Is Tax Morale the Most Important Factor Affecting Tax Compliance Behavior of Vietnamese Small and Medium Enterprises?

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ABSTRACT
This study provides a comprehensive overview of the factors affecting the Tax compliance behavior of Vietnamese small and medium enterprises, through a case study of enterprises in Thanh Hoa City. From the model building and analysis of factors affecting the Tax compliance behavior of small and medium enterprises, the study quantified the level of influence of the moderating variable Tax knowledge. From the research results, the author will propose some recommendations to improve Tax compliance behavior in the coming time. This study uses the perspective of enterprises through stratified random sampling, collecting and analyzing survey data from 290 small and medium enterprises in Thanh Hoa city using smart 3.0 software. Structural equation modeling (SEM) was established to quantify the impact of 11 influencing factors and 1 moderating variable on Tax compliance behavior of small and medium enterprises. The research results show that Tax morality has the strongest impact on Tax compliance behavior and Tax morality has a moderating effect on Tax compliance behavior by Tax knowledge. This shows the importance of attitudes, ethical values and perceptions of enterprises towards tax obligations, and emphasizes that Tax knowledge plays an important role in improving Tax morality and promoting Tax compliance. In addition, the factors Auditability, Social Norms, Fine, Tax compliance cost, Trust in tax authorities play an important role in determining the Tax compliance behavior of small and medium enterprises in Thanh Hoa city. This study has important implications both theoretically and practically, especially in the context of small and medium enterprises playing an important role in the Vietnamese economy. The study clarifies the role of factors related to enterprises' attitudes and perceptions in Tax compliance. Finally, this study seeks to contribute to the broader academic discourse on corporate tax compliance by providing empirical evidence from the Vietnamese context, which can be applied to other developing economies with similar socio-economic structures.

Keywords: Small and medium-sized enterprises, Tax compliance behavior, tax morality, Vietnam.

INTRODUCTION

Tax is the main source of revenue for every country's budget to promote socio-economic development (Alshira'h & Abdul-Jabbar, 2020). Tax is an essential tool for the Government to regulate the macro-economy, promote investment, control inflation and redistribute wealth and income in society. However, governments are facing difficulties in tax collection for many reasons. One of the main reasons is non-compliance of taxpayers (Saad, 2014)

Research on factors affecting tax compliance behavior of small and medium enterprises is very necessary. There are many different studies conducted to study the factors affecting tax compliance behavior of taxpayers. Factors that influence tax compliance behavior can be divided into two groups: economic factors (such as tax rates, income levels, sources of income, future tax costs such as fines, penalties, and even imprisonment) and non-economic factors (such as gender, age, education level, and quality of public administration). Understanding why taxpayers comply or do not comply has led to further research on this issue, involving many different fields such as accounting, economics, political science, public administration, and psychology (Kasipillai & Jabbar, 2003). Understanding this issue is very important to achieve higher levels of tax compliance and effectively narrow the tax gap. Each study is approached in a different context, so the policy implications will be different in each context. The earliest studies on Tax compliance mainly approached from an economic perspective based on the assumption that most businesses are essentially unwilling to comply and fulfill their obligations due to the coercion of tax authorities and cost-benefit calculations. More modern perspectives have shifted to considering the voluntariness in complying with tax obligations. In other words, taxpayers' tax payment behavior does not entirely depend on economic benefits but also depends on other factors such as ethics, social norms and other factors (OECD, 2010). Institutional factors are also rarely mentioned in studies on Tax compliance behavior. Therefore, a comprehensive approach including economic, social psychological and institutional factors will help to make a more complete assessment than previous studies and is suitable for the context of Vietnam where the legal system still has many shortcomings and the situation of non-Tax compliance is still widespread.

As of December 2023, Thanh Hoa province had more than 30,000 enterprises, of which SMEs accounted for more than 90%, contributing nearly 180 billion VND, accounting for more than 80% of the budget revenue from enterprises (Thanh Hoa Tax Department, 2023). It can be seen that SMEs have a significant contribution to the state budget revenue through tax obligations. However, in 2023, Thanh Hoa Tax Department conducted nearly 500 inspections at more than 2,000 enterprises according to the inspection plan and collected, refunded, administrative fines and late payment fees of over 30 trillion VND (Thanh Hoa Tax Department, 2023). This shows that, besides enterprises that comply with tax laws, there are still many enterprises that do not comply with the regulations on tax registration, declaration and payment according to the State's regulations, especially cases of tax avoidance and tax evasion. In this research, the author conducts research on factors affecting Tax compliance behavior in the context of SMEs in Thanh Hoa city to propose solutions suitable for the context of Vietnam in general and Thanh Hoa city in particular.

LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT

Literature Review

Basically, studies on Tax compliance explain the problems of Tax compliance (or non-compliance) by using economic-based theories or/and psychological-based theories. The difference in both approaches is related to the concept of tax gap in the economic approach and voluntary compliance in the psychological-based approach, also known as the behavioral approach (James et al., 2002; Alley and James, 2006; Kirchler et al., 2010). Therefore, scientists in studies on Tax compliance explain Tax compliance as a problem of economic rationality or/and behavioral cooperation. In this study, the author uses two main theories, which are the Theory of Planned Behavior (TPB) of Ajzen (1991) and the Fischer Model of Tax compliance of Fischer et al. (1992).

Theory of Planned Behavior:

This is a popular theory in studies of taxpayers' tax compliance behavior. TBP indicates that an individual's intention about a behavior will influence the behavior performed. Behavioral intention is influenced by three factors: attitude toward the behavior, social norms, and perceived behavioral control.

For tax compliance behavior, TPB suggests that the intention to perform tax compliance behavior is determined by three main factors: (1) attitude toward the behavior (e.g., whether a person evaluates tax compliance behavior favorably), (2) social norms held by close people (e.g., whether family and friends tolerate tax evasion), and (3) perceived behavioral control (e.g., whether there are external constraints that influence the decision to comply with tax compliance, such as opportunities to evade or knowledge of how to do so).

Fischer Model of Tax Compliance:

Fischer's Tax Compliance Model (Jackson and Milliron, 1986) is a model that studies factors affecting Tax Compliance that combines economic factors (Tax rate, fines, inspections, etc.), social psychology (beliefs, perceptions, ethics, etc.). Based on the results of a review of related research, the author finds that the Fischer model (1992) has been used by many studies and has been adapted accordingly, such as Sinnasamy et al. (2015), Hauptman et al. (2015) in research on Tax Compliance behavior.

Conceptual Framework and Hypothesis Development

There are many studies on Tax compliance behavior using TPB as the fundamental theory, but most of them only stop at studying the factors affecting Tax compliance intention (Taing and Chang, 2021; Hanum et al., 2020). In this study, the author tests the relationship between 3 factors (attitude, Social Norms and perceived behavioral control) directly with Tax compliance behavior, and at the same time tests the influence of tax understanding on the relationship between factors on Tax compliance behavior. Inheriting Fischer's Tax compliance model, the author approaches the model with a combination of economic factors and socio-psychological factors. The earliest studies on Tax compliance mainly approach from an economic perspective based on the hypothesis that most businesses are inherently unwilling to comply and fulfill their obligations due to the coercion of tax authorities and cost-benefit calculations. This communication approach is mainly aimed at reducing tax evasion without focusing on improving Tax compliance. However, to date, there is increasing evidence that the economic

approach alone cannot be used to predict Tax compliance behavior. More modern perspectives have shifted to considering the voluntariness in complying with tax obligations. In other words, taxpayers' tax payment behavior does not depend entirely on economic benefits but also depends on other factors such as ethics, social norms and other factors (OECD, 2010)

Institutional factors on tax are rarely mentioned in studies or authors only study some factors independently. In the study of Taing and Chang (2021), institutional factors including Tax complexity and Tax information are mentioned, however, the results show that Tax information has no relationship with Tax compliance. Therefore, the author proposes the institutional aspect in the research model.

In previous studies, Tax knowledge was considered as a factor directly affecting Tax compliance behavior. However, through qualitative research, the author found that the relationship between factors can be affected by Tax knowledge. Therefore, the author uses Tax knowledge as a moderating variable to verify the above hypotheses to clarify the influence of factors in the model.
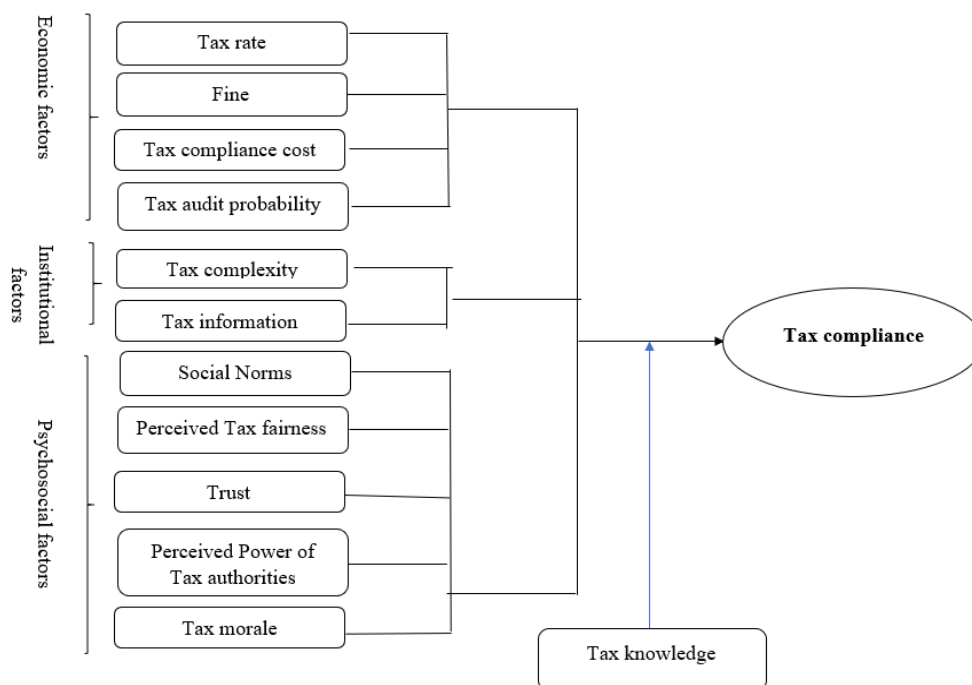

Figure 1: Conceptual framework

Tax Rate (TS):
It is the percentage applied to calculate the amount of tax that taxpayers have to pay to the government (Rosen & Gayer, 2014). There are also conflicting views on this relationship. Mas'ud et al. (2014) found a negative relationship between Tax rate and Tax compliance. On the other hand, some studies have found that there is no relationship between Tax rate and Tax compliance. Porcano (1988) concluded that there is no impact of Tax rate on taxpayer compliance or the impact is very small. There are some studies that if the Tax rate is given appropriately, taxpayers feel it is fair, more acceptable and more compliant (Hassan et al., 2021; Saputri and Nugraha, 2024). However, some studies have found that there is not enough basis

to conclude that there is a relationship between Tax rate and Tax compliance behavior (Paleka et al., 2022). Therefore, in this study, the authors propose to test the hypothesis:

> ➢ *H1: Reasonable Tax rate has a positive impact on Tax compliance behavior of SMEs*

Fine (XP):

Enforcement is the imposition of penalties to enforce legal obligations on taxpayers (Schwartz and Orleans, 1967). A strict and appropriate Fine level will increase the risk cost of violations (tax evasion, tax misdeclaration), making taxpayers consider more carefully before violating (Alm et al. (2016; Deyganto, 2018; Guerra and Harrington, 2018; Nguyen et al. 2020). Taxpayers know about tax evasion detected by tax authorities and tax penalties (Wahl et al., 2010), the fear of future criminal sanctions has a great influence on the decision to comply with tax laws. However, some studies suggest that high or low Fine levels do not affect the tax compliance behavior of enterprises. Therefore, in this study, the authors propose to test the hypothesis:

> ➢ *H2: Strict Fine has a positive impact on the tax compliance behavior of SMEs*

Tax Audit Probability (TTKTT):

Tax compliance is the perception of taxpayers that their non-compliance will be detected by the tax authority and that the tax authority will conduct tax audits on them (Jackson and Milliron, 1986). Most studies suggest that the higher the perception of the possibility of a tax audit, the better the tax compliance behavior (Alm et al. 2016; Deyganto, 2018; Guerra and Harrington, 2018; Nguyen et al. 2020). Tax audits have a positive impact on reducing tax evasion, thereby preventing tax fraud early and forcing taxpayers to comply with tax laws. There are cases where taxpayers seem to fear tax audits more than tax fines (Muehlbacher and Kirchler, 2010; Kastlunger et al., 2013), tax audits increase the level of Tax compliance (Kirchler, 2007). However, Paleka et al. (2022) argue that despite knowing that businesses will be subject to tax audits, businesses still violate Tax compliance. Therefore, the hypothesis tested is:

> ➢ *H3: Perception of Tax audit probability has a positive effect on Tax compliance behavior of SMEs*

Tax Compliance Cost (CPTTT):

Tax compliance costs are the costs that taxpayers incur, in addition to their tax liability, to meet tax requirements (Abdul-Jabbar, 2009). Tax compliance costs involve maintaining accounting records, equipment, hiring tax preparers, and filing tax returns. Tax compliance costs can arise for a variety of reasons (Shaw et al., 2008) but include time costs, monetary costs, and opportunity costs. It is sometimes difficult to separate tax compliance costs from other costs, especially for small and medium-sized enterprises that do not have dedicated tax accounting staff. High compliance costs can reduce compliance, as taxpayers perceive the burden as too heavy or unfair. Most studies show that Tax compliance cost is inversely proportional to Tax compliance behavior (Musimenta et al. 2019; Adimasu and Daare, 2017; Mebratu, 2024). Therefore, the authors test the hypothesis:

> ➢ *H4: Tax compliance cost has a negative impact on Tax compliance behavior of SMEs*

Tax Complexity (SPTCT):

Taxpayers' perception of the current tax system and their perception of the tax system as complex in terms of calculation, forms, compliance, rules, procedures and low readability (Saad,

2014). A complex tax system requires taxpayers to spend a lot of time, effort, calculation and tax compliance (Taing and Chang, 2021). Tax complexity also creates loopholes for tax avoidance or evasion. Studies suggest that a complex tax system can reduce the motivation for Tax compliance (Taing and Chang, 2021; Mat Jusoh et al., 2021; Trifan et al., 2023; Appiah and Agana, 2024). However, there are still some studies that suggest that there is no basis to conclude this relationship such as Paleka et al. (2022) and Nasution et al. (2020). Based on that reason, the authors tested the hypothesis:

> ➤ *H5: Tax complexity has a negative impact on the Tax compliance behavior of SMEs*

Tax Information (TTVT):
It is the level of accuracy, timeliness and completeness of Tax information that taxpayers receive from the tax administration (Chen, 2010). When tax information is provided in a complete, transparent and understandable manner, it not only increases compliance but also contributes to a fair and efficient tax system. Research by Zhiwei et al. (2020) shows that inaccurate information can reduce trust in the tax system, leading to reduced compliance. Research by Taing and Chang (2021) suggests that there is not enough basis to conclude on the impact of Tax information on Tax compliance behavior of SMEs. Therefore, the test hypothesis is:

> ➤ *H6: Tax information has a positive impact on Tax compliance behavior of SMEs*

Social Norms (CMCQ):
Tax compliance is a taxpayer's perception of how most people important to him/her think he/she should or should not perform Tax compliance behavior. When the community has a positive attitude towards paying taxes, taxpayers will feel pressure to comply. If a business has a good culture of compliance, employees will tend to take their tax obligations seriously. If a business sees that other businesses are not Tax compliant without being fined, they may be influenced to follow suit (Bani-Khalid et al., 2022). Most studies have suggested that this is an important factor that positively affects the Tax compliance behavior of enterprises (Malik and Younus, 2020; Zhiwei et al. 2020; Nguyen, 2022; Bani-Khalid et al. 2022; Abdu and Adem, 2023). However, Adellia and Islami (2020), and Trifan et al. (2023) believe that there is not enough basis to conclude. Therefore, the test hypothesis is:

> ➤ *H7: Social Norms have a positive effect on the Tax compliance behavior of SMEs*

Perceived Tax Fairness (NTTCB):
Taxpayers' perception of the fairness of the tax system and the application of tax regulations (Wenzel, 2002). This factor has been used quite a lot in previous studies, the results show that there is a positive influence of this factor (Gobena et al., 2016; Ya'u and Saad, 2019; Hassan et al., 2021). However, there are still some studies that show insufficient basis for conclusions such as Deyganto (2018), Paleka et al. (2022). Therefore, the test hypothesis is:

> ➤ *H8: Perceived Tax fairness has a positive influence on the Tax compliance behavior of SMEs*

Perceived Power of Tax Authorities (NTVQL):
Taxpayers' perceptions of the tax authority's ability to detect and punish tax crimes (Wahl et al., 2010). The power of the tax authority has both positive and negative effects on tax compliance behavior. Some studies suggest that when taxpayers are well aware of the power of the tax authority, they tend to comply to avoid the risk of being penalized, such as Gobena et

al. (2016), Olsen et al. (2018), Da Silva et al. (2019), Malik and Younus (2020). However, there are studies that show that relying too much on coercive power will lead to resistance and non-tax compliance (Yasa and Martadinata, 2018; Taing and Chang, 2021). In this study, the author tested from the perspective of positive influence, specifically:

> *H9: Perceived Power of Tax authorities has a positive influence on Tax compliance behavior of SMEs*

Trust (NTVCQT):
Taxpayer trust is the level of trust that taxpayers have in the ability, fairness, and honesty of tax authorities in enforcing tax policies and regulations. When there is trust in the fairness and honesty of tax authorities, it will increase self-esteem, reduce tax evasion, and improve the relationship between taxpayers and tax authorities (Gobena et al., 2016; Olsen et al., 2018; Da Silva et al., 2019).

> *H10: Trust has a positive effect on tax compliance behavior of SMEs*

Tax Morale (TTT):
It is an intrinsic motivation to pay taxes that comes from the taxpayer's moral perspective when seeing paying taxes as an obligation to contribute to society (Cummings et al., 2009). High tax morale makes taxpayers voluntarily fulfill their obligations, they will consider tax evasion as an unethical behavior, harmful to the community (Guerra and Harrington, 2018; Taing and Chag, 2021; Hassan et al., 2021). However, some studies suggest that there is no basis to conclude this relationship. Therefore, the author tests the hypothesis:

> *H11: Tax morale has a positive impact on the Tax compliance behavior of SMEs*

Tax Knowledge:
Taxpayers' understanding of the rules, regulations and procedures related to compliance with tax requirements (Kirchler, 2007). Knowledgeable and knowledgeable business managers will have a high awareness of Tax compliance behavior. Tax knowledge is a factor that has a positive influence on compliance behavior, as shown by many studies such as Adimasu and Daare (2017), Deyganto (2018), Taing and Chang (2021), Mat Jusoh et al. (2021), Nguyen (2022), Paleka et al. (2022), Abdu and Adem (2023), Trifan et al. (2023), Appiah and Agana (2024), Saputri and Nugraha (2024), Mebratu (2024). However, each person has different understanding, so the level of awareness and perception of economic factors, institutional factors, and social psychological factors on Tax compliance behavior may be different. In the scope of this study, the author only approaches Tax knowledge as a moderating variable. Therefore, the group of authors tests the hypothesis:

> *H12-H22: The higher the level of Tax knowledge of an enterprise, the greater the influence of factors (in order from top to bottom) on Tax compliance behavior*

Tax Compliance Behavior:
Taxpayers fully declare their income, correctly calculate the amount of tax payable and pay taxes on time as prescribed by law (Roth, 1989). This is the level at which businesses fulfill their tax obligations in accordance with the law. When businesses' tax compliance behavior is improved, it will increase their reputation, business efficiency and the relationship between businesses and state agencies. Tax compliance not only ensures that businesses operate legally but also contributes to building a healthy and sustainable business environment.

RESEARCH METHOD

The study was conducted using quantitative research methods to test hypotheses affecting the Tax compliance behavior of SMEs in Thanh Hoa city.

The survey subjects in the study are SMEs in Thanh Hoa province. According to Hair et al. (2010), the sample size for EFA analysis is at least 5 times the number of observed variables. In multivariate regression according to Tabachnick & Fidell (2013), the minimum sample size must be achieved according to the formula n>= 50+8p (p is the number of independent variables). The proposed research model includes 12 independent variables and 1 dependent variable. The scale of factors includes 51 observed variables, according to the above formula, the minimum number of samples needed to be surveyed is 255. The authors collected, investigated and directly surveyed 300 SMEs in Thanh Hoa city. Using a non-probability survey method, convenient in the period from November 1, 2024 to December 1, 2024. The questionnaire uses a 5-point Likert scale, from "Strongly disagree" to "Strongly agree" for the observed variables in the model.

The collected data are encoded and processed using SmartPLS software. To evaluate the overall measurement model, the author uses Smart 3.0 software to test the reliability, convergent validity, discriminant validity of the model and PLS - SEM regression to test the model's hypothesis. The reliability of the scale is assessed by Cronbach's Alpha coefficient, composite reliability (CR), average variance extracted (AVE) and outer loading factor (Outer loading). In which, the outer loading factor must be ≥ 0.7 (Hair et al, 2019) to be meaningful in terms of reliability value; Cronbach's Alpha coefficient must reach a threshold of ≥ 0.7, the composite reliability (CR) must be from 0.6 or higher (for exploratory research) and 0.7 or higher (for confirmatory research) (Henseler & Chin, 2010). Many other researchers also agree that 0.7 is an appropriate assessment threshold for most cases (Hair et al, 2019). In addition, according to Fornell and Larcker (1981), the average variance extracted (AVE) greater than 0.5 will confirm the reliability and convergent validity of the scale.

RESEARCH RESULTS AND DISCUSSION

Research Sample Statistics

The survey forms were sent directly to 300 SMEs in Thanh Hoa city. The results received a total of 290 valid responses from the subjects who were members of the business management board, achieving a response rate of 97%. The results of the statistical characteristics of the surveyed businesses.

Table 1: Statistics of characteristics of surveyed enterprises

Business situation		Number	Percentage (%)
Business Sector	Agriculture, forestry and fisheries	20	6.9
	Industry, processing, manufacturing	15	5.2
	Trade	121	41.7
	Construction	82	28.3
	Accommodation services	20	6.9
	Education and training	10	3.4
	Transportation, warehousing	12	4.1
	Others	10	3.4

Time of operation	Below 3 years	90	31.0
	From 3- under 5 years	111	38.3
	From 5- under 10 years	53	18.3
	From 10 years and over	36	12.4
Type of business	Private enterprises	16	5.5
	Joint Stock Company	63	21.7
	Limited liability company	211	72.8

(Source: Survey data processing results)

Model Evaluation
Testing the Reliability and Convergent Validity of The Scale:
The results show that all factor loadings are greater than 0.7 at the significance level $p < 0.01$, all Cronbach's Alpha and CR values exceed the threshold of 0.7 and all AVE values are above the recommended threshold of 0.5. This shows that the model meets the criteria for reliability and convergent validity of the scale well (Table 2)

Table 2: Results of reliability and convergent validity of the scales

Factors	Cronbach's alpha	Composite reliability (CR)	Average variance extracted (AVE)
Social Norms	0.913	0.939	0.794
Tax compliance cost	0.911	0.934	0.738
Tax compliance behavior	0.905	0.934	0.779
Perceived Tax fairness	0.849	0.898	0.688
Trust	0.918	0.946	0.854
Perceived Power of Tax authorities	0.823	0.893	0.736
Tax complexity	0.944	0.957	0.817
Tax rate	0.870	0.919	0.791
Tax audit probability	0.788	0.876	0.702
Tax morale	0.900	0.930	0.770
Tax information	0.969	0.976	0.889
Fine	0.904	0.933	0.776

(Source: Survey data processing results)

For discriminant validity, previous studies often used the Fornell-Larcker criterion to assess discrimination, however, Henseler et al. (2015) used simulation studies to demonstrate that discriminant validity is better measured by the Heterotrait-Monotrait (HTMT) index they developed. Therefore, this study used the HTMT index to assess discrimination between scales. The HTMT criterion of the pairs of scales to achieve discriminant validity is 0.85 (≤ 0.85) (Kline, 2015). In this study, the values of the HTMT index were all less than 0.85. Therefore, the scales in the model achieved discriminant validity.

PLS – SEM Structural Model Evaluation for Main Factors:
According to Hulland & Bentler (1999), if the model receives an SRMR value less than 0.1, it is considered suitable for the actual data. Thus, with the SRMR value = 0.043 < 0.1. The research model is concluded to be suitable for the research area in Thanh Hoa city.

In order to be able to extrapolate the research results to the whole, the model needs to be re-tested for reliability with the Bootstrap method with a replicate sample size of 5000 observations (Hair et al., 2017).

Table 4: Regression results 1

Factors	Original sample	Sample mean	Standard deviation	T statistics	P values
CMCQ	0.172	0.173	0.055	3.138	0.002
CPTTT	-0.097	-0.099	0.045	2.172	0.030
NTTCB	0.081	0.084	0.049	1.630	0.103
NTVCQT	0.095	0.096	0.043	2.225	0.026
NTVQL	0.086	0.090	0.045	1.929	0.054
SPTCT	-0.079	-0.081	0.045	1.736	0.083
TS	0.089	0.089	0.050	1.781	0.075
TTKTT	0.204	0.202	0.060	3.421	0.001
TTT	0.231	0.229	0.052	4.413	0.000
TTVT	0.068	0.069	0.047	1.440	0.150
XP	0.144	0.144	0.045	3.172	0.002

(Source: Survey data processing results)

The results of Table 4 show that there is not enough basis to conclude that there is a relationship between Tax rate, Tax complexity, Tax information, Perceived Tax fairness, Perceived Power of Tax authorities to Tax compliance behavior of SMEs (P values > 0.05). Therefore, hypotheses H1, H5, H6, H8, H10 are not accepted.

The results of the second PLS - SEM structural model analysis after removing 5 variables that are not statistically significant, combined with moderating variables, show that Tax knowledge does not affect the relationship between TTKTT and HVTTT, hypotheses H2, H3, H4, H7, H9, H11 are all accepted (P-Values are all less than 0.05).

Table 5: Structural model after variable removal

	Original sample (O)	Sample mean (M)	Standard deviation (STDEV)	T statistics (|O/STDEV|)	P values
CMCQ	0.228	0.229	0.052	4.396	0.000
CPTTT	-0.122	-0.124	0.046	2.635	0.008
NTVCQT	0.119	0.121	0.045	2.657	0.008
TTKTT	0.237	0.238	0.056	4.268	0.000
TTT	0.245	0.243	0.052	4.713	0.000
XP	0.205	0.206	0.044	4.650	0.000

(Source: Survey data processing results)

The test results show that the impact level is decreasing in the direction of the following factors: Tax morality, audit ability, Social Norms, Fine, Tax compliance cost, Trust.

**Assess the Impact Level of the Moderating Variable:**
Hypotheses H1, H5, H6, H8, H10 are eliminated, so the author does not evaluate the moderating relationship of these variables to Tax compliance behavior. Therefore, hypotheses H12, H16, H17, H19, H21 are also eliminated.

Table 6: Results of the impact of the moderating variable Tax knowledge

	Original sample (O)	Sample mean (M)	Standard deviation (STDEV)	T statistics (|O/STDEV|)	P values
HBVT x XP	0.146	0.142	0.044	3.347	0.001
HBVT x CMCQ	-0.091	-0.090	0.047	1.924	0.054
HBVT x TTKTT	-0.023	-0.023	0.049	0.477	0.633
HBVT x NTVCQT	0.013	0.014	0.048	0.279	0.780
HBVT x CPTTT	0.109	0.107	0.045	2.416	0.016
HBVT x TTT	0.101	0.099	0.049	2.057	0.040

Source: Survey data processing results

Tax knowledge does not moderate the relationship between Social Norms and Trust in Tax Authorities and Audit Ability to Tax Compliance Behavior (P values > 0.05), which means rejecting hypotheses H15, H18, H20.
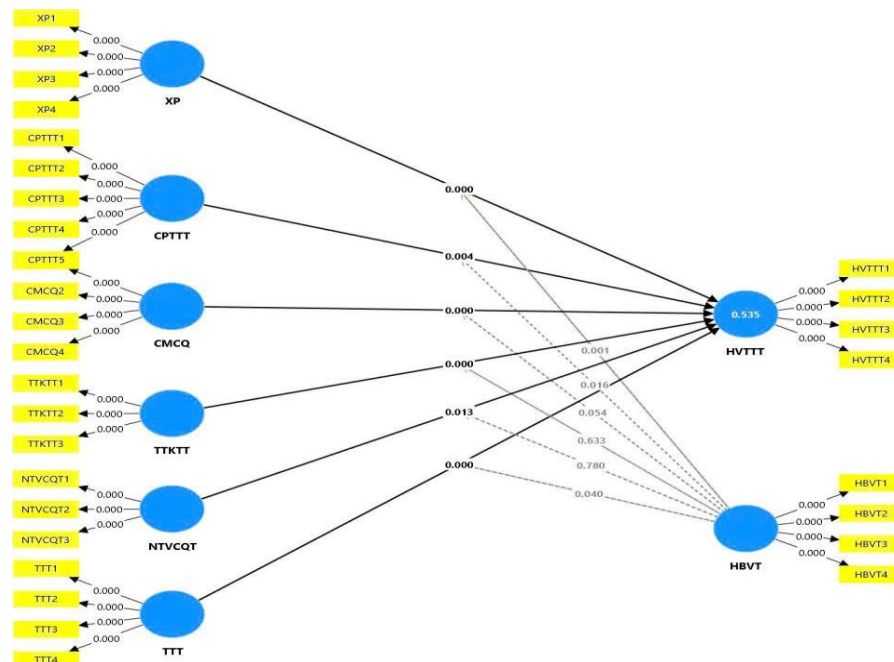
Figure 2: Regression results of the model after removing variables

Thus, Tax knowledge only moderates the positive relationship between Fine and Tax Compliance Behavior (H13), Tax Compliance Cost (H14) and Tax Compliance Behavior, Tax Moral to Tax Compliance Behavior (H22) (P values < 0.05).

Discussion of Research Results

This study contributes to examining the relationship between economic factors, institutional factors, and socio-psychological factors affecting the Tax compliance behavior of small and medium enterprises in Thanh Hoa City. The results show some findings as follows:

➢ *Hypothesis H1: There is not enough basis to conclude that there is a positive relationship between Tax rate and Tax compliance behavior of SMEs*

Because the P-values > 0.5, there is not enough basis to conclude this hypothesis. This study is consistent with Schoeman et al. (2021), Paleka et al. (2022), Fitria et al. (2024), contrary to the study of Saputri and Nugraha (2024). High Tax rates will cause the risk of tax evasion, cause dissatisfaction and encourage circumvention of the law. Reasonable Tax rates will encourage voluntary compliance and reduce non-Tax compliance behavior. However, the survey results do not provide enough basis for conclusions. In fact, in Vietnam, the current corporate income tax rate of 20% of their profits is stable and appropriate. In addition, the state also implements many preferential tax policies, thereby having a positive impact on tax compliance. SMEs in Thanh Hoa city are not affected by the current tax rate of the state, the tax rate does not determine whether they fulfill their tax obligations or not.

➢ *Hypothesis H2: There is a positive relationship between Fine tax and Tax compliance behavior of SMEs*

The estimated result of coefficient β = 0.205 shows that this is the fourth most influential factor in terms of the level of influence on tax compliance behavior of SMEs in Thanh Hoa city. This study is consistent with Schoeman et al. (2021), in contrast to the studies of Paleka et al. (2022), Fitria et al. (2024). Tax fines are the application of fine sanctions to SMEs. Tax fines play an important role in preventing future violations, ensuring that everyone complies with their tax obligations equally. According to the theory of planned behavior, sanctions are consequences that taxpayers must bear for acting in accordance with their obligations. These sanctions will be prescriptive for taxpayers, thereby encouraging taxpayers' intentions to fulfill their obligations (Fitria et al., 2024). Tax fines can have a negative or positive impact on Tax compliance behavior because this also depends on the forms of fines and taxpayers' perceptions. If applied unreasonably, fines can cause negative reactions and reduce the level of Tax compliance. Taxpayers who violate tax laws, in addition to being subject to administrative fines, may be prosecuted criminally. A severe penalty will make taxpayers consider more carefully between the adverse consequences of being discovered and the benefits of tax evasion. On the contrary, low fines will not ensure prevention, which is one of the reasons for the increase in tax evasion. However, if a reasonable and transparent penalty system is applied, it will contribute to building a highly tax compliant community. Publicized fine cases help raise social awareness and reduce violations in the community. An effective Fine policy not only deters but also motivates voluntary and long-term actions.

➢ *Hypothesis H3: Perception of Tax audit probability has a positive impact on Tax compliance behavior of SMEs*

This is a factor that has a significant impact on Tax compliance behavior of SMEs, with the second strongest impact among the tested factors (β coefficient = 0.237). This result is consistent with the studies of Deyganto (2018), Guerra and Harrington (2018), Nguyen et al. (2020). Given the characteristics of SMEs, including small scale, limited financial resources and uneven level of understanding of tax laws, inspection measures need to be implemented effectively and appropriately to ensure both deterrence and encourage voluntary compliance. Tax inspection and audit in Vietnam in general and in Thanh Hoa city in particular have positive aspects such as using management software to identify businesses that need to be inspected,

shortening inspection time, and simplifying procedures to reduce the burden on businesses. However, if inspections and checks are too frequent, they can cause inconvenience or lack transparency, businesses may feel pressured and unfair. Therefore, the inspection process needs to be carried out on a fair basis, avoiding excessive focus on a group of industries, ensuring information is transparent. In addition, it is necessary to increase the application of modern technology in selecting inspection subjects, helping to increase efficiency and reduce the burden on businesses. Inspections should not only focus on handling violations but also encourage self-awareness and build trust for businesses. Thus, a properly implemented inspection system will promote both mandatory and voluntary compliance, contributing to building a healthy and transparent business environment.

> *Hypothesis H4: Tax compliance costs have a negative impact on the Tax compliance behavior of SMEs*

This is a factor that has a negative impact on Tax compliance behavior, meaning that the higher the Tax compliance cost, the more SMEs tend to reduce Tax compliance (β coefficient = -0.122, ranked 5/6 among the influencing factors). Some of the Tax compliance costs that SMEs have to calculate are the cost of hiring auditing services, specialized tax consulting, the cost of investing in electronic invoice management software, and the cost of time spent on tax declaration and payment. When Tax compliance costs are high, businesses may seek to reduce or avoid tax obligations, leading to behaviors such as false declaration and tax evasion. Small businesses often have to bear relatively higher costs compared to their business size, which creates a sense of injustice and reduces compliance motivation (Mahangila, 2017). The research results are similar to most previous studies. The complexity of tax laws will complicate the calculation of taxes payable. To minimize tax compliance costs, it is necessary to simplify tax regulations, increase automation in management processes, and improve business support capacity such as establishing online or telephone tax payment support centers. In addition, exempting and reducing penalties for first-time errors or unintentional violations.

> *Hypothesis H5: There is not enough basis to conclude that Tax complexity has a negative impact on the Tax compliance behavior of SMEs*

There are many previous studies that suggest that when the complexity of tax policies decreases (tax laws and procedures are simple and clear), the ability of enterprises to comply with Tax increases. However, this study shows that there is not enough basis to conclude about this negative relationship (P-values = 0.083 > 0.05 is not statistically significant). This study is also consistent with the studies of Paleka et al. (2022) and Nasution et al. (2020). Due to the complexity of tax policies along with tax management methods (self-declaration, self-calculation and self-payment), enterprises, especially small and medium enterprises, will inevitably have incomplete declarations in tax records and inaccurate tax obligations. Basically, the complexity of tax laws has two types: content complexity and compliance complexity. While content complexity refers to the inherent difficulties in understanding tax laws, compliance complexity refers to the barriers that must be overcome to comply with tax laws (Mulder et al., 2009). However, the system of tax regulations and policies in Vietnam has changed frequently in recent years. There are many new procedures, detailed, clear and public guidance on implementing regulations, so businesses are also more aware. Businesses have also focused on hiring tax consultants. However, the rate of violations is still high. Tax evasion and tax fraud still occur, especially in the field of e-commerce. Although, with this case study, there is not

enough basis to conclude the above relationship, but to improve efficiency and fairness, it is necessary to continue to strongly reform and reduce Tax complexity.

> *H6: There is not enough basis to conclude that Tax information has a positive impact on Tax compliance behavior of SMEs*

This study does not have enough basis to conclude on the positive relationship between Tax information and tax compliance behavior of SMEs in Thanh Hoa city (P-values = 0.150 > 0.5 are not statistically significant). This result is consistent with the study of Taing and Chang (2021). In fact, effectively communicated Tax information will help taxpayers better understand the role of taxes in the state budget and social development. Currently, Tax information has been/is being deployed by tax authorities through a variety of information access channels such as through websites, emails, mobile applications, seminars, online support, etc. Information is fully and promptly published on tax regulations and instructions on the official information portal of the tax authority. The respondents may be those who have easy access to tax information, so they do not overestimate the impact of this factor. Although there is not enough basis to conclude, it is necessary to continue to strengthen the propaganda and dissemination of tax laws to businesses in the most effective way.

> *H7: Social Norms have a positive impact on the Tax compliance behavior of SMEs*

The estimation results show that this is the third most influential factor among the factors in the model (Coefficient β = 0.228). This shows that the Tax compliance behavior of SMEs in Thanh Hoa city is greatly influenced by the business community and society. If the community considers Tax compliance as necessary and correct, the business will tend to comply to maintain its image or avoid opposition. This study is consistent with most studies by Malik and Younus (2020), Zhiwei et al. (2020), Nguyen (2022), Bani-Khalid et al. (2022). To improve tax compliance behavior, it is necessary to develop business associations, disseminate success stories of businesses with good tax contributions, emphasize the positive impact on brand image. Promote a transparent business culture, build tax compliance as a common standard to build business reputation.

> *Hypothesis H8: There is not enough basis to conclude that the relationship between Perceived Tax Fairness and Tax Compliance Behavior of SMEs*

Perceived Tax Fairness is an important factor for businesses. Vietnamese law has made a lot of progress in ensuring fairness for businesses through preferential tax policies, tax reforms to ensure simplicity, transparency and ease of application. Perception of fairness is expressed through fairness between businesses with similar conditions, fairness between businesses with different incomes, fairness in tax management and enforcement, fairness in income distribution to achieve public welfare goals. However, this study shows that the Tax Compliance behavior of businesses is not determined by Perceived Tax Fairness. This study is consistent with the study of Paleka et al. (2022).

> *Hypothesis H9: Not enough basis to conclude Perceived Power of Tax Authorities has a positive impact on Tax compliance behavior of SMEs*

Perceptions of the fairness of tax authorities are reflected through the power, authority and ability of tax authorities to enforce the tax compliance behavior of enterprises, including coercive power and legitimate power. However, this study has not found an influential

relationship between the power of tax authorities. This study is consistent with the studies of Yasa and Martadinata, 2018; Taing and Chang (2021). When enterprises clearly perceive that tax authorities have the ability to detect and handle fraudulent behaviors, they will tend to comply to avoid being fined. However, coercive power can create anxiety or confrontation between taxpayers and tax authorities. Therefore, it is necessary to train tax officials in communication and situation handling skills to build positive relationships with businesses, ensuring that enforcement measures are implemented fairly, transparently and without unnecessary pressure.

> *Hypothesis H10: Trust has a positive impact on the Tax compliance behavior of SMEs*

The regression results show that there is a statistical significance, that is, there is a positive relationship between trust in the tax authority and the Tax compliance behavior of SMEs. However, the level of influence is insignificant (the β coefficient is the smallest). This finding indicates that if taxpayers trust the tax authority, they will voluntarily comply with Tax. This also confirms that enhancing Tax compliance for businesses does not necessarily demonstrate the power of the tax authority, but only needs to increase trust, trust will create the impression that the tax authority uses its existing powers reasonably. Trust is also enough to make taxpayers comply voluntarily, even without the tax authority using its power. This study is consistent with the studies of Olsen et al. (2018), Da Silva et al. (2019), Kastlunger et al. (2013).

> *Hypothesis H11: Tax morale has a positive impact on the Tax compliance behavior of SMEs*

This is the factor that has the strongest impact on the Tax compliance behavior of SMEs. This result confirms that, when Tax morale increases, Tax compliance of enterprises increases, tax evasion is wrong, and will be condemned by society. When taxpayers have high Tax morale, they perceive that paying taxes is a responsibility and obligation to society. They will comply voluntarily without pressure from coercive measures. It can be argued that no individual or organization likes to pay taxes but is "forced" to pay taxes under a deterrent policy. Taxpayers are strongly influenced by social norms, ethics, and feelings of guilt and shame, and react sensitively to the beliefs of others. This may be due to the awareness of the general public and taxpayers about compliance with the law. SMEs in Thanh Hoa city have become more aware of their tax obligations through the propaganda campaigns of the tax authorities. Therefore, Tax morale has a relatively large impact on Tax compliance. This result is consistent with the results of Battiston & Gamba (2016) and Liu (2014)

> *H12-H22: Tax knowledge only has a moderating effect on the relationship between Tax morale, Tax compliance cost and Fine on Tax compliance behavior. Other relationships are not sufficient to conclude.*

Tax knowledge affects the Tax morale factor, the coefficient β = 0.101 shows a positive relationship, meaning that the higher the Tax knowledge, the greater the impact of Tax morale on Tax compliance behavior. When taxpayers clearly understand tax regulations, tax collection purposes and tax revenue usage, they tend to perceive the importance of Tax compliance, which increases their willingness to pay taxes. In addition, when they realize that the modern tax system has effective monitoring measures, along with strict sanctions, they will also be more cautious. Tax knowledge affects the relationship between Tax compliance cost and Tax compliance behavior, the coefficient β = 0.109 shows a positive relationship, indicating that for those with higher Tax knowledge, the higher the Tax compliance cost, the more Tax compliance

they will be. This is contrary to the consideration of the impact of Tax compliance cost on Tax compliance behavior of SMEs for businesses with different levels of understanding. When Tax compliance costs are high (complicated procedures, requiring a lot of documents, etc.), taxpayers will usually find ways to avoid or evade taxes. However, for those with a high level of tax knowledge, they do not find this a burden or pressure on them. Therefore, they find Tax compliance even more necessary. This is a finding that is contrary to many previous studies, which also shows the importance of tax knowledge for businesses when tax costs cannot be reduced.

Another important conclusion is that for those with Tax knowledge, they believe that taxpayers are aware that non-Tax compliance can be detected and severely punished by the tax authorities, as well as fear of future criminal penalties. Therefore, those with Tax knowledge will be more Tax compliant if the government applies strict and effective penalties.

Thus, businesses with Tax knowledge will be more Tax compliant if Tax morality, Tax compliance costs and Fine form increase.

CONCLUSION AND RECOMMENDATIONS

This paper has analyzed and evaluated the factors affecting the Tax compliance behavior of Vietnamese small and medium enterprises through a case study of 290 SMEs in Thanh Hoa city. Data was collected, processed and analyzed using Smart 3.0 software. The study showed that Tax morale has the strongest impact on Tax compliance behavior and Tax morale has a moderating effect on Tax compliance behavior by Tax knowledge. This shows the importance of attitudes, ethical values and awareness of enterprises towards tax obligations, and emphasizes that Tax knowledge plays an important role in improving Tax morale and promoting Tax compliance.

In addition, the factors of Audit ability, Social Norms, Fine, Tax compliance cost, and Trust in tax authorities also play an important role in determining the Tax compliance behavior of SMEs in Thanh Hoa city.

Based on these findings, the article proposes a number of recommendations to improve tax compliance behavior for businesses, such as:

Firstly, on the part of state agencies, it is necessary to synchronously deploy solutions aimed at building trust, raising awareness and motivating businesses. Integrating tax education into training programs at training units and business associations. Providing training courses on tax law and tax declaration to reduce confusion and increase confidence in fulfilling tax obligations. Strictly handling acts of corruption and abuse of power in tax management, strengthening supervision to build trust for businesses. Improving processes, reducing complicated administrative procedures, helping to save costs and time for businesses. If compliance costs are optimized, businesses will find compliance easier, thereby increasing self-awareness. Strengthening incentives such as tax incentives, commendations and rewards. Improve the relationship between tax authorities and businesses by improving service attitude and interacting with businesses through various information channels. Improving Tax knowledge

for businesses also helps state agencies build a transparent, effective and sustainable tax system.

Second, for small and medium enterprises, improve Tax knowledge, awareness and tax ethics of enterprises. Enterprise leaders need to build a culture of corporate compliance, incorporate Tax compliance into core values, emphasize that Tax compliance is not only a legal obligation but also a social responsibility of enterprises. Increase financial transparency in enterprises, enterprises regularly conduct internal self-inspections to detect and correct errors before tax authorities inspect. Fully participate in seminars and events organized by state agencies or consulted by associations. Improving Tax knowledge is a core factor, helping to improve Tax compliance, reduce legal risks, and create a foundation for development. In general, enterprises need to see Tax compliance not only as a legal obligation but also as an opportunity to build reputation and develop sustainably. By raising awareness, financial transparency, and cooperating with tax authorities, businesses can improve tax compliance behavior, while contributing to building a healthy business environment.

LIMITATIONS AND FUTURE RESEARCH

Although the study was quite well-researched, there are still some limitations to this study. The sample size, although sufficient, could be expanded to include wider geographic areas for a more comprehensive analysis. In addition, the study focused mainly on current factors affecting tax compliance behavior and may not fully take into account future changes in economic conditions or policies. Future research could expand some other regulatory relationships and influences on compliance intentions, and expand the sample area and size.

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