust and voluntary tax compliance (Da Silva, Guerreiro & Flores, 2019). Tax services foster mutual understanding and cooperation between tax authorities and taxpayers. Tax authorities offering 'better, friendlier' information through their services significantly improve taxpayers' tax knowledge, allowing them to increase certainty in their tax declarations and enhance their trust in tax officials. Consequently, supportive and friendly tax services provided by the authorities contribute to taxpayer knowledge and promote their trust in the tax agencies (Alm et al., 2010). Augustine, Folajimi and Ayodele (2020) argued that the purpose of tax service quality is to provide procedural fairness via morality, justice and service orientation toward taxpayers, thereby enhancing trust in tax authorities. Artawan, Widnyana and Kusuma (2020) found that tax service quality positively affected trust among individual taxpayers. The researchers of the present study expected the same

relationship to occur within the sample of SMEs. Therefore, the following hypothesis is proposed:

H₂: *Tax service quality positively impacts trust.*

2.4 Trust and tax compliance

For taxpayers to have trust in tax authorities, the actions of tax authorities must align with their perceived purpose, which is to act in the common good of society (Kirchler et al., 2008). Wenzel (2002) affirms and expands the findings within the realm of tax compliance, demonstrating that individuals are more likely to comply with their tax obligations when they feel the government treats them equitably and respectfully. Crucial subjective elements influencing taxpayer beliefs encompass perceptions of fairness in tax authorities' management, standards, ethics and tax knowledge (Bornman, 2015). OECD (2010) revealed that most nations regard taxpayers' trust in their government as a significant factor in promoting tax compliance. Alm and co-authors (2010) discovered that an ambiguous tax system decreases tax payment and reporting compliance. When taxpayers consider tax authorities to be trustworthy, they are more likely to have positive regard for the authorities and reciprocate by paying the appropriate taxes due to the state (Alemika, 2004; Prichard et al., 2019). Trust in tax authorities also encompasses the fair treatment of taxpayers by the authorities, which encourages taxpayers to fulfil their tax obligations (Cahyonowati, Ratmono & Juliarto, 2023).

Several studies indicate that trust in the tax system affects the tax compliance behaviour of SMEs (Ul Albab & Suwardi, 2021; Braithwaite, 1995; Cahyonowati et al., 2023; Lederman, 2003; Nartey, 2023). Lederman (2003) observed that SMEs' beliefs align with perceptions of tax fairness. Similarly, Nartey (2023) found a positive association between tax fairness and compliance among SMEs in Ghana. Ul Albab and Suwardi (2021) presented evidence of the same relationship in a Yogyakarta sample of micro businesses and SMEs. A deficit in confidence regarding the impartiality and legitimacy of tax authorities heightens the risk of corporate tax evasion (Webley, 2004). SMEs' trust positively influences their willingness to comply with tax regulations (OECD, 2010). Therefore, the researchers propose the following:

H₃: *Trust positively impacts tax compliance.*

2.5 The mediating role of trust

Trust enhances tax compliance, leading to improved tax returns. On the other hand, scepticism and mistrust in the government, along with uncertainty in the tax system, reduce taxpayer trust and increase the probability of tax violations and non-compliance, as well as companies' ability to evade taxes (Alm et al., 2010; Cummings et al., 2009; Webley, 2004). Wenzel (2002) claimed that, when tax officials treat taxpayers appropriately and respectfully, they are more likely to obey the law. It is considered a central factor of tax confidence and has a positive relationship with taxpayer compliance (Bornman, 2015; OECD, 2010). Businesses commit to enhancing tax compliance through specialised tax consulting services due to a reciprocal trust relationship (Tan, Braithwaite & Reinhart, 2016). Moreover, tax compliance relies on the tax authorities' ability to detect and penalise tax administrative infractions and scrutinise companies (Lederman, 2003). Artawan and co-authors (2020) noted a mediating role of trust in the relationship between tax service quality and tax compliance among individual taxpayers

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

H₄: *Trust mediates the relationship between tax service quality and tax compliance.*

2.6 The moderating role of tax knowledge

Tax knowledge pertains to an individual's ability to comprehend the tax system and its benefits, enabling them to make payments, file tax returns, grasp tax principles and understand the consequences of non-compliance with tax obligations (Puspita, Subroto & Baridwan, 2016; Wong & Lo, 2015). According to the SSF (Kirchler et al., 2008), tax knowledge reduces uncertainty and suspicion regarding tax policies and systems, thereby positively influencing taxpayer trust in authority and tax compliance. Tax knowledge assists taxpayers in fulfilling their tax obligations properly and accurately (Saad, 2014; Sithebe, 2022). The higher the level of taxpayer knowledge, the greater the awareness of the social obligation of paying taxes (Cialdini, 1989).

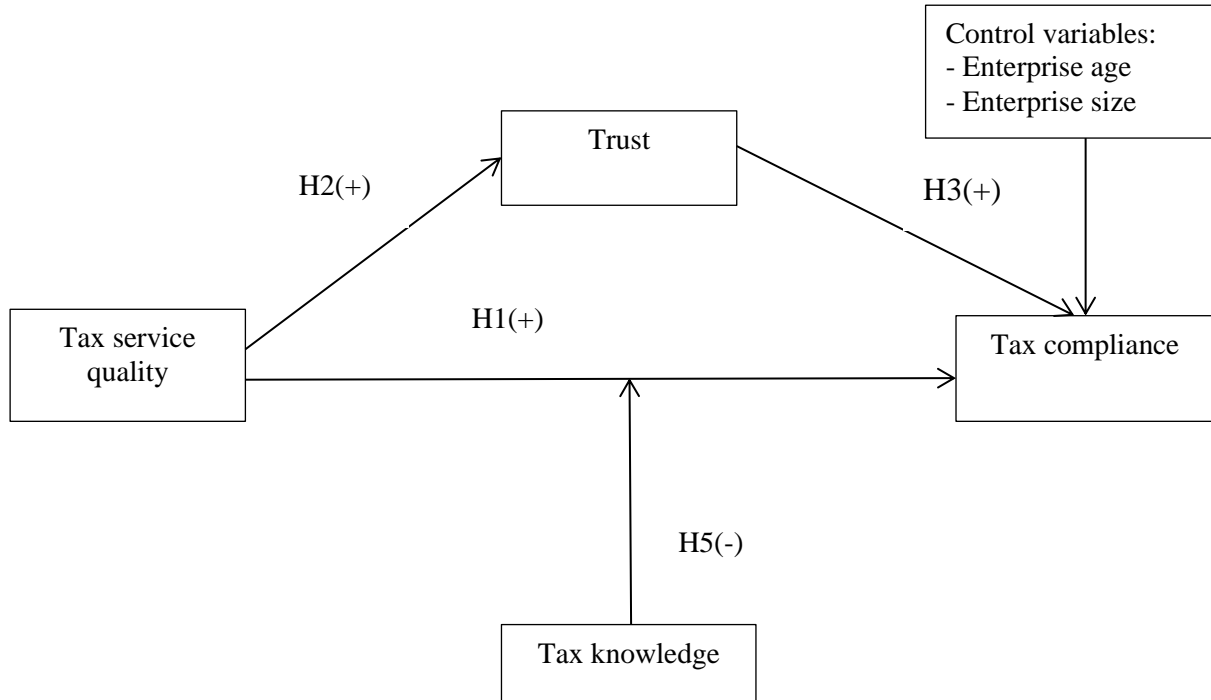
However, previous studies (e.g., Lestari & Daito, 2020; Saad, 2014; Sithebe, 2022) have primarily focused on examining the direct effect of tax knowledge on tax compliance. Little is known about the moderating role of tax knowledge in the relationship between the quality of tax service provided by tax authorities and tax compliance. The researchers argue that the strength of this association depends on taxpayers' tax knowledge. The quality of tax service provided by tax authorities is more crucial for those with low tax knowledge than for their counterparts. They are willing to comply with tax regulations, but they often fail because they need to have more knowledge about complying (Bornman & Ramutumbu, 2019). Tax services significantly contribute to understanding tax systems, enabling individuals to fulfil their tax obligations correctly.

In contrast, the role of tax authorities becomes less critical when taxpayers possess a higher level of taxation knowledge (Agustiara & Jati, 2020). Such individuals often rely less on tax services, as they are fully capable of handling tax procedures themselves. Their non-compliance may not stem from insufficient tax knowledge but rather from intentional tax evasion. These taxpayers are acutely aware of the consequences of non-compliance; however, they may still choose to violate tax regulations if the benefits outweigh the costs of non-compliance. As a result, tax support from tax authorities holds less significance for those with an advanced understanding of taxation. Therefore, the researchers propose the following:

H₅: *Tax knowledge negatively moderates the association between tax service quality and compliance.*

Based on the hypotheses developed above, the researchers propose the following research framework. In this framework, tax compliance serves as the dependent variable and tax service quality acts as the independent variable. Trust mediates the relationship between tax service quality and tax compliance, while tax knowledge moderates this connection. Control variables encompass enterprise age and enterprise size.

Fig. 1: Research Framework



3. METHODOLOGY

3.1 Data collection

The sample for this study comprises SMEs situated in Thua Thien Hue, a province in Central Vietnam. The researchers chose Thua Thien Hue, as this province was recently selected as a pilot for proactive tax services by the Vietnam General Department of Taxation. As such, Thua Thien Hue offers an interesting research context for examining the association between tax authorities' tax service quality and SMEs' tax compliance. The researchers employed probabilistic sampling using a stratification method based on the following attributes: size, industry, type of business, and location of operation of SMEs. From the list of active SMEs, the study selected a sample of 450 from the total population of 5,235 SMEs in Thua Thien Hue province.

The selected sample size needed to be large enough to ensure reliability. The total number of SMEs in Thua Thien Hue province was 5,235 enterprises in 2022. Thus, based on the general formula of Krejcie and Morgan (1970), from a total of 5,235 SMEs, a sample size of 358 SMEs was decided upon. This sample size was calculated as follows:

$$S = (X^2 * N * P * (1 - P)) / (d^2 * (N - 1) + X^2 * P * (1 - P))$$

where:

s = required sample size;

X^2 = the table value of chi-square for 1 degree of freedom at the desired confidence level;

N = population size;

P = population proportion (assumed to be 0.50, since this would provide the maximum sample size);

d = the degree of accuracy expressed as a proportion (0.05);

$$s = (1.962 \times 5,235 \times 0.5 \times (1 - 0.5)) \div (0.052 \times (5,235 - 1) + 1.962 \times 0.5 \times (1 - 0.5));$$

($s = 358$).

The researchers distributed the questionnaires among the 450 chosen SMEs to ensure a sufficient sample size. The survey was conducted in 2022 and studied SMEs' tax compliance within the same period. The researchers used stratified random sampling to select the survey sample from a list of enterprises' names provided by the tax department of Thua Thien Hue province. The sample included members of boards of directors, chief accountants and heads of the financial departments of the chosen SMEs. The researchers emailed the 450 selected SMEs to invite them to participate in the survey. The researchers also sent paper questionnaires in sealed envelopes, with a return address included. The researchers followed up with reminders through emails if they had not yet responded to our survey within two weeks.

The researchers employed a back-translation process to create the questionnaire in Vietnamese from English. First, the researchers adapted scales and developed a questionnaire based on English literature. Second, the researchers translated the questionnaire into Vietnamese and conducted a pilot survey with five enterprises and five academics to identify any unclear questions or discrepancies with Vietnamese culture. Third, the researchers hired a translator to translate the questionnaire back into English, and the researchers compared it to the original English version to ensure both versions conveyed the same meaning.

The researchers received 391 respondents in total. The researchers eliminated some unusable questionnaires due to the lack of crucial information and dishonest responses associated with reversed questions. In the end, the researchers were left with 362 questionnaires to meet the prerequisites for further analysis.

3.2 Data analysis

The researchers utilised the SPSS statistical package to analyse descriptive statistics, test the measurement model and assess linear regression models. The researchers employed Baron and Kenny's (1986) approach to confirm mediation effects and implemented Hair and co-authors' (2010) method to evaluate moderation effects. According to Baron and Kenny (1986), confirmed mediation effects must meet four conditions: first, the independent variable must significantly affect the dependent variable; second, the independent and mediator variables must be significantly related; third, the mediator variable must be significantly associated with the dependent variable, and fourth, the relationship between the independent and dependent variables should be weaker or non-significant when both the independent and mediator variables are included in the regression model. In accordance with Hair and co-authors (2010),

moderation relationships must meet these conditions: first, the independent variable must significantly impact the dependent variable; second, the interaction effect between independent and moderation variables must significantly influence the dependent variables.

3.3 Scale

Tax knowledge pertains to comprehending tax procedures and regulations, taxpayers' rights and obligations, and their ability to determine the accurate amount of tax. The researchers adopted this scale from Mukhlis, Utomo and Soesetio (2015), which consists of five items.

Trust establishes a relationship of support, sharing, trust, and respect with tax offices, fostering a tendency for voluntary tax compliance. The researchers adopt this measure from McAllister (1995) using 11 items. McAllister (1995) built a trust scale to measure one's trust in another. The researchers adapted and revised this scale to measure businesses' trust in tax authorities.

Tax service quality refers to taxpayers' assessments of tax authorities' services (Au et al., 2022). This scale, adapted from Au and co-authors (2022), comprises two dimensions: responsiveness, which has five items, and professionalism, which has eight items.

Tax compliance reflects taxpayers' decisions to adhere to tax laws and regulations, encompassing four key components: tax registration, tax returns, tax payments, and tax liability reporting (OECD, 2010). The researchers developed tax compliance scale with four items based on these components.

All items were measured using a 7-point Likert scale, ranging from 1, 'strongly disagree', to 7, 'strongly agree', except for tax knowledge, which was measured from 1, 'no knowledge', to 7, 'superior knowledge'. The questionnaire items of the above constructs can be found in the Appendix. Additionally, the researchers controlled for enterprise age and size – measured by the enterprises' working capital.

4. RESULTS

4.1 Descriptive statistics

Table 1 displays the profiles of the respondents. Of the 362 enterprises, trade and service industries constituted 49.2%; construction comprised 25.1%; and the remaining percentage was allocated to industry and manufacturing, agriculture, forestry and fisheries, mining, and other industries. Regarding business organisations, limited liability companies represented the largest proportion at 65.7%, while partnerships accounted for the smallest at 0.6%. Joint stock companies and sole proprietorships constituted 18.8% and 13.5%, respectively. Concerning the age of SMEs, 34% were over 10 years old, and 29.8% fell into the 1 to 5 year range. Concerning firm size, 86.7% of SMEs had working capital under VND 20 billion, and 50% possessed capital under VND 3 billion. In terms of respondents' positions, 69.9% held chief accountant roles, 20.2% were members of the board of directors, and 9.9% were chief financial officers.

Table 1: Profiles of Respondents (Measured by the Number of Enterprises)

	n	%
Sectors		
Trade and services	178	49.2
Construction	91	25.1
Industry and manufacturing	19	5.2
Agriculture, forestry and fishery	19	5.2
Mining	4	1.1
Others	33	9.1
Missing	18	5.0
Types of business organisations		
Limited liability companies	238	65.7
Joint stock companies	68	18.8
Proprietorship	49	13.5
Partnership	2	0.6
Missing	5	1.4
Firm age		
Less than 1 year	38	10.5
From 1 to less than 5 years	108	29.8
From 5 to less than 10 years	93	25.7
From 10 years	123	34.0
Firm size (measured by working capital in VND)		
Less than 3 billion	184	50.8
From 3 to less than 20 billion	130	35.9
From 20 to less than 50 billion	26	7.2

From 50 billion	22	6.1
Respondents' position		
Members of the board of directors	73	20.2
Chief Financial Officers	36	9.9
Chief Accountants	253	69.9
Total	362	100.0

Table 2 displays the constructs' means, standard deviations, reliability, and correlation coefficients. Most of the constructs exhibit significant correlations with one another, with their correlations ranging from -0.183 to 0.744. All correlation coefficients in this study were below 0.9, suggesting that all scales are suitable for further analysis (Tabachnick & Fidell, 1996). Tax compliance had the highest mean (6.28), followed by trust (6.03), tax service quality (5.94), and tax knowledge (5.60). The results show that most SMEs have a high level of tax compliance, have high trust in tax authorities, and consider the quality of tax authorities' tax services to be good. The average level of tax knowledge also indicated that most SMEs had high knowledge of the tax field. These positive findings are attributable to current reforms by the tax department of Thua Thien Hue province, which aims to provide tax services proactively.

Table 2: Descriptive Statistics, Reliability and Correlation Matrix of the Study Constructs

No	Variables	Mean	SD	1	2	3	4	5	6
1	Firm age	2.96	0.942	na					
2	Firm size	1.72	0.955	0.180**	na				
3	Tax service quality	5.94	0.965	-0.094	-0.183**	0.946			
4	Trust	6.03	0.912	-0.045	-0.176**	0.744**	0.942		
5	Tax knowledge	5.60	0.985	-0.020	-0.113*	0.520**	0.579**	0.939	
6	Tax compliance	6.28	0.822	0.046	-0.031	0.453**	0.535**	0.508**	0.895

Notes: ** Significant at $p < 0.01$; * Significant at $p < 0.05$. The bold figures on the diagonal are the Cronbach's alpha.

4.2 Common method bias

First, the researchers applied Harman's single-factor analysis to test for common method variance. Results showed that four factors (measured by scaled data) had eigenvalues greater than 1.0, while the single factor accounted for only 36.28% of the total variance. Second, following Kock (2015), the researchers used the full collinearity assessment approach, and all variance inflation factors (VIFs) had values less than 3.33. Therefore, both tests indicated that the model was free from common method variance (Podsakoff et al., 2003).

There was concern about the potential common method bias since all variables were collected from the same participants (Delcourt et al., 2013; Melton & Hartline, 2013). To reduce this bias, the researchers designed the questionnaire using unambiguous scale items. Respondents were motivated to answer honestly. A marker variable (tax ethics) was included in the questionnaire. It had a low correlation with other variables (correlation coefficients ranged between -0.201 and 0.162), and the correlations among other variables remained significant. Therefore, common method bias did not affect data quality.

4.3 Hypothesis testing

Table 3 presents the outcomes of three linear weighted regression models. The first model designates trust as the dependent variable of tax service quality. In the second model, tax compliance is the dependent variable of tax service quality, while the third model incorporates trust as an independent variable. In addition, the values of the VIFs were below 3.0, indicating an absence of issues regarding multicollinearity. As the data was cross-sectional, heteroscedasticity could occur. Thus, the researchers used the White test to detect heteroscedasticity in all three models. The results show that the chi-square values in models 1 to 3 were 30.48, 69.90, and 73.74, respectively, with $p < 0.05$, indicating the presence of heteroscedasticity in all three models. The researchers used weighted regression to eliminate the problem of heteroscedasticity. Table 3 presents the weighted regressions results of the three models. Per the R² adjusted values, firm age, firm size, and tax service quality explain 56% and 19% of the variances in trust and tax compliance, respectively, while these independent variables and trust explain 23% of the variance in tax compliance.

Table 3: Weighted Regression Results

	Dependent variables			
	Trust	Tax compliance		VIF
	Model 1	Model 2	Model 3	
<i>Control variables</i>				
Firm age	-0.03 ^{ns}	0.02 ^{ns}	0.06 ^{ns}	1.03
Firm size	-0.04 ^{ns}	0.03 ^{ns}	0.05 ^{ns}	1.06
<i>Independent variables</i>				
Tax service quality	0.74**	0.45**	0.15*	2.64
Trust			0.38**	2.65
F	152.65**	29.82**	28.60**	
Adjusted R ²	0.56	0.19	0.23	

Notes: ** Significant at $p < 0.01$; ns: Nonsignificant

Hypothesis 1 states that tax service quality positively influences tax compliance. The results of Model 2 demonstrate a significant impact of tax service quality on tax compliance ($\beta = 0.45$, $p < 0.01$), thus supporting the Hypothesis 1.

Hypothesis 2 proposes that tax service quality has a positive effect on trust. The findings from Model 1 reveal that tax service quality significantly and positively impacts trust ($\beta = 0.74$, $p < 0.01$), which supports Hypothesis 2.

Hypothesis 3 states that trust has a positive effect on tax compliance. Model 3 demonstrates that trust significantly impacts tax compliance ($\beta = 0.38$, $p < 0.01$), confirming the Hypothesis 3.

4.4 Mediation

This study utilises Baron and Kenny's (1986) method to investigate the mediating role of trust in the connection between tax service quality and tax compliance. First, the effect of the independent variable (tax service quality) on the dependent variable (tax compliance) is confirmed in Model 2 ($\beta = 0.45$; $p < 0.01$), supporting condition 1. Second, the significant impact of tax service quality on the mediator variable (trust) was validated in Model 1 ($\beta = 0.74$; $p < 0.01$), supporting condition 2. Third, Model 3 reveals the positive influence of trust on tax compliance ($\beta = 0.38$; $p < 0.01$). Fourth, with the inclusion of trust, the effect of tax service quality on tax compliance weakens (from $\beta = 0.45$ in Model 2 to $\beta = 0.15$; $p < 0.05$ in Model 3), satisfying condition 4. The Sobel test

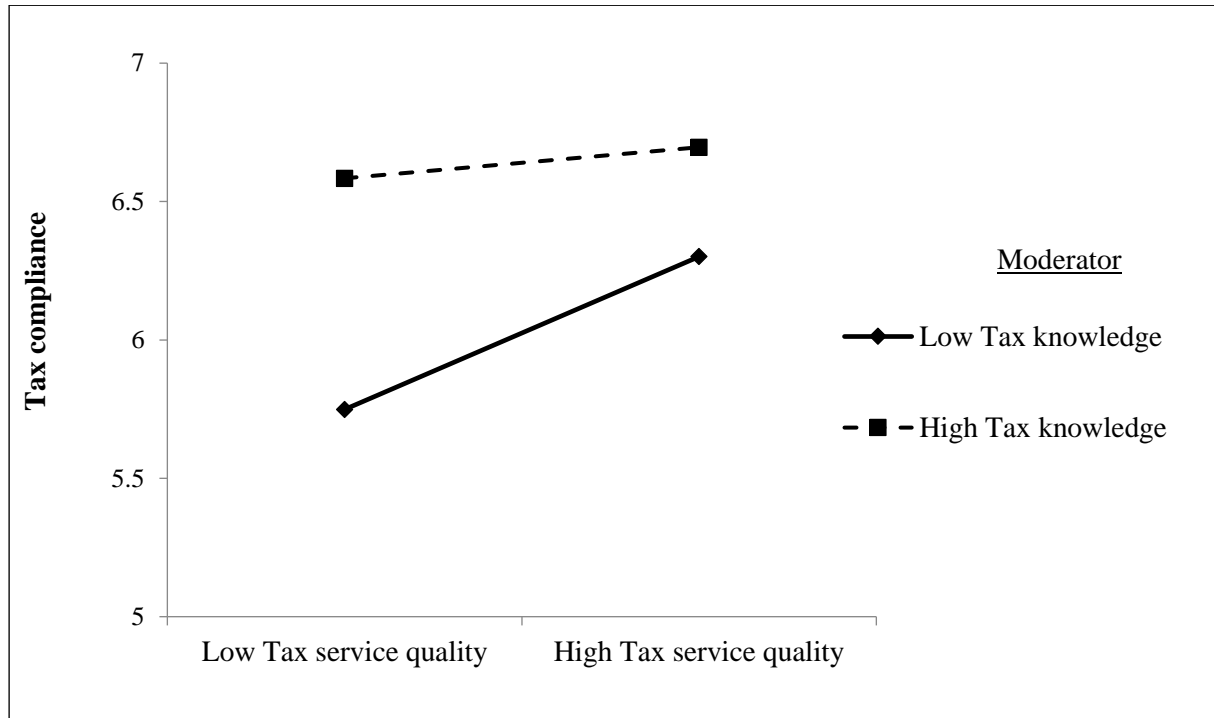
result indicates this decrease is significant (Sobel $Z = 4.95$, $p < 0.01$). Therefore, trust partially mediates the link between tax service quality and tax compliance, and hypothesis 4 was supported. The total, direct, and indirect effects of tax service quality on tax compliance are shown in Table 3.

Table 3: Mediation Analysis Result

	Independent	Dependent	Direct	Indirect	Total	Sobel test	Result
H4	Tax service quality	Tax compliance	0.15	0.28	0.43	8.61	Supported: Partial mediation

4.5 Moderating

The researchers created an interaction variable for (tax service quality x tax knowledge) and standardised all predictor and moderator variables to examine the moderating role of tax knowledge (Aiken, West & Reno, 1991). Tax knowledge significantly moderated the relationship between tax service quality and tax compliance ($\beta = -0.110$, $p = < 0.05$). Tax service quality was more positively related to tax compliance when tax knowledge was low (simple slope = 0.274, $p = < 0.01$) than when it was high (simple slope = 0.058, $p = 0.393$). Thus, the result supports Hypothesis 5: the positive influence of tax service quality on tax compliance weakens as tax knowledge increases. Figure 2 displays the moderating effect of tax knowledge.

Fig. 2: Moderating Effect of Tax Knowledge

5. DISCUSSION, IMPLICATIONS AND FUTURE RESEARCH

5.1 Discussion and theoretical implications

The findings of this study indicate that tax service quality positively affects trust, with responsive and professional tax service increasing the trust of SMEs in the tax authorities. Once the tax authority establishes a professional tax service capable of meeting its requirements for service, cooperation, fairness and a motivational environment, SMEs will trust the tax services of the tax authority and comply. In addition to having an indirect effect through trust, tax services also directly influence SMEs' tax compliance. This suggests that authorities' tax services provide tax information to assist SMEs in complying with tax regulations, making compliance simpler.

The findings reveal that tax knowledge has a negative moderating effect on the relationship between tax services and tax compliance. This suggests that taxpayers with low tax knowledge view the role of the authorities' tax services in their compliance as more crucial than their more knowledgeable counterparts. The results also show that taxpayer non-compliance might not stem from wilful ignorance or a lack of understanding about taxes. Tax services can help them acquire the necessary knowledge and information to prevent such mistakes. On the other hand, taxpayers with a high level

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

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

5.2 Managerial implications

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

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

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

5.3 Limitations and future research

Our research has limitations, suggesting a basis for further work. First, the research focuses solely on synergistic assumptions; future research should explore the combined effects of both dimensions of the SSF. Second, future research should investigate other factors such as tax ethics, tax perception, tax rates, or other macro factors affecting SMEs' tax compliance. Further research can examine additional influencing factors on voluntary tax compliance and mandatory tax compliance regarding the relationship between tax service quality and tax compliance. Third, this study has yet to define the quality of electronic tax services related to current 4.0 digital technology. Ongoing research on this trend will further clarify the quality of the e-tax service content to meet taxpayers' requirements to increase tax compliance.

Fourth, this study followed prior studies on tax compliance (e.g., Au et al., 2022; Sritharan et al., 2022) and used self-reported surveys to collect data. Although the survey was carefully designed and explained to participants, and all respondents' information was anonymous, the use of the self-reported survey could present some limitations regarding measuring SMEs' actual tax compliance due to respondent bias. Although the process for accessing the taxpayers' database in Vietnam was strict, future research should seek to generate tax compliance data from the actual database to measure tax compliance.

Lastly, this study examined the moderating role of tax knowledge rather than its direct influence; future studies should explore whether tax knowledge is a direct driver in the context of Vietnamese SMEs. Existing research has yielded mixed results regarding the relationship between tax knowledge and tax compliance. While tax knowledge may increase tax compliance by enhancing taxpayers' awareness of the social role played by tax, it could affect compliance negatively, as highly knowledgeable taxpayers might take advantage of the loopholes in the tax system to reduce their liability. Thus, the tax compliance of groups with high tax knowledge may depend on their personal sense of morality, which calls for more research on the moderating role of tax morality on the association between tax knowledge and tax compliance.

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7. APPENDIX

Questionnaire items

Tax knowledge

What is the extent to which you understand or not understand the following tax knowledge?

1. Knowledge of tax rights and obligations
2. Knowledge of the tax function and penalty
3. Knowledge of tax types and tariffs
4. Knowledge of tax mechanism and payments
5. Knowledge of tax measurements

Trust

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

6. Our enterprise and tax officials can both freely share our ideas, feeling and hopes.
7. Our enterprise can talk freely to the tax officials about our difficulties, and we know that they will want to listen.
8. If our enterprise shared our problems with the tax officials, we know they would respond constructively and caringly.
9. Our enterprise would have to say that both our enterprise and the tax authorities have not made considerable emotional investments in our working relationship (Reversed)
10. Given tax officials' track record, our enterprise sees no reason to doubt their competence and preparation for their job.
11. Our enterprise can rely on the tax officials not to endanger our business by careless work.
12. Most enterprises trust and respect tax officials.
13. Most enterprises consider tax officials to be trustworthy.
14. Our enterprise believes that the tax officials would always be concerned and monitor their performance closely, independent of the relationship between enterprises and tax officials.
15. Our enterprise would experience loss if we could no longer work with tax officials.
16. Tax officials approach their jobs with professionalism and dedication.

Tax service quality

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

Responsiveness

17. Tax staff is always ready to provide service.
18. The problems related to the tax support application system of the tax authority are regularly overcome in time.
19. Pages at this site do not freeze after order information is entered.
20. Unit functions of the tax authority are very well together as a team.
21. Tax authority actively cooperates with other units (such as banks) to solve problems for businesses when paying taxes.

Professionalism

22. Tax authority allows the implementation of service which does not distinguish the class or status of the communities
23. Tax authority delivers orders when promised.

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

Tax compliance

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

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