

CT-MODEL: AN EXPLANATION OF CORPORATE TAX PAYERS' ATTITUDE

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ABSTRACT

Whether it be in developed or in developing countries, complying with corporate tax is necessary. However, little is known about the behavior and attitudes of corporate tax payers towards tax compliance in Mauritius. Therefore, this paper adapts the theory of planned behaviour concept to develop a new model, CT-model, explaining corporate tax payers' attitudes with the inclusion of organizational characteristics, perceived risks, level of understanding and government accountability. A total of 58 companies responded to the survey. Our main findings of this paper confirm that the relation between organizational characteristics, perceived risks, level of understanding and government accountability with attitudes of corporate tax payers is positively correlated, while perception of the burden of tax has no significant relationship with corporate taxpayers' attitudes. Results also indicate that firm's characteristics such as business size and tax liability influenced compliance while business age and business activity have no impact on compliance.

JEL classification: G10, G20, G30, G31, O16

Keywords: Corporate Tax, CT Model, developed and developing countries, tax payers attitude

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INTRODUCTION

Taxes are and will probably remain a major part of the means through which funds are mobilised by governments for the development of projects and programmes undertaken with the view to providing varied services to the citizens. Such services range from road infrastructure, security of citizens, sewage services and disaster management. Every modern society is faced with tax non-compliance. This seriously affects the principle of solidarity and equality of citizens before the law. Mauritius, unfortunately, is no exception. The extent of revenue that can be generated from taxes depends a lot on the willingness and good faith of not only the individuals but also companies as well to pay their taxes. When such firms are brought to pay their taxes, this may give rise to underreporting or underpayment of taxes. In Mauritius, the Mauritius Revenue Authority is the sole authority that administers the tax regime and collects taxes. The MRA continuously aims at delivering a high standard of service to the public with a view to promoting voluntary compliance with the Revenue Laws, promoting fairness and transparency. However, in spite of the great efforts made in that respect, Mauritius continues to face challenges with regards to corporate tax compliance. It is believed that large companies are able to avoid corporation tax easily. Large companies are able to use a variety of means to reduce their tax payments that are not available to smaller, domestic firms. Thus a further key concern surrounding tax problem is that businesses of different sizes cannot compete on a level playing field.

Problem Background

The combat against tax non-compliance is now one of the fundamental strategic objectives of the MRA, for ethical reasons, because the efficacy in this struggle is closely tied to the effective application of the principle of tax justice, as well as strictly economic reasons: non-compliance results in lesser government revenue and when it is taken into account that the stability of our social framework depends in a large measure on the notion of 'welfare

state', one measures how important compliance with tax obligations is for the sustainability of our economic and social model. It is critical to learn how taxpayers' perceive tax payment. Besides, research on the corporate taxpayers' perception of the tax will enhance the understanding of the company's beliefs towards tax and to show how factors such as perceptions, social factors (norms), level of understanding, perceived risk and organizational factors, affect the corporation's behavioral intention towards tax payment. Since to date, no study has been conducted to evaluate corporate taxpayers' behavior and perception in Mauritius. Thus this study will be the first study to do so. Furthermore no research has taken perceived risk and organizational factors as constructs to analyse their influence on companies' behaviour towards tax compliance.

Since the TPB (Theory of Planned Behaviour), proposed by Ajzen (1991), appears to be the most widely accepted model that explains the relationship between perceptions and intentional behavior, this study applies this framework to explain corporations' tax behavior and compliance.

Research Objectives

This paper has one overall objective, which is to develop a new model which explains corporate tax payers' behavior and attitudes and to assess the validity of the generalized model among companies in Mauritius and proposed a Model. The paper addresses the following key questions:

- i. Does attitudes of corporate taxpayers in Mauritius is influenced by their perception about the burden of tax?
- ii. Does corporate taxpayers' levels of understanding of the tax law influences the firm's actions?
- iii. To determine whether corporate taxpayers' perceptions of accountability of government influences their actions; and
- iv. To determine the extent to which perceived risk influence the company's tax compliance decisions.
- v. Does organizational factors impact corporations' decision towards tax payment?

This research particularly targets companies in Mauritius. By combining Perceived risk and organizational factors to the TBP model, this study contributes to generating a comprehensive model that could better explain corporate taxpayers' behavior towards tax compliance. This research also contributes to the existing literature of corporate tax compliance with the development of a new inclusive paradigm of CT-Model in studying corporate tax compliance.

LITERATURE REVIEW

Corporate Tax

The corporate income tax generally only applies to corporations (Keightley and Sherlock, 2014). The corporate income tax is that tax on corporate profits (also known as net income). Broadly defined, corporate profit is total income generated by a company minus the cost associated with generating that income. The corporate income tax also allows for a number of special deductions, credits, and tax preferences. These provisions are intended to promote particular policy goals, as deductions reduce taxes paid by corporations (Keightley and Sherlock, 2014).

Companies, Trusts, Trustees of Unit Trust Schemes and Non-resident Sociétés (Partnerships). Trusts, Trustees of Unit Trust Schemes and Sociétés are treated as companies for tax purposes (MRA, <http://www.mra.mu>). The rate on chargeable income tax of companies is at 15%. Tax compliance is defined as the accurate reporting of income and claiming of expenses in accordance with stipulated tax laws (Alm, 1991). According to Slemrod (2004), corporate tax non-compliance can thus be defined as the failure of corporations to accurately report or pay corporate income tax by companies. According to Rice (1992), corporations have accounted for an increasingly larger portion of total tax evasion as compared to individual taxpayers.

Corporations and Tax compliance

All over the world, governments strive to achieve development goals that are set out in their medium term plans or their annual fiscal budget. Certainly, these goals require huge capital funds to be met from taxation and other revenue sources. Taxes are generally seen as the most convenient means through which the cost of governments is met albeit from the standpoint of government (Eshag, 1983). However, taxpayers' views very often differ in this respect. This is evident in the light of the various concerns regarding non-compliance to tax in the form of avoidance at the very least and outright evasion at the extreme (Coskun et al., 2009). Tax compliance has therefore generated huge international concerns for tax authorities and policy makers as tax evasion seriously threatens the capacity of governments to raise public revenue (Gerald et al., 2009). Developing countries are particularly vulnerable to tax evasion and avoidance activities of taxpayers as the tax losses arising in course of tax evasion and avoidance activities do largely contribute to the poor performance of the state revenue mobilization in these countries (GIZ, 2010).

Government's success or failure to levy (collect) tax rests primarily upon the taxpayers' honesty (Adams, 1921). Adams (1921) further states that one of the reasons for tax dishonesty is the complexity of the tax system. From the taxpayers' perspective, the most common complaint about taxes is straightforward – they are too high (Slemrod and Bakija, 1996). Companies make production decisions and can underreport their revenue (i.e, evade taxes), which implies incurring a resource cost (Lucas, 1978).

Several researches have in that respect been made over the years by academics to examine the issue of tax compliance from various angles, including the behaviour of the corporate taxpayer.

Eshag (1983) argues that, the amount of tax revenue generated by a government for its expenditure programmes depends among other things, upon the willingness of the taxpayer to comply with the tax laws of the country. This willingness could also be attributed to the attitude that taxpayers demonstrate at any given point in time on the one hand, and the purpose of the tax on the other hand (Noami and Joel, 2009). A study conducted by Oberholzer (2005) showed that a significant proportion of the South African respondents are of the opinion that the government should be more transparent in the utilisation of taxpayers' money. In Lewis's (1982) model of tax evasion, in relation to individuals, fiscal attitudes and perceptions (which include the individual's support for government policies) affect a taxpayer's decision whether or not to evade paying tax. As reported by Dean *et al.*, (1980), a possible reason for tax evasion is government wastage.

Factors affecting corporate tax attitudes and behaviour

Some of the empirical researches on tax compliance and evasion undertaken from various angles in the context of the business and economic environments of the developed countries of the world include those of: Andreoni, et al., (1998); Torgler (2003); Wenzel (2002); Diego and Luca (2011); Serdan et al. (2011) and Coskun et al. (2009). The findings of these works, it is argued, could not be favourably applied within the context of developing countries due mainly to the noticeable differences in the socio-political, cultural and even demographic constitution of the developed and developing economies (Alabede et al., 2011).

Findings from prior studies have studied factors affecting corporations' reporting decisions.

Profit Performance

Rice (1992) found that profit performance influenced tax compliance but there is no relationship between firm size and tax compliance. Tax compliance was positively associated with public disclosure and negatively associated with the marginal tax rate. It has also been reported that profit performance and audit rates had a positive and significant impact on tax compliance (Kamdar, 1997).

Audit

Kamdar (1997) stated that higher audit coverage could act as an effective deterrent to corporate non-compliance, resulting in a substantial rise in tax revenues. Joulfaian (2000) stated that non-compliant corporations are more likely to be managed by executives who have failed to comply with their individual income tax obligations and vice versa.

Firm's size

It has been observed that larger companies have a higher non-compliance rate their smaller counterparts, but medium-sized companies had the lowest non-compliance rate (Hanlon, Mills and Slemrod, 2005) According to them, the finding was connected with the opportunity for non-compliance. Concerning corporate characteristics, size, multi-nationality, the presence of intangible assets, industry, being publicly traded and executive compensation determined corporate compliance behaviour. It has also been observed that two other corporate characteristics, namely effective tax rates and the quality of governance, have no effect on the compliance behaviour of corporate taxpayers.

Tax Complexity

Using a survey approach, Abdul-Jabbar (2009) examined the corporate tax non-compliance of SMEs. He stated that tax complexity and the probability of a tax audit significantly influenced non-compliant behaviour, while the reverse was true for business size, compliance costs, tax level and perceived tax fairness. His discoveries on the impact of business age, tax rate, industry sector and incentives on the compliance behaviour of corporate SMEs were inconclusive.

Research by Sapiei et al (2014) confirm that tax complexity is an important determinant of corporate taxpayer compliance. Concerning business size, studies by Sapiei et al (2014), Joulfaian (2000) and Hanlon, Mills and Slemrod (2005) found that it is a significant determinant of tax non-compliance behavior. According to Isa (2012) and Sapiei & Kasipillai (2014), another identifiable important corporate taxpayers' compliance variable that influences compliance behavior is tax complexity. And this may cause tax avoidance. Loo et al (2010) argued that tax laws are too complicated for taxpayers to keep abreast considering the frequent changes in the tax law. Thus stating that such issues may possibly be the reason why some corporate taxpayers deploy the services of external tax professional when they experienced difficulties in tax issues (Sapiei 2012). However, Isa (2012) found that corporate taxpayers perceived tax computation, record keeping and tax ambiguity as tax complexity. Similarly, Terkper (2007) advanced the reason that taxpayers demonstrate various degrees of compliance owing to factors such as lack of understanding of the tax laws; improper book keeping and fear of law. Jackson and Milliron (1986) contended that the complexity of tax system has been considered as a possible reason for tax non-compliance. On the other hand, Massarrat-Mashhadi & Sielaff (2012) argued that taxpayers understand the tax complexity. Doran (2009) found that tax complexity has a positive relationship with tax knowledge and compliance behaviour. To Young et al. (2013), the rules should be simple and clear allowing taxpayers to read and understand the requirement and the rules they need to follow easily and quickly. Otherwise, taxpayers' intentions of compliance may reduce.

Beck et al. (1991) also concurred with this view by arguing that reducing tax complexity may lead to an increased perception of fairness on tax system and subsequent reduction of tax non-compliance. Taxpayers' expectations are that the revenue generated from taxes should be spent and accounted for meaningfully by the state, (Young et al., 2013). Where this is lacking it can cause a slack in tax payers' commitment to pay their taxes. Braithwaite (2001) contended that the taxpayers' evaluation of local tax bureau's performance is proposed to affect tax compliance. Thus, the extent to which the tax office is delivering on its charter is suggested to be a factor affecting compliance. Young et al. (2013) concurred to

this as they put it that as tax authority is fulfilling its promise their willingness to follow tax requirement may be higher.

Perception of the tax system

Coskun, (2009) and Alm, et al., (2011) argue that the extent which the corporate tax payers perceive a tax system to be fair influences their attitude to pay their taxes. Alabede et al. (2011) postulated that, a taxpayer whose motive is to demonstrate his beliefs in a system will evaluate the fairness of the systems with objectivity whereas the taxpayer whose attitude is motivated by what benefit to derive from the system may label the tax system fair only if he is benefiting from it. Also Richardson (2006) indicated that perceived fairness of tax system is significantly related to tax non-compliance. Jackson and Milliron (1986) found that tax payers concerns about fairness have links with attitudes and behavioral intentions about tax compliance. Mukasa (2011) found that improved tax fairness would lead to the enhancement of compliance behaviour. The impact of tax fairness which the taxpayers perceived may possibly influence their tax compliance behaviour.

Perceived Risk

According to Featherman and Pavlou (2003), perceived risk by companies affect their tax compliance decision. Perceived risk comprises seven facets. The seven facets of perceived risk are 1) performance, 2) financial, 3) time, 4) psychological, 5) social, 6) privacy and 7) overall risk. Similarly, Bee (2008), who studied taxpayers' Perception of Adopting a Tax E-Filing System, stated that perceived risk was shown to be an important construct to influence taxpayer's perceptions on the electronic tax-filing system. This study shows that perceived risk is significantly and negatively effect on behavioral intention and it is an important factor in electronic tax-filing adoption. According to Cuccia, (1994), where an increase in the severity of penalties and the certainty of their imposition will discourage undesirable behaviour (Pate & Hamilton, 1992).

Therefore, to understand tax payer's behavior, it is important to identify the determining variable of behavioural intentions (Hanno and Violette, 1996).

THE CONCEPTUAL FRAMEWORK

This research is performed within the framework of the theory of planned behaviour as shown in Figure 1.

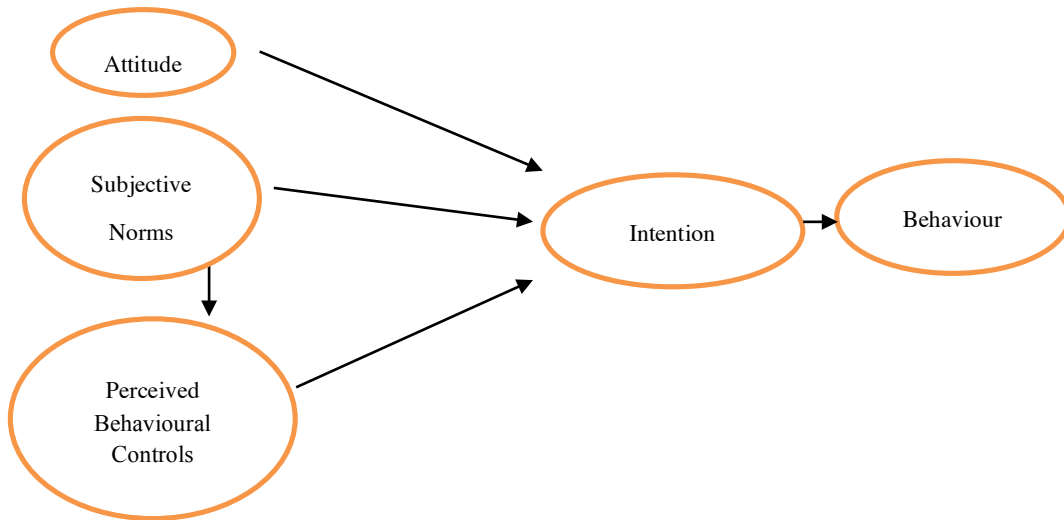
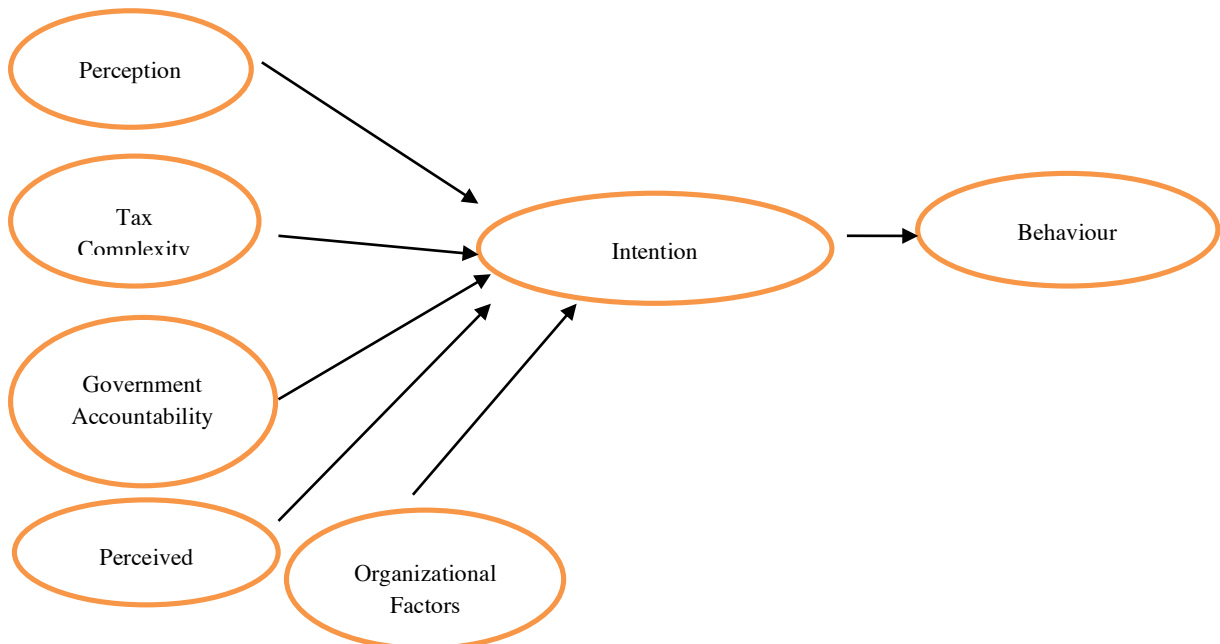


Figure 1. The theory of planned behaviour. Source: Ajzen (1991)

From Figure 1, it can be seen that Intentions are the motivational factors that influence Behaviours that are under the control of the individual (Ajzen, 1991). The immediate antecedent determinant of behaviour is the intention behind that behaviour. Control over behaviour is such that the individual can decide at will to perform or not to perform the behaviour.

THE CONCEPTUALIZED FRAMEWORK CT-MODEL



From the above conceptualised framework, perceived risk construct in this study is adopted from Featherman and Pavlou (2003) study on Internet-based bill payment. In this study, the perceived risk construct comprises of four facets only. The four facets of perceived risk are

- 1) performance: in this study performance risk refers to the companies' performance and their perception that high profit generated in the business results in high tax payment.
- 2) time frame: in this study it refers to the time given for the payment of corporation tax
- 3) privacy risk: in this study refers to, the safeguard of various types of data that are collected when the corporate taxpayers submit their tax forms.
- 4) overall risk refers to the risk that the companies perceived they will bear if they do not comply with tax law

Hence for this study, perceived risk (PR) is defined as corporate taxpayers' perception on the reliability of the tax system and the control of their personal information when submitting to the MRA. For Organizational Factors, in this study, this construct means the company's size, business sector, business liability, business age.

RESEARCH HYPOTHESIS

Given the availability of prior literature on the phenomenon of tax compliance and the need to examine the other critical "actors in the field" (Alm et al., 2011) which influence the individual's compliance decision within the context of a developing country like Mauritius, the following tentative hypotheses are being examined in this study.

Hypotheses 1: Perception of the burden of tax influences corporate taxpayers' attitudes and their compliance with tax.

These hypotheses is used to examine the corporate taxpayer's views about the burden of tax, and also to assess the relationship and the extent to which the corporate taxpayer's views about the burden of tax predicts their taxpaying action. Some previous research works for example; Alabede et al., (2011); Diego and Luca, (2011); Allingham and Sandmo, (1972) support the view that, taxpayers have some concern for vertical and horizontal equity and that, some taxpayers compliance levels decreased with high levels of unfairness in the tax system.

Hypotheses 2: Corporate taxpayers' level of understanding of the tax laws influences their taxpaying attitudes and tax compliance

"Complexity is an unwanted feature of a tax system as it enhances the opportunity to avoid taxes" (Coskun and Savasan, 2009). The complexities in the system especially the use of legal verbiage could be an added ingredient in the milieu of noncompliance. The above hypotheses are thus meant to test whether there is any significant relationship between levels of understanding of the tax laws and tax compliance attitude

Hypotheses 3: Corporate taxpayers' perceptions of government accountability influences their behaviour/compliance

The hypotheses encompasses the view that when companies voluntarily comply with their tax obligation, they are expectant that their contribution will yield some results. These results are viewed from different perspectives including the extent to which government is considered accountable to the people (Ayee, 2007). It is thus assumed that, if companies perceive their government of the day to be accountable, they will in consequence comply voluntarily with their tax obligations

Hypotheses 4: Perceived Risk influences corporate taxpayers' behaviour and attitudes

"Perceived risk affects decision" (Featherman and Pavlou, (2003). These hypotheses state that companies' perception on the reliability of the tax system and the control of their personal information when submitting to the MRA, and given a particular time frame influence their behaviour and also their compliance with tax law. Higher perceived risk will discourage undesirable behavior (Cuccia, 1994, Pate & Hamilton, 1992).

Hypotheses 5: Organizational factors influence corporate taxpayers' behaviour

Organizational factors influence a firm's decision or action (Zhu *et al*, 2003). The above hypotheses are used to examine whether organizational factors such as company's size, business sector, business liability, business age, influence the corporation attitudes towards tax payment and tax compliance.

RESEARCH METHODOLOGY

Quantitative research was adopted in the study. The methodology used in the study consists of a random sampling. Data are collected from secondary sources such as articles published by the well-known periodicals, books, and dissertations in order to base the construction of the theoretical framework. Primary sources via an online questionnaire were also used. The population that was considered for this study was a variety of companies involving in different business activities which included those registered as management companies, construction companies, listed companies, banking and finance companies, textile and manufacturing companies, those involve in plantation and services, as well as SMEs, all over Mauritius. A total of only 58 companies responded to the survey.

RESULTS AND DISCUSSION

The survey consists of all type of companies around Mauritius. Therefore, variations on the perceptions of different corporate tax payers are obtained, such that the characteristic of the different firms are analyzed. This study produces results which corroborate the findings of a great deal of the previous work in this field. The research model projects that, perceived tax burden, level of understanding, government accountability and perceived risk are positively associated with corporate tax payers' behaviour and compliance towards tax. As per the correlation results from Table 1, using Pearson product-moment correlation coefficient, the projected statements are that there is a no significant correlation between the Perception of Tax burden (as measured by the Sum of Perception) and Attitude [$r = -.136$, $n = 58$, $p < .0005$]. That is corporate tax payers perception of the burden of tax does not influence their attitudes towards tax compliance. However, the projected statements are true for the other three variables. There is a a strong, positive correlation between level of understanding and attitudes/compliance [$r = .585$, $n = 58$, $p < .0005$], with high levels of corporate tax understanding with higher levels of tax compliance. Similarly, high levels of government's accountability [$r = .719$, $n = 58$, $p < .0005$], and also higher perceived risk if tax is not paid [$r = .635$, $n = 58$, $p < .0005$], strongly influence corporate tax behaviour [$p < .0005$]. This implied that if government encourages tax payment and use the money judiciously (Ayee, 2007), then the higher will be the corporate tax compliance. In addition, the higher the perceived risk which is associated if corporate tax is not paid, such as penalties, sanction, reputational risk, then the more companies will abide to corporate tax payment. These results indicate that, the more government shows higher responsibility towards tax, the higher the companies will pay tax, or the simple the tax procedure the more corporations will abide to tax. Results are consistent with Isa (2012) and Sapiei & Kasipillai (2013) who identified that an important corporate taxpayers' compliance variable that influences compliance behavior is tax complexity / understanding. And this may cause tax avoidance. Loo *et al* (2010) argued that tax laws are too complicated for taxpayers to keep abreast considering the frequent changes in the tax law. Thus the higher the level of understanding, or that corporate tax payers find tax procedures simple and easy to understand, the more they will comply better with the tax law. Same

results can be support by Isa (2010) and Terkper (2007) who found that corporate taxpayers demonstrate various degrees of compliance owing to factors such as lack of understanding of the tax laws; improper book keeping and fear of law. Results also support Jackson and Milliron (1986) findings which concluded that the complexity of tax system has been considered as a possible reason for tax non-compliance. Beck et al. (1991) also concurred with this view by arguing that reducing tax complexity may lead to an increased perception of fairness on tax system and subsequent reduction of tax non- compliance. Results also support Featherman and Pavlou (2003) findings on perceived risk by companies which affect their tax compliance decision. That is with higher perceived risk such as penalties, reputational risk, firms have higher fear and thus comply more with the tax law. Similarly, Bee (2008), who studied taxpayers' Perception of Adopting a Tax E-Filing System, stated that perceived risk was shown to be an important construct to influence taxpayer's perceptions on the electronic tax-filing system.

TABLE 1: CORRELATION BETWEEN PERCEIVED TAX BURDEN, LEVEL OF UNDERSTANDING, GOVERNMENT ACCOUNTABILITY AND PERCEIVED RISK WITH CORPORATE TAX PAYERS' ATTITUDE.

Correlations

		Attitude
Attitude	Pearson Correlation	1
	Sig. (2-tailed)	
	N	58
Perception	Pearson Correlation	-.136
	Sig. (2-tailed)	.310
	N	58
Understanding	Pearson Correlation	.585**
	Sig. (2-tailed)	.000
	N	58
Government	Pearson Correlation	.719**
	Sig. (2-tailed)	.000
	N	58
Risk	Pearson Correlation	.635**
	Sig. (2-tailed)	.000
	N	58

** . Correlation is significant at the 0.01 level (2-tailed).

TABLE 2: MODEL SUMMARY^b

Model	R	R Square	Adjusted Square	R	Std. Error of the Estimate
1	.862 ^a	.742	.728		2.21826

a. Predictors: (Constant), Risk, Understanding, Government

b. Dependent Variable: Attitude

TABLE 3: ANOVA^b

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	765.388	3	255.129	51.849	.000 ^a
	Residual	265.716	54	4.921		
	Total	1031.103	57			

a. Predictors: (Constant), Sum fo Risk, Sum of Understanding, Sum of Government

b. Dependent Variable: Sum of Attitude

TABLE 4: REGRESSION RESULTS FOR ATTITUDE

Dependent variable		Predictor		
		Understanding	Government	Risk
Attitude	Beta coefficient	0.375	0.305	0.478
	<i>t</i> -value	4.370	3.237	6.124
	<i>p</i> -value [*]	0.000	0.002	0.000

Note. ^{*}: Significant for variable with directional hypothesis (PE, EE, SI, FC) are depicted as 2-tailed.

Based on Table 3, the model reaches statistical significance (Sig = .000, this really means $p < .0005$).

The model (which includes Government accountability, Understanding level and Perceived Risk) explains 74.2 percent of the variance in corporate tax payers' attitude (Table 2).

Based on the results shown in Table 4, obtained from regression analysis, the three variables are making a significant unique contribution to the prediction of Attitude [$p < .05$]. However, Risk (Beta=0.47) makes the strongest unique contribution to explaining the dependent variable, when the variance explained by all other variables in the model is controlled for. The Beta value for Understanding and Government were slightly lower (.375 and .305 respectively), indicating that they made less of a contribution. One possible explanation is that, companies' fear of dealing with penalties or sanctions mostly drive them to comply with corporate tax law as the risk is very high. They bear reputational risk, and with the fear of losing their business or having to deal with court issues, this pushes them to comply with corporate tax. As discussed earlier, the higher the level of perceived risk associated with the non-compliance of tax, the higher will be the tax compliance (Featherman and Pavlou, 2003). Higher perceived risk will discourage undesirable behavior (Cuccia, 1994, Pate & Hamilton, 1992).

Furthermore, descriptive statistics was used to find out which item in risk more specifically influence corporate tax payers' attitude. Based on Table 5, it can be found that the risk factor which highly influence corporate tax payers' attitudes is that they fear that their companies will bear reputational risk and other risks if they do not comply with tax law ($M=4.67$, $SD=.473$), thus confirming the above findings. They also tend to fear that they may face severe penalties (which can be explained by a higher standard deviation of .503).

TABLE 5: VARIABLE RISK MEANS AFFECTING FIRM'S ATTITUDE TOWARDS CORPORATE TAX (N=58)

Descriptive Statistics

	N	Mean	Std. Deviation
Companies believe that higher profit generated in the business results in higher tax payment	58	4.21	.409
Time given for the payment of corporation tax is too short	58	4.34	.479
There are severe penalties for companies which do not comply with tax law	58	4.47	.503
Companies bear reputational risk and other risks if they do not comply with tax law	58	4.67	.473
Chances of filling corporate income tax form will cause the business to lose control over the privacy of its personal information.	58	4.22	.421
The company's personal information would be use without the company's knowledge	58	4.24	.432
The security system built into the MRA system is not strong enough to protect the company's submission data	58	4.29	.459
Valid N (listwise)	58		

In order to test if organizational factor, such as size, business activity, tax liability and age of the business, influences corporate tax compliance, one-way between-groups analysis of variance (ANOVA) was used.

TABLE 6: SIZE OF FIRM AND CORPORATE TAX COMPLIANCE

Descriptives - Attitude

	N	Mean	Std. Deviation	Std. Error	95% Confidence Interval for Mean		Minimum	Maximum
					Lower Bound	Upper Bound		
Small	19	34.2632	2.40005	.55061	33.1064	35.4199	30.00	37.00
Medium	23	37.8696	4.50560	.93948	35.9212	39.8179	30.00	43.00
Large	16	36.6250	4.78714	1.19678	34.0741	39.1759	28.00	43.00
Total	58	36.3448	4.25318	.55847	35.2265	37.4631	28.00	43.00

TABLE 7: ANOVA TEST FOR COMPARISON OF THE LEVEL OF ATTITUDE/COMPLIANCE AMONG DIFFERENT FIRM SIZE

ANOVA

Attitude	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	137.061	2	68.530	4.216	.020
Within Groups	894.043	55	16.255		
Total	1031.103	57			

**TABLE 8: COMPARISON ON ATTITUDE SCORE AMONG DIFFERENT FIRM SIZE
(MULTIPLE COMPARISONS)**

Multiple Comparisons – Attitude Tukey HSD

(I) What is the size of your organization	(J) What is the size of your organization	Mean Difference (I-J)	Std. Error	Sig.	95% Confidence Interval	
					Lower Bound	Upper Bound
Small	Medium	-3.60641*	1.24992	.015	-6.6172	-.5957
	Large	-2.36184	1.36803	.205	-5.6571	.9334
Medium	Small	3.60641*	1.24992	.015	.5957	6.6172
	Large	1.24457	1.31252	.612	-1.9170	4.4061
Large	Small	2.36184	1.36803	.205	-.9334	5.6571
	Medium	-1.24457	1.31252	.612	-4.4061	1.9170

*. The mean difference is significant at the 0.05 level.

A one-way between-groups analysis of variance was conducted to explore the impact of size of firm on levels of tax compliance, as measured by the Attitude. (Table 7). There is a statistically significant difference at the $p < .05$ level in Attitude scores for the three groups [$F(2, 55) = 4.216, p = .02$]. The actual difference in mean scores between the groups was quite large. The effect size, calculated using eta squared, was .13. Surprisingly, Post-hoc comparisons using the Tukey HSD test indicated that there is no significant differences are found between big firms and small firms, as well as, between big firms and medium firms, ($p > 0.005$) (Table 8)

The mean score for Small firm ($M = 43.26, SD = 2.40$) was significantly different from Medium firm ($M = 37.86, SD = 4.50$) (Table 6). Big firms ($M = 36.62, SD = 4.25$) did not differ significantly from either Small and Medium firms.

Result is consistent with that of Abdul-Jabbar (2009) who stated business size influence tax compliance. Other research which by Sapiei et al (2014) and Joulfaian (2000). This result also corresponds to that found by Mills and Slemrod (2005). According to them, corporate characteristics, size determined corporate compliance behaviour. One explanation is that, small firm size, or those new in the business, may lack some understanding of how corporate tax works and this may affect their compliance behaviour. That is they may fear of making mistakes during their submission to the MRA. This support Abdul-Jabbar (2009) finding who examined the corporate tax non-compliance of small firms. He stated that tax complexity significantly influenced non-compliant behaviour. Small firms may need a professional to better guide them and help them deal with their tax well, as compared to middle firms, which have already a good understanding of how tax procedures are and how much tax liability they owe. It may also be that medium and big firms have higher audit coverage which could act as an effective deterrent to corporate non-compliance as reported by Kamdar (1997). However, the above results about business size deviate from that found by Rice (1992) who stated that there is no relationship between firm size and tax compliance.

TABLE 9: ANOVA FOR BUSINESS ACTIVITY AND TAX COMPLIANCE

ANOVA Attitude

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	81.516	4	20.379	1.137	.349
Within Groups	949.588	53	17.917		
Total	1031.103	57			

Surprisingly no significant relationship was found between type of business activity and corporate tax compliance [$p > .05$]. This result is consistent with Abdul-Jabbar (2009) who analyses the impact of industry sector on the compliance behaviour of corporate SMEs and the results were inconclusive. However, according to Mills and Slemrod, (2005), among the corporate characteristics which the studied, type of industry was found to be connected with the opportunity for non-compliance

TABLE 10: ANOVA FOR TAX LIABILITY INFLUENCES CORPORATE TAX COMPLIANCE

Attitude					
	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	259.881	3	86.627	6.066	.001
Within Groups	771.222	54	14.282		
Total	1031.103	57			

TABLE 11: MULTIPLE COMPARISON FOR TAX LIABILITY AND CORPORATE TAX COMPLIANCE

Attitude Tukey HSD

(I) How much company income tax in total, did the company remit to the MRA for the year 2015?	(J) How much company income tax in total, did the company remit to the MRA for the year 2015?	Mean Difference (I-J)	Std. Error	Sig.	95% Confidence Interval	
					Lower Bound	Upper Bound
Nil (no tax liability)	Less than MUR5 million	2.44444	1.78150	.522	-2.2781	7.1670
	Between MUR5 million and MYR10 million	-2.88889	1.78150	.375	-7.6114	1.8337
	More than MUR10 million	-.75000	1.80913	.976	-5.5458	4.0458
Less than MUR5 million	Nil (no tax liability)	-2.44444	1.78150	.522	-7.1670	2.2781
	Between MUR5 million and MUR10 million	-5.33333*	1.25971	.001	-8.6727	-1.9940
	More than MUR10 million	-3.19444	1.29848	.078	-6.6366	.2477
Between MUR5 million and MUR10 million	Nil (no tax liability)	2.88889	1.78150	.375	-1.8337	7.6114
	Less than MUR5 million	5.33333*	1.25971	.001	1.9940	8.6727
	More than MUR10 million	2.13889	1.29848	.361	-1.3032	5.5810
More than MUR10 million	Nil (no tax liability)	.75000	1.80913	.976	-4.0458	5.5458
	Less than MUR5 million	3.19444	1.29848	.078	-.2477	6.6366
	Between MUR5 million and MUR10 million	-2.13889	1.29848	.361	-5.5810	1.3032

*. The mean difference is significant at the 0.05 level.

Furthermore cross tabulation was used to assess whether there is a link between size of firm and tax liability, as shown below in Table 12.

TABLE 12: WHAT IS THE SIZE OF YOUR ORGANIZATION * HOW MUCH COMPANY INCOME TAX IN TOTAL, DID THE COMPANY REMIT TO MRA FOR THE YEAR 2015?

Count						
		How much company income tax in total, did the company remit to the MRA for the year 2015?				
		Nil (no tax liability)	Less than MUR5 million	Between MYR5 million and MUR10 million	More than MUR10 million	Total
What is the size of your organization	Small	6	13	0	0	19
	Medium	0	4	14	5	23
	Large	0	1	4	11	16
Total		6	18	18	16	58

Tax liability's impact on corporate tax compliance was analysed using ANOVA (Table 10) and results showed that there is a statistically significant difference at the $p < .05$ level in Attitude scores for the four groups [$F(3, 54) = 6.066, p = .001$]. The actual difference in mean scores between the groups was large with eta squared of .25. Post-hoc comparisons using the Tukey HSD test indicated that the mean score for companies having to pay a tax liability of less than MYR5 million was significantly different from those paying between MYR5 million and MYR10 million. Surprisingly, companies which have no tax liability and those which pay more than MYR10 million did not differ significantly from either firms paying MYR5 million and also with firms paying between MYR5 million and MYR10 million. (Table 11)

From Table 12, it can be seen that the majority of firms which reported no tax liability or paying less than MUR5 Millions, come from small firms. Therefore one possible explanation to the above result from ANOVA is that small firms have low or no audit coverage as compared to medium or large firms Kamdar (1997). Another reason can be that these small firms do not keep records for tax purposes as compared to medium and large firms and low level of understanding, thus lower level of reporting correctly their tax. This result corresponds to that found by Mills and Slemrod (2005) and Terkper (2007) who advanced the reason that taxpayers demonstrate that lack of understanding of the tax law and improper book keeping are factors influencing corporate tax payment.

TABLE 13: ANOVA – AGE OF THE BUSINESS AND CORPORATE TAX COMPLIANCE

Sum of Attitude					
	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	177.187	7	25.312	1.482	.195
Within Groups	853.917	50	17.078		
Total	1031.103	57			

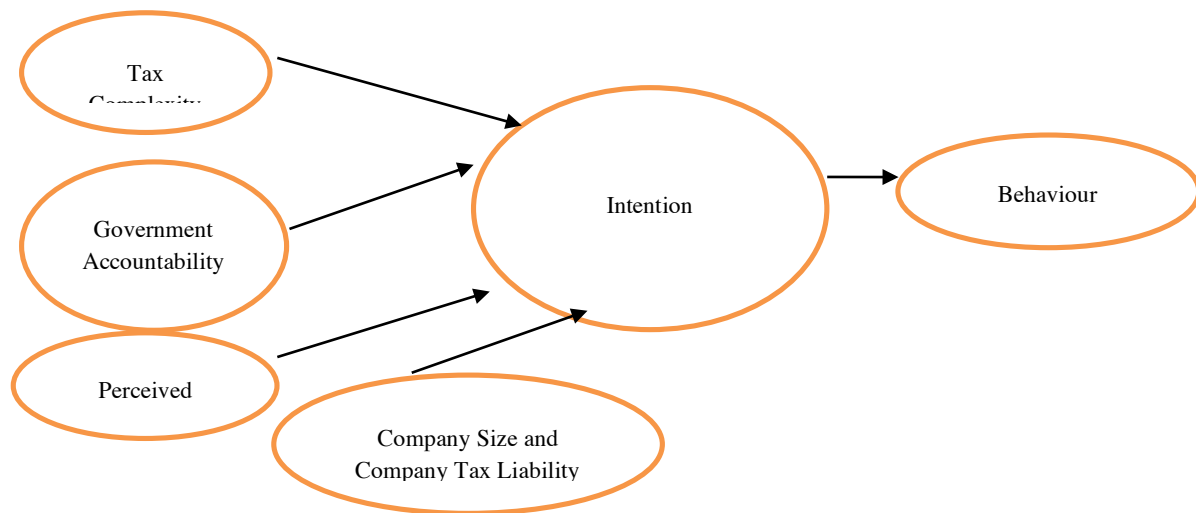
There is no statistical significant difference between the different groups [$p > 0.05$]. Therefore it can be said that age of firm has nothing to do with corporate tax compliance. This result is in some way related to that Abdul-Jabbar (2009) who discovered that the impact of business age on the compliance behaviour of corporations do not influence tax behaviour. It can be concluded that firm size and tax liability influences corporate tax payers' attitudes in Mauritius.

CONCLUSION

This study presents the conceptual framework for corporate tax payers, which explains their behaviour towards tax. The empirical quantitative data collected indicate a very strong positive relation between the proposed CT-model constructs and the dependent variable (Attitudes). It is argued that perception towards the burden of corporate tax does not influence tax payers' behaviour and that organizational factors such as business activity and business age do not influence compliance. However, it has been found that business tax liability and size have an impact on corporate taxpayers' attitudes. Furthermore perceived risk, level of understanding and government accountability greatly influence corporate tax compliance. Perceived risk has been found to be the strongest predictor of tax compliance.

Revised Model

The revised CT-Model:



In sum, CT framework comprises a holistic view. It shows that organizational factor does not only influences tax compliances but also the government plays a big role as well as understanding of tax and the risk associated with non-compliance. Further studies in this area can be to apply this new model and test it in other developing countries.

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