Factors Affecting Enforced Tax Compliance of Businesses in Vietnam

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Abstract: The objective of this study is to test 11 factors including Social Norms, Tax Education, Coercive Power of Tax Authority, Legitimate Power of Tax Authority, Tax Information, Tax Penalty, Tax Audit, Tax Rate, Tax Compliance Costs, Service Quality of Tax Authority, Public Governance Quality affecting the enforced tax compliance of businesses in Ho Chi Minh City, Vietnam. The study uses a data collection tool which is a questionnaire with survey subjects who are accountants, chief accountants, and financial directors of businesses in Ho Chi Minh City, Vietnam. The author uses Structural equation modeling to test the hypotheses in the research model. The research results found that there are 5 factors that have a significant influence on the enforced tax compliance of businesses in Ho Chi Minh City, Vietnam. They are Legitimate Power of Tax Authority, Service Quality of Tax Authority, Tax Information, Coercive Power of Tax Authority, and Tax Education, and the remaining 6 factors do not affect the enforced tax compliance of the businesses industry in Ho Chi Minh City, Vietnam. Policymakers, tax authorities, and other stakeholders based on this research can come up with more appropriate solutions to enhance the enforced tax compliance behavior of businesses.

Keywords: Tax compliance, Enforced tax compliance, Tax non-compliance, Tax authorities, Tax compliance costs.

1 Introduction

Tax is one of the most important sources of revenue in the total state budget revenues, and is used to serve public services such as education, health care, security, transportation, etc. Therefore, taxes play a very important role in the development of a country in the world, [1]. Therefore, ensuring and improving compliance with tax regulations of relevant subjects is a matter of great concern and urgency.

With such great importance, the issue of tax compliance has been studied. There are many classifications of tax compliance according to different approaches. However, the most common and widely recognized classification is based on implementation. In this way, tax compliance is divided into two categories: enforced tax compliance and voluntary tax compliance, [2], [3].

In this study, the author focuses on enforced tax compliance in the context of the current status of enforced compliance with tax laws of Vietnamese businesses, more specifically, businesses located in Ho Chi Minh City- the biggest city in Vietnam, are not really good. Through tax inspection results, many businesses located in the city have not yet fully complied with tax laws. In addition, many businesses are not selected for tax inspection and examination, and it is possible that they also have acts of non-compliance with tax laws, hence causing tax loss for Ho Chi Minh City, Vietnam.

Thus, the question that needs to be asked is how the status of enforced tax compliance of businesses located in the city. What factors have influenced this level of enforced tax compliance in Ho Chi Minh City? What solutions should be taken to increase the tax revenues for the city? Facing such a situation, in Vietnam, there have been a number of researchers interested in and conducting research related to this topic. However, with the overview analysis of previous studies, the number of studies is quite small, and some studies only stop at the implementation of descriptive statistics, [4]. Some studies have been carried out in the city; however, the results of these studies are only based on the survey results for 1 object which is businesses and focus on corporate income tax. Another recent study carried out in Ho Chi Minh City is from [5], but this study only analyzed the factors of internal enterprise characteristics affecting the high and low-level compliance with corporate income tax, but not yet included in the research model to analyze other factors

as important as those outside the business, etc. Thus, it can be said that a study on the analysis of factors affecting the required level of tax compliance, with more factors both inside and outside the business, and data collected from surveys of many subjects with many different angles to have a solid scientific basis on which to base. It is really necessary to come up with more appropriate solutions to strengthen the enforced tax compliance behavior of businesses, increase revenue for the budget and contribute to the development of the country.

2 Literature Review

2.1 Conceptual Theories

2.1.1 Slippery Slope Theory
The authors in [2] and [6] proposed a theoretical concept that integrates economic factors of tax compliance as well as psychological and social factors, arguing that tax compliance depends on the power of the tax authorities as well as the trust in the tax authorities. The slippery slope theory starts from the assumption that the interaction environment between government and taxpayers at two different extremes can be antagonistic, or cooperative.

According to this theory, to achieve cooperation in a society, there can be two different paths. The first path emphasizes the authority's right to regulate the behavior of citizens. Tax compliance is enhanced by external measures, primarily through inspections and fines. The second path emphasizes how taxpayers interact with the government, mutual trust, and commitment to the society in which they live. Trust is viewed as a relational variable that provides the basis for voluntary cooperation. If trust is high, taxpayers are aware of their obligation to meet social needs. Both approaches promise high tax contributions, either by exercising power or by strengthening trust. The resulting taxpayer behavior may be the same in both cases, they pay their share; however, the implementation of tax compliance is different. In the first case, compliance is enforced; in the second case is voluntary.

In this study, according to the explanation of this theory, the author expects that enforced tax compliance will depend on the level of trust of taxpayers and the power of the competent authorities. In the case where the confidence of the taxpayer is not high but the authority of the authority is high, the main motivation for paying taxes will be a compulsion. And conversely, in another study, the author will consider that the main motivation for paying taxes is voluntary in case the taxpayer's confidence is high enough. This shows that there is a correlation between power and trust, power can promote trust, but on the other hand, it can also decrease trust.

2.1.2 The Theory of Planned Behavior
The theory of planned behavior or the theory of intended behavior was initiated by [7]. This theory states that an individual's behavior in society is influenced by certain factors, derived from for certain reasons, and occurs in a planned manner, [8]. A person does something when she sees it as a positive behavior (attitude towards the behavior), has encouragement from those seen as important (subjective norm), and has beliefs to do it (control cognitive behavior). The interaction of these three factors determines the consistency of a person's intentions with his or her behavior.

There have been many studies using the Theory of Planned Behavior to test tax compliance, [8], [9], [10], [11].

In this study, according to the explanation of this theory, the author expects that enforced tax compliance will depend on three main factors of the theory, which are behavioral beliefs, common normative beliefs, and common-sense beliefs. On autonomy, specifically, tax education, tax information, and social norms will affect taxpayers' tax compliance intentions.

2.1.3 Economic Deterrence Model
Economically, deterrence has historically been seen as a popular strategy for enforcing tax compliance, [12]. Deterrence theory was founded by [13] based on the simple idea that the threat of legal penalties will deter criminal acts, [14]. The implication of the theory is that each taxpayer must maximize the expected benefit in deciding whether or not to evade taxes, weighing the benefits of successful tax evasion with tax audits and penalties. Apparently, this theory is based on the fact that taxpayers fear detection and punishment when they evade taxes, [15], [16], [17].

The study of [18] was the first to apply the deterrent theory based on the crime model of [13] to shape the theory of tax non-compliance. Deterrence

theory assumes that threats of fines and tax checks are the primary mechanisms for improving tax compliance. Tax audits are defined as the probability that the tax authority discovers taxpayers' non-compliance with tax laws through tax audit and inspection programs, [19], while punishment is a form of penalty and fines for taxpayers who do not comply with taxes, [20].

Based on this theory, the author expects the authorities have an effective way to check Based on this theory, the author expects that the authorities have an effective way to check and detect businesses' non-tax compliance behaviors, and the form of tax penalty is specified, clear, and enough deterrent in case taxpayers engage in tax non-compliance, either enforced or voluntary.

2.1.4 Social Norms Theory

The authors in [21] defined social norms as a psychosocial construct composed of rules and standards understood by members of a group, and norms. This norm will serve to guide and/or limit social behavior in which no law exists. The study also identified four different social norm constructs: doctrinal norm, descriptive norm, subjective norm, and personal norm. Specifically, doctrinal norms specify what should be done and that is the group's code of ethics. Descriptive standards are standards that develop from observing how other people actually behave in specific situations. Subjective norms relate specifically to the expectations of significant others (e.g. family, friends, co-workers, etc.). Finally, personal norms are the individual's own expectations for behavior which can arise from internalizing doctrinal norms.

In this study, according to the explanation of this theory, the author expects that enforced tax compliance will depend on social norms. In particular, the expectations of important taxpayers will impact enforced tax compliance. When family, friends, and colleagues consider tax evasion and violation of tax regulations to be wrong, taxpayers are likely to comply with tax in an enforced state.

2.1.5 Contingency Theory

According to contingency theory, it is not possible to build a universal model that fits all possible scenarios because the nature of a model depends on the condition and state of the contingency factors which are really diverse. Instead, the theory suggests that the specific nature of the model should be left to change, depending on the state of the various contingency variables. At the same time, the theory has also shown that researchers are encouraged to conduct tax compliance research by focusing on specific groups of taxpayers rather than the entire taxpayer population, [22].

The potential relevance of contingency theory to tax compliance in this area has only recently been recognized. Several researchers since 1985 have suggested that a universal theory of tax compliance is not possible, [23], [24]. The authors in [25] tested the relevance of the contingency theory to research tax compliance through surveys and their results showed that this theory was relevant for tax compliance research player in the future. Two contingency variables were examined by the authors, including the use of the tax preparer and the taxpayer's return goal. These were found to affect the importance of other checked compliance variables. Several other studies have indirectly examined the relevance of contingency theory to the tax compliance field. These studies have found variables such as ethics, [26], [27], and education, [28], as prophylactic variables, affecting compliance.

Thus, according to the explanation of this theory and the results of some conducted studies, the author expects the tax education factor to have an influence on enforced tax compliance.

2.1.6 Fiscal Exchange Theory

The authors in [29] state that the fiscal exchange theory is shaped by economic deterrence and psychosocial theories. The content of this theory suggests that the level of service of the tax authorities to taxpayers will improve the motivation in implementing voluntary tax compliance. This means that tax authorities and governments can enhance tax compliance through delivering the desired level of quality of service and infrastructure projects and programs to the public in effective ways, [30]. This form of relationship is considered to be a contractual relationship between the tax authority, the government, and the taxpayer, [30].

The author in [31] recognizes that this theory is based on the social, and psychological contract and relationship between tax authorities/government and taxpayers. The theory assumes that the behavior of individual taxpayers in paying taxes is often motivated by tax authorities and government efforts

on the service quality, and the rational use of tax revenues on goods and public service. Compliance levels decrease when taxpayers feel dissatisfied with the service quality level of the tax authorities and the use of tax revenues by the government, [32]. Voluntariness and willingness to pay taxes will be enhanced when the tax qualifies the services provided by the tax authorities along with the good projects and programs implemented by the government from the tax revenue generated, [33].

In this study, according to the explanation of this theory, the author expects that the better the service quality of the tax authorities is, the higher the tax compliance level of taxpayers becomes.

2.2 Factors Affecting Enforced Tax Compliance

2.2.1 Social Norms
As discussed above on the content of social norms theory, there have been many previous researchers in [34], [35], [36], [37], [38] examining the influence of social norms on tax compliance behavior and found that many open questions remain regarding their influence. Almost all previous tax studies that include social or individual normative structures have identified a significant effect on tax compliance from these constructs.

Recently, the authors in [39] examined the influence of social factors on the tax compliance intention of individuals. The survey results of 217 US taxpayers show support for the influence of social factors on tax compliance. This study concluded that social norms indirectly influenced compliance intentions through internalization as personal norms. Specifically, as the strength of social norms in favor of tax compliance increased, so did individual standards of tax compliance, which in turn led to an increase in compliance intentions thereafter. Previously the authors in [9] conducted research to explore more closely and in more detail the role of social norms in tax compliance. They examined the direct and indirect effects of social norms using a hypothetical compliance scenario with 174 experienced taxpayers. The results showed that social norms had an important direct and indirect influence on tax compliance behavior.

It is such strong evidence that it is the basis for the author to propose the first hypothesis as follows

H1: Social norms positively affects enforced tax compliance.

2.2.2 Tax Education
Taxpayer education was presented along with deterrence and tax morale as three factors affecting tax compliance, [40]. Research has mentioned that taxpayer education is seen as the sharing of knowledge about the tax system with taxpayers. When it comes to taxes, it is impossible not to mention relevant regulations and laws, and taxpayers' ignorance of this knowledge is a barrier to tax compliance. As a result, some studies have suggested that educating taxpayers can help reduce taxpayers' ignorance, and once the law is understood, it is more likely that taxpayers will be more compliant.

The author in [41] was conducted with the aim of assessing the perceptions of individual taxpayers in Portugal and Switzerland on different aspects of their relationship with the tax authorities, and the corresponding impact on tax evasion. Research results show that trust represents the largest amount of significant disparity, considering the control variables for gender, age, country, tax return filing, tax education, marital relationship, the current sense of belonging to a religion, and income level.

Based on the results of the previous studies above, and based on the explanation of the contingency theory, the author proposes the next hypothesis as follows
H2: Tax education positively affect enforced tax compliance.

2.2.3 Coercive Power of Tax Authority and Legitimate Power of Tax Authority
The result of [42] points out that power is often defined as the ability of a person to accomplish goals through others. The authors in [43] state two possible reasons why people conform to those in power. First, they may want to avoid the punishment that those in power might inflict on them, [44]. Second, there may be a division of roles between power holders and subordinates acceptable to both sides. In the second scenario, people consider the authority of the government to be legitimate. In contrast, coercive power is the power on the part of the tax authorities to compel taxpayers to pay taxes not because they believe that taxes help finance common public goods, but out of fear of tax checks and penalties caused by tax evasion, [6], [45], [46], [47], [50]. In other words,

coercive power is the power to direct individuals against their will, [6]. The result of [43] also shows that this form of power is needed to enforce tax laws in a hostile tax environment where there is no mutual understanding between tax authorities and taxpayers.

In their study of the impact of agency power and people's trust in the relationship between slippery slope theory and tax compliance in Italy, the authors in [47] proposed an investigation on examination of the nature of power (coercive versus legal) within the framework of tax compliance theory to clarify ambiguous results as well as to clarify the complex relationship between power and belief. The study uses a linear structural model to test the hypotheses of the slippery slope theory by examining coercive and legal power on a sample of N = 389 Italian taxpayers and self-employed entrepreneurs. They find evidence that trust is positively related to voluntary tax compliance. Trust is found to be negatively related to coercive power and positively related to legitimate power. Both coercive power and legal power are correlated with enforcement compliance. However, the effectiveness of compliance is enforced resulting in increased tax evasion.

The author in [41] also showed that voluntary tax compliance, trust, and legal power, are statistically significant and negatively correlated with tax evasion. In addition, the obtained results also indicate that there is a positive and statistically significant correlation between tax evasion and enforcement aspects of tax compliance and coercive power.

The theory of the slippery slope together with previous studies serves as the basis for the author to put forward the next hypothesis about the coercive power and legal power affecting obligatory tax compliance.

H3: Coercive power of the tax authorities positively affects enforced tax compliance.
H4: Legitimate power of the tax authorities positively affects enforced tax compliance.

2.2.4 Tax Information
The authors in [48] applied the theory of planned behavior (TPB) to investigate the tax compliance intentions of citizens residing in Phnom Penh, Cambodia. TPB asserts that there are three components of behavior: attitudes, subjective norms, and perceived behavioral control. Based on the components, seven determinants were developed to study tax compliance intent including tax information.

Planned behavior theory is the basis for the author's argument that if taxpayers receive sufficient tax information which is understandable, timely, and accurate, they will comply with the enforced tax compliance. The next hypothesis is given as follows
H5: Tax information positively affects enforced tax compliance.

2.2.5 Tax Penalties and Tax Audit
According to [49], factors affecting tax non-compliance are divided into 4 groups: Demographic variables (Age, gender and education), Chances of non-compliance (Income level), source of income, occupation), Tax system/structure (Tax Complexity, Tax Inspector, Tax penalties, Tax rates) and attitudes and perspectives (Spirit, Tax fairness, colleagues' influence).

The economic deterrence theory analyzed above has also shown the role of two factors preventing taxpayers from intending to comply with tax, which means that the authorities conduct inspection procedures to detect wrongdoings and deal with them with penalties. A tax audit is a method used by tax authorities to detect tax irregularities, [50]. Tax audit presents an effective mechanism to enforce tax structure in tax policy, [51]. Research by the author in [52] with the aim of examining the role of tax audits in the tax non-compliance of Palestinian taxpayers by Majed when investigating found that the results of previous studies evaluating the relationship between tax audit and tax non-compliance are very inconsistent. At the same time, the study is also based on an economic model to argue that the taxpayer is supposed to try to maximize the decision to comply by comparing the benefits of successful non-compliance at the risk of being discovered and the punishment to be incurred. Thus, the value of tax non-compliance depends on audit probabilities and tax penalties.

Tax non-compliance is considered an economic crime, with fines being the most common and important form of punishment for this behavior, [53]. The goal of preventing non-compliance is often to create fear, increase fines, and increase tax audits, [54].

Another useful study is [55] conducted to expand Fischer's model built on the integration of both economic and social theory in the context of sales tax compliance as well as considering the regulatory role of public governance and patriotism as a new

construct for better understanding on sales tax compliance determinants. This study hypothesized eight factors influencing sales tax compliance, as well as eight hypotheses about the regulatory impact of public governance on such relationships. Using a quantitative approach, this study conducted a self-administered questionnaire survey of 660 owners-managers of SMEs listed in the Jordan Chamber of Industry, among which there were 212 answers that can be used for analysis purposes. Partial least squares (PLS) results show a positive effect of tax audits, tax penalties, tax ethics, tax fairness, and patriotism on sales tax compliance and a negative effect of tax complexity for respective sales tax compliance. Meanwhile, peer influence and tax rate did not show any significant effect on sales tax compliance. The findings also identify a significant regulatory effect of public governance on the links between tax audits, tax penalties, and peer influence on sales tax compliance. In addition to expanding the body of knowledge by providing a comprehensive model to explain how a number of interrelated factors affect sales tax compliance, the results provide insights into the determinants of sales tax compliance among SMEs.

From the above analysis, the author proposes the next two hypotheses as follows

H6: Tax penalty positively affects enforced tax compliance.

H7: Tax audit positively affects enforced tax compliance.

2.2.6 Tax Rate

For the nature of the tax system, economic deterrence theory also supports the argument that adopting an appropriate tax rate will encourage taxpayers to comply although the exact impact is still unknown and controversial, [2]. An increase in the marginal tax rate might increase the incentive for taxpayers to evade more taxes, [56], [57], but it is unlikely that lowering the tax rate will increase tax compliance, [2], [56], [57]. Even so, the authors in [6] still argue that when trust is low, taxpayers think that a high tax rate is unfair; and when the level of trust is high, taxpayers can consider the tax rate to be equivalent to contributing to the community.

Of great interest is the study by the authors in [58] conducted in Malaysia, the purpose of which is to analyze the effects of penalty factors, marginal tax rates, current solvency ratios, foreign ownership rates, company size, and industry category to the level of tax

non-compliance and tax inspections as measured based on the results of tax inspections by small and medium-sized enterprises in Malaysia. The study used secondary data collected from these companies in 2011 with a sample of 375 small and medium-sized businesses. The results of the study show that marginal tax rates, company size, and industry type have a significant influence on the level of tax noncompliance and that companies in the service and construction industries are major non-compliant industries. In addition, according to this study, the results of tax inspections also show that non-compliance with tax laws in Malaysia is widespread and the amount of tax loss is quite high.

There have been many previous studies paying attention to tax rates or marginal tax rates when learning about factors that impact taxpayer tax compliance, [59], [60], [61], [62], [63]. Based on the above analysis, the author proposes the H8 hypothesis as follows

H8: Tax rate negatively affects enforced tax compliance.

2.2.7 Tax Compliance Costs

The author in [64] defined compliance costs as costs incurred by a taxpayer, higher and greater than the tax liability, in fulfilling his or her tax obligations. This is the total cost of compliance and includes three main components: monetary cost, time cost, and psychological cost. Monetary costs include expenses incurred to hire tax agents/advisors, purchase books, tax guides, and other tax-related documents. Time spent keeping records, completing tax returns, and dealing with tax authorities is a time cost, while psychological costs are costs incurred related to the stresses encountered in managing complex tax issues, [65], [66], have classified compliance costs into 2 groups: (1) internal costs related to the time of the management/staff in preparing tax returns and tax-related activities, and (2) external costs primarily related to the involvement of external tax advisors.

Agreeing with this point of view, the authors in [67] stated: "Previous studies have defined compliance costs as costs related to the costs of complying with enforced requirements of the tax regime regarding the timely preparation and submission of tax returns in accordance with the relevant tax laws in a country. Therefore, compliance costs are costs associated with the hours spent preparing tax returns, administrative costs, and any

money spent procuring the services of tax professionals. These costs can be classified into internal and external costs.

In [68], an empirical assessment of some factors determines the tax evasion behavior of companies. The analysis includes standard determinants including compliance costs.

Thus, the H9 hypothesis in this study is:

H9: Tax compliance costs negatively affect enforced tax compliance.

2.2.8 Service Quality of Tax Authority

The authors in [69] defined tax service quality as the global perceptions or attitudes of taxpayers regarding the superiority of tax services provided by tax authorities. In [70], the authors identified the factors that are components of tax service quality as responsiveness, reliability, and information provision. The study also used these factors as a measure of tax service quality.

In studying the relationship between the quality of tax services and tax compliance behavior, the authors in [71] have suggested that in the tax sector, there are very few studies measuring the direct impact of tax service quality on taxpayer compliance behavior. However, the result from [72] shows that taxpayer satisfaction with how they are treated by tax authorities affects their compliance behavior in the future. Agreeing with the view of the authors in [71] view, the authors in [73] also argue that there is not much research that addresses this relationship, while in fact, the decline in the quality of tax services provided by tax authorities leads to the loss of taxes.

The authors in [74] conducted a study to examine the tax service quality and income tax non-compliance of SMEs in Yemen. The results from the study show that the quality of tax services is assessed as low, which makes the managers of small and medium-sized business owners dissatisfied with the service quality of the tax authorities. Prior to that, the purpose of [75] is examining the influence of tax awareness, knowledge, tax penalties, and services on tax compliance. The results of the study show that tax awareness, penalties, and service quality by tax authorities have a significant positive effect on taxpayer compliance, while tax knowledge has a negative impact on tax compliance. significant impact on taxpayer compliance.

A recent study was conducted to determine the influence of tax knowledge, service quality, tax audit, and technology on local taxpayer compliance, [76]. This study used primary data based on respondents' responses to a questionnaire distributed to 90 taxpayers registered at the Badung Regency Revenue Authority. The technique of identifying samples by purposeful sampling. Based on the information that hotel, restaurant, and entertainment taxpayers used the online monitoring system, 904 taxpayers and based on the criteria, the study determined a sample size of 90 taxpayers. Data analysis techniques are performed using a variety of linear regression analysis techniques. The analysis shows that all four factors: tax knowledge, service quality, tax inspection, and technology have a positive influence on the compliance of local taxpayers.

Along with the argument from the fiscal exchange theory, the author proposes the next hypothesis as follows

H10: Service quality of tax authority positively affects enforced tax compliance.

2.2.9 Public Governance Quality

World Bank considers the quality of public governance to be the process by which competent leaders are selected, monitored, and replaced along with the capacity of a country's government to implement policies, and manage that country's resources effectively, [77]. Citizens support the government in its responsibility by providing finance for the maintenance of government in the form of paying taxes, [71], [78], argues that if taxpayers perceive that the conversion rate from taxes to political goods is low then taxpayers will feel that the government has failed to comply with its obligations under the contract; thus, tax compliance will deteriorate. The result of [31] argues that when the quality of public governance declines, the tax compliance of taxpayers may be affected because individuals believe that the government does not respect their honesty.

Research by the authors in [71] with the main aim to examine the relationship between taxpayers' perception of the quality of public governance and their compliance behavior as well as to determine whether the relationship adjusted for financial conditions, proposed to expand Fischer's tax compliance model to incorporate perceived tax service quality, public governance quality, ethnic diversity as well as effective regulation of taxpayers' financial condition and risk preference. This study included a

survey on individual taxpayers' views, perceptions, and behaviors on the quality of public governance as well as tax compliance. The main finding of this study is that the quality of public governance has a significantly positive relationship with tax compliance behavior.

From these arguments and previous research evidence, the author proposes the following final hypothesis.

H11: Public governance quality positively affects enforced tax compliance.

3 Research Model

Based on the theoretical framework and relevant literature reviews, I propose a research model as in Figure 1. The main purpose of this study is to analyze the effects of 11 factors including Social Norms, Tax Education, Coercive Power of Tax Authority, Legitimate Power of Tax Authority, Tax information, Tax Penalty, Tax Audit, Tax Rate, Tax Compliance Costs, Service Quality of Tax Authority, Public Governance Quality to Enforced Tax Compliance, and thus Enforced Tax Compliance will take the role of the dependent variable while 11 factors will be the independent variables that I am interested in.
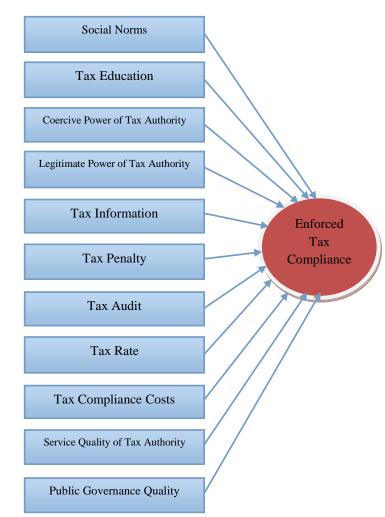

Fig. 1: Proposed research model
Source: Researcher proposed

4 Methodology

In this study, questionnaires are used to collect research data. The questionnaire consists of 2 parts consisting of 57 questions. The first section includes an introduction to the business and participants answering the questionnaire. Part 2 includes content related to enforced tax compliance and factors affecting enforced tax compliance. Respondents include accountants, chief accountants, or chief financial officers of businesses in Ho Chi Minh City, Vietnam. There were 501 businesses surveyed in this study.

This study examined the influence of 11 factors on the enforced tax compliance behavior of businesses, and the study model consisted of 1 dependent variable and 11 independent variables. These variables are

measured with items which are adapted from several studies, such as, [47], [48], [55], [79], [80], [81], [82], [83]. The items of each measurement are tested using a 5-point Likert scale, where 1 = strongly disagree; 2 = disagree; 3 = neutral; 4 = agree; and, 5 = strongly agree.

The analysis of the model includes the following stages: (1) Cronbach's test for reliability of the scale, (2) Exploratory factor analysis (EFA), (3) Confirmatory factor analysis (CFA), and (4) Structural equation modeling (SEM).

5 Results and Discussion

5.1 Sample Descriptive

The survey for research purposes obtained 501 valid responses from the survey subjects. According to [84], if the model has a number of factors greater than 7 and some factors have fewer than 3 observed variables, the minimum sample size is 500. This study has 11 factors, of which there are 2 factors with 3 observed variables, after testing Cronbach Alpha, there are 2 factors left with 2 observed variables, so the sample size of this study is 501, greater than 500, hence is appropriate. Table 1 below describes some characteristics, numbers, and percentages of surveyed businesses such as Legal form of business, Main business sector, Company age; Company size, Audit of financial accounting, and some characteristics of business representatives participating in the survey such as Gender, Age, the Highest level of education, Respondent designation, Working time in the field of finance and accounting.

Table 1. Respondents profile

No	Item	Frequency (N=501)	Percentage (Total = 100%)
1	**Legal form of business**		
	State business	20	4.0
	Sole proprietorship	43	8.6
	Limited company	317	63.3
	Share company	120	24.0
	Partnership	1	.2
2	**Main business sector**		
	Manufacturing	101	20.2
	Trading	160	31.9
	Services	193	38.5
	Others	47	9.4
3	**Business age**		
	Under 2 years	32	6.4
	2 – under 5 years	124	24.8
	Over 5 years	345	68.9
4	**Business size (Total Asset)**		
	Under 20 billion	295	58.9
	20 - under 50 billion	66	13.2
	50 - under 100 billion	31	6.2
	Over 100 billion	109	21.8
5	**Audit of financial accounting**		
	Big 4 (KPMG, Deloitte, EY, PwC)	62	12.4
	Non-Big 4	140	27.9
	Non - Audited financial statements	299	59.7
6	**Gender**		
	Male	143	28.5
	Female	358	71.5
7	**Age**		
	Under 22 years	13	2.6
	22 – under 30 years	245	48.9
	30 – under 45 years	204	40.7
	More than 45 years	39	7.8
8	**Highest level of education**		
	Junior college	92	18.4
	Bachelor degree	326	65.1
	Masters	73	14.6
	PhD	6	1.2
	Others	4	.8
9	**Respondent designation**		
	Accountant	332	66.3
	Chief accountant	130	25.9
	CFO	39	7.8
10	**Working time in the field of financial and accounting**		
	Under 5 years	235	46.9

5 - under 10 years	139	27.7
10 - under 20 years	104	20.8
More than 20 years	23	4.6

Source: The researcher' collecting data, SPSS 26

5.2 Assessment of Measurement Model

Reliability and validity are the main standards to be met in the measurement model. The main standards used to evaluate measurement models are indicator reliability testing, internal consistency testing, convergence validity testing, and discriminant validity testing.

This study consisted of 12 scales for 1 dependent variable and 11 independent variables, for a total of 57 observed variables. The scales are inherited from previous studies and are resulting scales, so Cronbach's Alpha test is used to test scale reliability. The test results show that all scales meet the reliability requirements, except for the observed variables: EC3 of the Required Tax Compliance variable; TA1 of variable Tax Inspector; TR4 of Variable Tax Rates; CC4 of variable Current tax costs; PG1 of the Public Governance Quality variable with a total variable correlation coefficient equal to: 0.142; 0,042; 0,169; 0.105 and 0.126 - less than 0.3, so they were excluded from the scale. At the same time, the test also showed that for the TR1 observation variable of the Tax Rate variable, if this observation variable is removed, Cronbach's Alpha coefficient increases from 0.69 to 0.857, so the TR1 observation variable is also excluded. The final result consisted of 51 measured observational variables for 1 dependent variable and 11 independent variables included in the discovery factor analysis. Table 2 below shows the minimum value, maximum value, mean, and standard deviation of 51 observed variables and the reliability results of the variables' scales.

Table 2. Test results of the validity and reliability of the scale

No	Symbol	Descriptive statistics (N = 501)	Mean	Std. Dev.	Min	Max	Alpha
A	**Dependent Variable**						
1	**EC**	**Enforced tax compliance**					
1.1	EC1	When I pay my taxes as required by the regulations, I do so because I feel forced to pay my taxes	3.5768	.76458	1.00	5.00	
1.2	EC2	When I pay my taxes as required by the regulations, I do so because a great many tax audits are carried out	3.5788	.74315	1.00	5.00	
1.3	EC4	When I pay my taxes as required by the regulations, I do so because the tax office often carries out audits	3.6208	.74019	1.00	5.00	.857
1.4	EC5	When I pay my taxes as required by the regulations, I do so because I know that I will be audited	3.6008	.76179	1.00	5.00	
1.5	EC6	When I pay my taxes as required by the regulations, I do so because the punishments for tax evasion are very severe	3.6687	.70852	1.00	5.00	
1.6	EC7	When I pay my taxes as	3.5389	.85614	1.00	5.00	

		required by the regulations, I do so because I do not know exactly how to evade taxes without attracting attention				
1.7	EC8	When I pay my taxes as required by the regulations, I do so after putting a lot of thought into how I could legally save taxes	3.5589	.79939	1.00	5.00	
1.8	EC3	When I pay my taxes as required by the regulations, I do so although I would really prefer not to pay any taxes	Excluded				
B	**Independent Variable**						
1	**SN**	**Social Norms**					
1.1	SN1	My spouse or significant other would think it is wrong to evade use taxes.	3.8503	.79470	1.00	5.00	
1.2	SN2	My tax return preparer would think it is wrong to evade use taxes.	3.8762	.72983	2.00	5.00	.910
1.3	SN3	My family would think it is wrong to evade use taxes.	3.8703	.79570	1.00	5.00	
1.4	SN4	My friends would think it is wrong to evade use taxes.	3.7924	.78283	1.00	5.00	
1.5	SN5	My peers would think it is wrong to evade use taxes.	3.8184	.76743	1.00	5.00	
2	**TE**	**Tax Education**					
2.1	TE1	I encounter significant confusion whilst filling tax forms	3.7086	.80679	2.00	5.00	
2.2	TE2	I need to consult tax professionals in completing my tax forms	3.7545	.76786	2.00	5.00	
2.3	TE3	When I am not really sure whether or not an expense is allowable, it makes sense to claim the deduction anyway.	3.7485	.76722	1.00	5.00	.861
2.4	TE4	There is shortage of experienced and highly motivated personnel for tax assessment and tax collection	3.7665	.78189	1.00	5.00	
3	**CP**	**Coercive Power of Tax Authority**					
3.1	CP1	Tax authorities primarily aim to punish	3.3972	.85785	1.00	5.00	.815
3.2	CP2	Tax authorities investigate	3.4052	.86342	1.00	5.00	

		as long as they find something					
3.3	CP3	Tax authorities' interventions are too severe	3.4651	.87022	1.00	5.00	
3.4	CP4	Tax authorities nurture hostile feelings toward taxpayers	3.4032	.92580	1.00	5.00	
3.5	CP5	Tax authorities interpret tax laws in order to punish the highest number of taxpayers	3.6607	.91904	1.00	5.00	
4	**LP**	**Legitimate Power of Tax Authority**					
4.1	LP1	Tax Evasion is detected in a high percentage of the cases	3.7605	.74197	1.00	5.00	
4.2	LP2	Tax authorities combat tax crimes in an efficient way	3.7405	.72425	1.00	5.00	
4.3	LP3	Tax evasion is likely to be detected	3.8084	.66874	1.00	5.00	.898
4.4	LP4	Tax authorities control frequently and profoundly	3.8323	.69558	1.00	5.00	
4.5	LP5	Due to their knowledge and competence, tax authorities are able to detect every act of tax evasion	3.8343	.70604	1.00	5.00	
5	**TI**	**Tax information**					
5.1	TI1	I could receive accurate information about tax issues from my sources of information (i.e., television, email, newspaper, radio, Facebook)	3.5030	.81884	1.00	5.00	
5.2	TI2	The tax information that I receive is clear and understandable	3.3713	.82091	1.00	5.00	.874
5.3	TI3	Tax officials provide clear explanations or responses to my queries	3.4052	.85410	1.00	5.00	
5.3	TI4	I generally receive sufficient information about my tax issues	3.4251	.86307	1.00	5.00	
5.5	TI5	I am always given up-to-date and relevant information on tax issues	3.4251	.84433	1.00	5.00	
6	**TP**	**Tax Penalty**					
6.1	TP1	The tax authority's ability to detect and punish tax fraud and fraud is high	3.5848	.80703	1.00	5.00	.818
6.2	TP2	The sanctions for tax non-compliance, tax fraud, or	3.7285	.80384	1.00	5.00	

		tax evasion are very strict					
6.3	TP3	The fines for tax non-compliance are high	3.7445	.78141	1.00	5.00	
7	**TA**	**Tax Audit**					
7.1	TA1	Businesses pay the correct amount of tax when there are greater enforcement and monitoring	Excluded				
7.2	TA2	The likelihood of audits encourages me to comply with the tax law	4.4311	.67657	2.00	5.00	.850
7.3	TA3	Businesses registered for tax are often subject to tax authority audits and inspections	4.3413	.71921	2.00	5.00	
8	**TR**	**Tax rate**					
8.1	TR2	If tax rates are reduced, I believe that more people would be encouraged to pay their taxes	3.8363	.78814	1.00	5.00	.857
8.2	TR3	I would be motivated to pay taxes if tax rates are reduced	3.8683	.81646	1.00	5.00	
8.3	TR1	I think the current tax rate is considered fair for every taxpayer	Excluded				
8.4	TR4	The income tax rate does not affect my decision on tax non-compliance	Excluded				
9	**CC**	**Tax compliance costs**					
9.1	CC1	The complexity of the tax system results in taxpayers incurring tax compliance cost	3.9401	.80772	1.00	5.00	
9.2	CC2	The taxpayers are spent high tax compliance costs and time to tax comply	3.8263	.87166	1.00	5.00	
9.3	CC3	The complexity of tax administration (e.g., multiple taxes, the requirement for multiple filing per year, etc.) increases tax compliance costs	3.9341	.84950	1.00	5.00	.885
9.4	CC5	I feel high tax compliance costs discourage the taxpayer's compliance	3.8563	.90515	1.00	5.00	

9.5	CC4	The burden of compliance costs of the large business taxpayer in terms of staff time, professional, fees, and to external assistance are affect tax compliance	Excluded				
10	**AQ**	**Service quality of tax authority**					
10.1	AQ1	The tax authority provides adequate and timely service for taxpayers to encourage tax compliance	3.5349	.76503	1.00	5.00	
10.2	AQ2	I feel the tax collection system by the authority is operating quickly and properly to encourage compliance	3.5090	.79399	1.00	5.00	
10.3	AQ3	The tax authority well organized by ethical skilled man power and technological development to inspire compliance	3.5768	.77497	1.00	5.00	.914
10.4	AQ4	I feel the tax author provides reliable service to assure voluntary compliance	3.5329	.75459	1.00	5.00	
10.5	AQ5	The tax authority provides consulting assistance services to encourage and help accomplish voluntary compliance	3.5669	.77073	1.00	5.00	
11	**PG**	**Public governance quality**					
11.1	PG2	I think government wastes a lot of money	3.7545	.80598	2.00	5.00	
11.2	PG3	I do not feel like paying taxes as long as the government cannot be trusted	3.5948	.82553	1.00	5.00	
11.3	PG4	It is not so wrong to declare less on taxable income since the government spends too much on extravagant projects	3.7784	.74351	2.00	5.00	.772
11.4	PG5	I think people are not enlightened on how tax revenues are being utilized the by government	3.7325	.74049	2.00	5.00	
11.5	PG1	I think corruption in Viet Nam is high	Excluded				

Source: The researcher' collecting data, SPSS 26

Before performing confirmatory factor analysis, further scales are performed with exploratory factor analysis. The results of the exploratory factor analysis showed that the KMO coefficient = 0.929 with the Sig. value = 0.000, the factor load coefficients were all greater than 0.5, the Eigenvalues stopping at the 12th factor was 1,198 was greater than 1, and the total quoted variance was 67.602% greater than 50%. Therefore, the results of the exploratory factor analysis were appropriate. Table 3 below shows the rotated factor matrix of the exploratory factor analysis.

Table 3. The rotated factor matrix of exploratory factor analysis

Items	Factor											
	1	2	3	4	5	6	7	8	9	10	11	12
SN4	.867											
SN5	.861											
SN3	.855											
SN2	.775											
SN1	.746											
LP4		.958										
LP5		.922										
LP3		.737										
LP2		.638										
LP1		.601										
AQ2			.837									
AQ4			.830									
AQ1			.815									
AQ5			.790									
AQ3			.731									
EC7				.776								
EC2				.742								
EC8				.725								
EC4				.600								
EC1				.559								
EC6				.511								
EC5				.500								
TI5					.804							
TI4					.790							
TI2					.770							
TI1					.657							
TI3					.656							
CC2						.871						
CC3						.863						
CC1						.825						
CC5						.717						
CP3							.791					
CP4							.767					
CP2							.747					

CP1								.634						
CP5								.514						
TE2									.790					
TE3									.775					
TE1									.750					
TE4									.717					
PG2										.778				
PG4										.747				
PG5										.645				
PG3										.503				
TP2											.921			
TP3											.737			
TP1											.637			
TA2												.864		
TA3												.858		
TR2													.885	
TR3													.826	
KMO	0.929													
Sig.	.000													
Variance explanation (%)	67.602%													

Source: The researcher' collecting data, SPSS 26

Table 4 shows the average variance and composite reliability of the exploratory factor analysis.

Table 4. The average variance and composite reliability of items

Variable		CR	AVE	Variable		CR	AVE
Social Norms	SN	0.906	0.659	Coercive Power of Tax Authority	CP	0.825	0.496
Legitimate Power of Tax Authority	LP	0.892	0.623	Tax Education	TE	0.862	0.610
Service quality of tax authority	AQ	0.911	0.673	Public governance quality	PG	0.778	0.469
Enforced tax compliance	EC	0.861	0.474	Tax Penalty	TP	0.827	0.618
Tax information	TI	0.875	0.584	Tax Audit	TA	0.855	0.747
Tax compliance costs	CC	0.888	0.666	Tax rate	TR	0.858	0.751

Source: The researcher' collecting data, SPSS 26 and Amos 24

Thus, according to the analysis of the above results, the measurement model of the present study is tested the by Cronbach Alpha test, exploratory factor analysis (EFA), and confirmatory factor analysis (CFA) to test including accuracy reliability of the indicator, checking for internal consistency, convergence, and discriminability. The main purpose for performing all of these tests is to ensure that the measurement model is valid and reliable before performing the Structural Equation Model (SEM) to test the hypotheses. The results of all tests confirm that the measurement model is consistent and reliable.

5.3 Assessment of Structural Model
After verifying the suitability and reliability of the measurement model, I conducted to test of the structural model by SEM. The results of testing SEM (Figure 2) show that the model has df = 1158 degrees of freedom, Chi-Square = 1992,993; TLI = 0.937; CFI = 0.942 so these indexes are all greater than 0.9; index RMSEA = 0.038 less than 0.08 and CMIN/df =

1.721 less than 3; P = 0.000, GFI = 0.865 is also approximately equal to 0.9, so it is also acceptable. The results in Table 5, show that, at the 5% level of statistical significance, there are 5 factors affecting enforced tax compliance, which are the Legitimate Power of Tax Authority, Service quality of tax authority, Tax information, Coercive power of tax authorities and Tax education at the 5% statistical significance level, the remaining 6 factors include: Social norms, Tax compliance cost, Public governance quality, Tax penalty, Tax audit and Tax rate, have no effect on the enforced tax compliance of enterprises in Ho Chi Minh City, Vietnam at statistical significance level 5%.

Table 5. Result of Hypotheses Testing

Variable		Estimate	Estimate (standardized)	S.E.	C.R.	P	Result
EC <---	SN	.030	0.35	.034	.898	.369	Not supported
EC <---	LP	.253	0.253	.056	4.496	***	Supported
EC <---	AQ	.126	0.137	.054	2.348	.019	Supported
EC <---	TI	.207	0.239	.049	4.259	***	Supported
EC <---	CC	-.018	-0.023	.027	-.656	.512	Not supported
EC <---	CP	.114	0.136	.035	3.289	.001	Supported
EC <---	TE	.126	0.133	.046	2.745	.006	Supported
EC <---	PG	.095	0.093	.051	1.866	.062	Not supported
EC <---	TP	.056	0.70	.032	1.715	.086	Not supported
EC <---	TA	-.002	-0.002	.031	-.049	.961	Not supported
EC <---	TR	.028	0.031	.035	.797	.425	Not supported

Source: The researcher' collecting data, SPSS 26 and Amos 24

According to table 5, normalized beta coefficients between relationships show how strong or weaker the influence is between variables in the study model. The results of the normalized beta coefficient estimation showed that the highest normalized beta coefficient belonged to the relationship between LP and EC (normalized β = 0.253). This is followed by the normalized beta coefficient of the relationship between TI and EC (normalized β = 0.239). Thus, in terms of the relationship between factors and EC, LP and TI are the two factors that have the strongest influence on EC because the normalized beta coefficients are the highest. This will be followed by 3 factors AQ, TE, and CP with a decreasing influence on EC with a normalized beta system of 0.137, 0.126, and 0.114, respectively
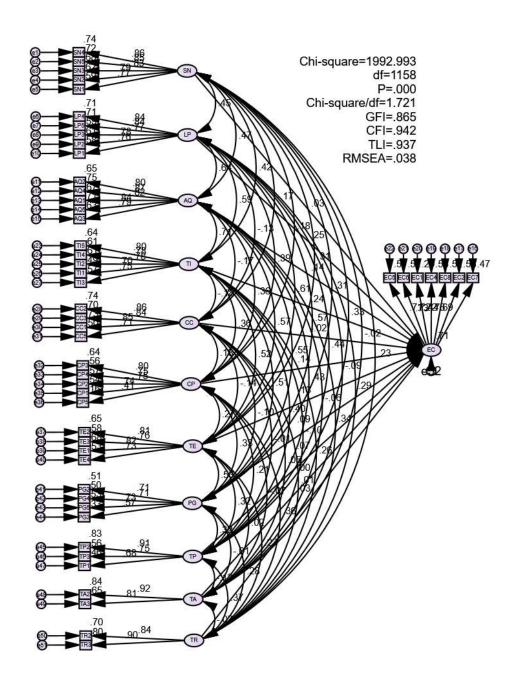
Fig. 2: Results of Structural Equation Modeling
Source: The researcher' collecting data, SPSS 26 and Amos 24

According to the results compiled in table 6 below, of the 11 research hypotheses put forward for testing, there are 5 supported hypotheses and 6 unsupported hypotheses. Supported hypotheses include H2, H3, H4, H5, and H10. The remaining unsupported hypotheses include H1, H6, H7, H8, H9, and H11.

Table 6. Summary of Hypotheses Testing

NO	HYPOTHESIS	THEORY	EXPECTED	DECISION
H1	Social norms positively affect enforced tax compliance	Social Norm Theory	+	0
H2	Tax education positively affects enforced tax compliance	Contingency theory	+	+
H3	Coercive power of the tax authorities positively affects enforced tax compliance	Slippery Slope Theory	+	+
H4	Legitimate power of the tax authorities positively affects enforced tax compliance	Slippery Slope Theory	+	+
H5	Tax information positively affects enforced tax compliance	Theory of Planned Behavior	+	+
H6	Tax penalty positively affects enforced tax compliance	Economic Deterrence Theory	+	0
H7	Tax audit positively affects enforced tax compliance	Theory of Planned Behavior	+	0
H8	Tax rate negatively affects enforced tax compliance	Economic Deterrence Theory	-	0
H9	Tax compliance costs negatively affect enforced tax compliance	Economic Deterrence Theory	-	0
H10	Quality service of tax authority positively affects enforced tax compliance	Fiscal Exchange Theory	+	+
H11	Public governance quality positively affects enforced tax compliance	Fiscal Exchange Theory	+	0

Source: Compiled by author

6 Conclusions

This study examines 11 factors affecting the enforced tax compliance of businesses in Ho Chi Minh City, Vietnam. The results of the study found that there are 5 factors affecting enforced tax compliance, including the Legitimate power of the tax authorities, Coercive power of the tax authorities, Tax education, Quality service of the tax authority, and Tax information. Furthermore, according to the research results, the remaining 6 factors do not affect enforced tax compliance in terms of statistical significance, which are Social norms, Tax penalty, Tax audit, Tax rate, Tax compliance costs, and Public governance quality.

Tax education has the same impact as enforced tax compliance of businesses, so the State needs to strengthen the education of tax-related knowledge. Universities need to insert subjects related to tax knowledge in their training program. In addition, the Tax Authority also regularly updates tax knowledge for businesses so that they have a timely grasp of tax regulations from which they will comply with higher taxes. Tax service quality is an important factor affecting enforced tax compliance. Therefore, tax authorities need to further improve service quality at tax authorities, and provide full and timely services. Besides, the tax system works quickly and properly. Accordingly, an important issue is that tax authorities require to be organized by a team that is skilled, ethical, and enthusiastic to support taxpayers, and apply modern technology so that businesses will comply with higher taxes.

Additionally, tax authorities must strengthen their coercive power and legal power to improve businesses' enforced tax compliance. Specifically, tax authorities control businesses more often and closely; and at the same time, tax authorities further improve their knowledge and professional capacity to enhance their ability to develop current tax evasion of businesses. Finally, it is important that tax authorities provide complete, timely, accurate, and up-to-date information to businesses, and at the same time, explain and clearly respond to taxpayers' questions.

Thus, the study results are a useful resource for policymakers and tax authorities to understand the current situation of tax compliance at business and on that basis adjust and develop tax policies, digitize and modernize tax administration to enhance tax compliance behavior, increase revenues for the State in growing the economy and achieving the set goals.

7 Limitation and Future Research

This study collects primary data through questionnaires to survey businesses in Ho Chi Minh City, Vietnam about factors affecting enforced tax compliance. Future studies should collect secondary data instead of collecting primary data like this one. Besides, the sample in this study has only 501 businesses, so future studies should collect with a larger sample size so that the results of the study may be better. In addition, this study has only examined 11 factors affecting enforced tax compliance, so in the future, researchers can examine some more factors such as tax knowledge, tax spirit, the structure of the tax system, etc.

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