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(Dis)Obeying the Law: Corporate Tax Morale in Developing Countries

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Ensuring high tax law compliance is one of the key objectives of every tax system, and a notoriously difficult one to attain. Yet, while tax law non-compliance is known to be significant amongst small and medium-sized enterprises (SMEs), the motivations underlying it remain surprisingly underexplored, particularly in the context of developing countries. Drawing on an extensive body of literature centred on personal income tax (PIT) compliance in developed nations, this article introduces a novel theoretical framework for understanding the tax morale of corporate taxpayers, identifying five endogenous and six exogenous motivations for tax law (non)compliance. The proposed framework is informed by a novel methodological approach, using a triangulation of primary data, including 42 interviews and 86 court cases, with a focus on value-added tax (VAT) and corporate income tax (CIT). This article offers rich new insights into corporate tax morale, addressing for the first time the crucial question: why is compliance with tax law among small businesses so low in developing countries?

I. INTRODUCTION

Non-compliance with tax law is neither a new problem, nor one limited to a specific country or legal system. On the contrary, tax law non-compliance is both a universal, and persistent phenomenon.[1] Indeed, obeyance of tax law cannot be presumed, and is far from inevitable.[2] Tax law non-compliance includes a whole spectrum of activities, from – the less serious – unintentional errors, negligence, underreporting incomes, failure to register, to – the criminal – organised fraud, such as the use of phantom businesses and smuggling, and it is regarded as a major problem worldwide. In the UK, for example, one of the highest income countries worldwide, the 2022-2023 tax non-compliance gap was estimated to £39.8 billion;[3] in developing countries, although precise numbers are often absent due to the significant difficulties estimating the size of the informal economy as well as capacity challenges of tax administrations, non-compliance is estimated to be much higher. In Vietnam, for example, a low-

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[1] C. Adams, *For Good and Evil: The Impact of Taxes on the Course of Civilization* (1993).

[2] J. Alm, 'What Motivates Tax Compliance' (2019) 33 *J. of Economic Survey* 353, at 353.

[3] HMRC, 'Official Statistics Tax Gaps: Summary' (2023) *GOV.UK* <https://www.gov.uk/government/statistics/measuring-tax-gaps/1-tax-gaps-summary>.

middle income country, nearly £0.8 billion is estimated to have been lost due to CIT evasion alone, during the same period.[4]

Despite the ancient roots of tax law non-compliance, and its enormous implications for countries' public finances, theoretical investigation into its underlying causes began only in the late 1960s and early 1970s, with the rise of expected utility theory, the economics of crime, and tax evasion models.[5] Under these research frameworks approaches, deterrence – through detection probability, penalties, and tax rates – was the cornerstone of understanding tax law (non)compliance.[6] Although these frameworks informed the prevailing thinking for the next decades, there is now growing awareness that beyond fear of detection and a welfare maximisation approach to tax evasion, taxpayers are motivated to (dis)obey tax laws by a range of other factors, which are not predicted by the deterrence models.

Seeking a more realistic insight of how and why taxpayers may decide to comply, and a deeper understanding of voluntary compliance, an extensive body of literature, from a range of disciplines, from economics, psychology, to political science, emerged in the last two decades, around the concept of tax morale, namely individuals' (un)willingness to pay taxes, and their non-pecuniary motivations for tax law (non)compliance.[7] Yet, this literature has so far centred almost exclusively on PIT compliance in developed countries. This is due primarily to three factors: *(i)* the revenue gathering potential of PITs is high in developed countries, where they are often the most important tax, and certainly much higher than in developing countries –a somewhat ill-defined term, generally used by the UN, and other international organisations, to refer to nations characterized by a relatively low standard of living, poor health and education infrastructure, and less developed industrial base–[8] where their revenue gathering potential is often quite small; *(ii)* data availability, both historical and otherwise, tends to be much higher in developed countries than in developing countries, where not just historical data is sparse, but data gathering often faces additional challenges; and *(iii)* when considering motivations, it is conceptually more natural to discuss PITs, rather than other taxes, where the taxpayer is often a legal entity, even if like VAT or excise taxes, the tax burden falls on individuals or consumers. Non-compliance in other taxes, such as VAT and CIT, not just in developing countries, but even in developed countries,[9] has therefore remained largely unexplored until now. As a result, the prevailing assumption is that the motivations behind non-compliance with VAT and CIT law, in both developed and developing nations, are identical to those observed for the more widely studied PIT compliance.

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4 P. Lenain, 'Tax for Development: Does Vietnam Need Tax Reform' (2022) *CEP Web* <https://www.cepweb.org/tax-for-development-does-vietnam-need-tax-reform/>.
5 G. Becker, 'Crime and Punishment: An Economic Approach' (1968) 78 *J. of Political Economy* 169; and M. Allingham and A. Sandmo, 'Income Tax Evasion: A Theoretical Analysis' (1972) 1 *J. of Public Economics* 323.
6 A. Sandmo, 'The Theory of Tax Evasion: A Retrospective Review' (2005) 58 *National Tax J.* 643, at 644.
7 E. Luttmer and M. Singhal, 'Tax Morale' (2014) 18 *J. of Economic Perspectives* 149, at 150.
8 T. Khokhar and U. Serajuddin, 'Should we continue to use the term "developing world?' (2015) *World Bank Blog*) <https://blogs.worldbank.org/en/opendata/should-we-continue-use-term-developing-world>.
9 M. Livingston, *Tax and Culture: Convergence, Divergence, and the Future of Tax Law* (2020) 27.

Filling this research gap, particularly insofar as developing countries and SMEs are concerned, is critical for three key reasons. First, VAT and CIT, in particular, are major revenue sources: in developing countries, and in many developed countries, VAT tends to be the most important tax from a revenue gathering perspective, while CIT is often the second most important tax in developing countries, or the third in developed countries.[10] Non-compliance in these taxes is therefore particularly problematic, and both are known to be vulnerable to fraudulent activities; indeed, contrary to the common assumption, tax law non-compliance is known to be particularly strong and centred in SMEs – thus VAT and CIT – rather than in PIT of individual taxpayers. In the UK, for example, the latest report by the National Audit Office estimates that SMEs in retail sector accounted for 81 per cent of tax evasion in 2022-2023.[11] Second, although technically the taxpayers in VAT and CIT are the legal entities, in practice for SMEs the motivations of their owners are crucial for tax compliance attitudes. There is already some empirical evidence, for example, indicating that SME owners and employees tend to differ in their attitude to compliance with tax laws: owners tend to be more critical of tax systems, citing business constraints, while employees focus on the exchange between PIT compliance and public services.[12] A recent empirical study, conducted in two developed countries (France and the United States), also indicated that individuals believe tax evasion is widespread amongst small business owners, despite overwhelmingly regarding it as unacceptable.[13] Finally, motivations for non-compliance in developed countries may differ substantially from those in developing countries, not least as tax law non-compliance is known to be shaped by cultural values,[14] and passed through generations.[15] For example, adherence to Confucianism – often overlooked in Western countries –[16] may deter taxpayers from tax fraud,[17] and immigration has been found to have a negative effect on overall tax morale in developed countries, due to the importation of attitudes to tax compliance from developing countries.[18]

This article presents the first ever study into the tax morale of corporate taxpayers in developing countries, examining VAT and CIT compliance attitudes of SME owners in these countries. The natural relationship between VAT and CIT compliance justifies its joint analysis: VAT invoices serve as evidence for sales and expenses, and thus under-reporting sales for VAT decreases liability to CIT;

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[10] P. Bachas et al., 'Tax Equity in Low- and Middle-Income Countries' (2024) 38 *J. of Economic Perspectives* 55; and OECD, *Consumption Tax Trends - VAT/GST and Excise Rates, Trends and Policy Issues* (2024).
[11] National Audit Office, 'Small Business Evading Tax Leave HMRC Billions Out of Pocket' (2024) <https://www.nao.org.uk/press-releases/small-businesses-evading-tax-leave-hmrc-billions-out-of-pocket/>.
[12] C. Kogler and E. Kirchler, 'Taxpayers' Subjective Concepts of Taxes, Tax Evasion, and Tax Avoidance' in *Ethics and Taxation,* ed. R. van Brederode (2020) 191.
[13] M. Avina Mendonza et al., 'Outgroup Bias and the Unacceptability of Tax Fraud' (2023) 22 *Political Studies Rev.* 223.
[14] L. Andriani et al., 'Is Tax Morale Culturally Driven?' (2022) 18 *J. of Institutional Economics* 67.
[15] M. Halla, 'Tax Morale and Compliance Behavior: First Evidence on a Causal Link' (2012) 12 *The B. E. J. of Economic Analysis and Policy* 1.
[16] G. Hofstede et al., *Cultures and Organizations: Software of the Mind* (2010) 354.
[17] X. Tang et al., 'Confucianism and Corporate Fraud' (2022) 17 *International J. of Emerging Markets* 1425.
[18] J. De Backer et al., 'Importing Corruption Culture from Overseas: Evidence from Corporate Tax Evasion in the United States' (2015) 117 *J. of Financial Economics* 122.

understanding VAT fraud is therefore essential for addressing CIT fraud.[19] Drawing on insights from across the disciplines of economics, psychology, sociology, political science, and criminology, and based on new empirical evidence, this article examines attitudes towards tax law compliance, and the determinant factors for the tax morale of corporate taxpayers in developing countries. The empirical evidence is gathered through the use of a novel methodology, which relies in combination of two sources of empirical data: interviews SME owners, and court cases from open-access databases. The article then presents a new theoretical framework for understanding the tax morale of these taxpayers, identifying a set of five endogenous and six exogenous motivations for tax law (non)compliance, and the decision by SME owners (dis)obey VAT and CIT law.

For this purpose, it uses Vietnam as a case study. Vietnam is a paradigmatic example of a developing country that suffers from low tax revenue, weak transparency, a large shadow economy, widespread tax governance problems, and extremely high tax compliance costs. These issues are prevalent across all 152 developing countries.[20] At present, in line with traditional views on tax compliance, the Vietnamese government employs primarily monetary punishments to reduce non-compliance (penalties, fines); focussing largely on large corporations as main tax revenue source,[21] as confirmed by high ranked tax officials, and consequently neglecting SMEs. Common problems, as well as repeated responses and reactions to those problems, constitute fertile ground for focussed generalisations,[22] which we explore here using the case of Vietnam.

The article proceeds as follows. Section II provides an analysis of the existing literature on tax morale, tracing the historical evolution of various theoretical frameworks on individual's tax morale, and identifying distinct motivations behind tax law (non)compliance, while highlighting underexplored areas in corporate tax morale. Section III introduces the proposed theoretical framework, based on the empirical evidence collected through 42 online semi-structured interviews, and an analysis of 86 court cases; methodological considerations are also drawn, establishing a template for carrying out research into an under-explored topics that poses significant challenges. Section IV concludes with considerations on the normative implications of the proposed corporate tax morale framework, namely its implications for tax policy formulation and tax law design in developing countries.

II. (DIS)OBEYING TAX LAW: CURRENT VIEWS ON INDIVIDUAL TAX MORALE

[19] R. de la Feria, 'Tax Fraud and Selective Enforcement' (2020) 47 *J. of Law and Society* 240, at 244.

[20] T. Besley and T. Persson, 'Why Do Developing Countries Tax So Little?' (2014) 28 *J. of Economic Perspectives* 99, at 103. The list of identified 152 developing countries is set out by the UK Home Office, at <https://www.gov.uk/government/publications/countries-defined-as-developing-by-the-oecd>.

[21] Deputy Director of Ho Chi Minh city Department of Taxation confirmed that large corporations with significant contribution to tax revenue will be treated as VIP customers. A. Hong, 'Doanh nghiệp nộp thuế lớn sẽ được đối đãi như khách VIP'[Businesses that pay large amounts of tax will be treated like VIPs] (2022) *Tuổi Trẻ Online* <https://tuoitre.vn/doanh-nghiep-nop-thue-lon-se-duoc-doi-dai-nhu-khach-vip-20220922153100767.htm>.

[22] R.E. Stake, *The Art of Case Study Research* (1995) 7.

The foundational elements of the tax morale literature can be traced back to the expected utility maximisation theory, rooted in the economic approach to crime and punishment in 1968.[23] Applied to individual tax evasion in the early 1970s, scholars soon recognised the limitations of what became known as the deterrence model, particularly the lack of attention to non-pecuniary factors.[24] The model presumes taxpayers will always act rationally and will only consider levels of enforcement and financial incentives, including audit probability, penalty rates, and tax rates, when deciding on whether to comply,[25] yet there was strong empirical and historical evidence to the contrary. For example, the model predicts that higher tax rates increase compliance, yet empirical data and historical tax revolts, across all tax types, suggest otherwise: the 1990 UK Community Charge, commonly known as Thatcher's poll tax, sparked nationwide protests and strong non-compliance, ultimately leading to its abolishment.[26] The model also predicts that high audit probability and fines leads to increase compliance, yet there is now evidence that taxpayers often misjudge audit rates, with these misperceptions influencing their behaviours more than actual audit rates.[27]

To enhance its accuracy, various new factors have been added to this initial model. One of the most important additions has been the inclusion of third-party reporting as a key factor in driving tax compliance, basically by making taxpayers' incomes and transactions more observable to tax authorities.[28] Another key addition has been the inclusion of compliance costs as another motivation for tax law (non)compliance:[29] gross compliance costs include time, money, resources spent meeting administrative requirements,[30] as well as psychological costs, namely the stress and anxiety experienced by taxpayers in dealing with the process of tax procedures.[31] There is now an extensive literature examining these costs their connection to other possible drivers, such as tax law complexity,[32] professional fees, tax treatments, appeal procedures, and fairness perceptions.[33]

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[23] Becker, op. cit., n. 5.
[24] Allingham and Sandmo, op. cit., n. 5, p. 326.
[25] Alm, op. cit., n. 2, p. 355.
[26] T. Besley et al., 'Norms, Enforcement, and Tax Evasion' (2023) 105 *The Rev. of Economics and Statistics* 998.
[27] E. Kirchler, *The Economic Psychology of Tax Behaviour* (2007) 111.
[28] D. Pomeranz, 'No Taxation without Information: Deterrence and Self-Enforcement in the Value Added Tax' (2015) 105 *Am. Economic Rev.* 105; and L. Lederman, 'Statutory Speed Bumps: The Roles Third Parties Play in Tax Compliance' (2007) 60 *Stanford Law Rev.* 695.
[29] B. Tran-Nam and C. Evans, 'The Impact of Cedric Sandford on the Discipline of Tax Compliance Costs' (2002) 17 *Aus. Tax Forum* 389.
[30] C. Evans and B. Tran-Nam, 'Tax Compliance Costs in New Zealand: An International Comparative Evaluation' (2015) 20 *New Zealand J. of Taxation Law and Policy* 339, at 342.
[31] J. Molero and F. Pujol, 'Walking Inside the Potential Tax Evader's Mind: Tax Morale Does Matter' (2012) 105 *J. of Business Ethics* 151.
[32] V. Tanzi, 'Corruption, Complexity and Tax Evasion' (2017) 5 *eJ. of Tax Research* 144; and K. Krause, 'Tax Complexity: Problem or Opportunity?' (2000) 28 *Public Finance Rev.* 395.
[33] J. Andreoni et al., 'Tax Compliance' (1998) 36 *J. of Economic Literature* 818, at 851; and S. Eichfelder and C. Kegels, 'Compliance Costs Caused by Agency Action? Empirical Evidence and Implications for Tax Compliance' (2014) 50 *J. of Economic Psychology* 200.

Nevertheless, the most important developments in understanding tax law compliance have come from a partial departure with the rational deterrence model, and a realisation in the last two decades that taxpayers do not always act in a fully rational manner, or at least not in a manner fully predicted by those models.[34] For example, the neoclassical model predicts zero deterrence, or fear of detection, leads to non-compliance, yet the local German Protestant church tax case proves otherwise.[35] Motivations for tax law (non)compliance are now typically categorised into two groups, namely extrinsic and intrinsic factors,[36] reflecting the perspective of individual taxpayers: extrinsic motivations drive behaviour through the lens of economic cost-benefit analysis, as predicted by the rational deterrence model; while intrinsic motivations stem from personal satisfaction, fairness perceptions, and social identity or reputation, and reflect tax morale, defined as the internalised and self-driven motivation to pay taxes.[37] These motivations are often interrelated, and can influence each other or overlap.[38] For example, individuals may believe that tax penalties are extremely severe (extrinsic factor), and that belief may in turn affect their fairness perceptions (intrinsic factor). Nonetheless, various factors have now been identified as key determinants of tax morale.

First, several studies have focussed on the significance of *trust in government and tax administrations*.[39] Trust can be measured by confidence in input sides, such as legislative and executive branches, political parties, tax laws,[40] and output sides, namely public tax services and government expenditures,[41] and it can be influenced by social capital.[42] Second, and related to the trust aspect, the positive correlation between tax morale and *institutional quality* has also been examined: higher quality of societal institutions can reduce the size of informality;[43] while weak institutions, low institutional quality, poor

[34] D. Halpern, *Inside the Nudge Unit: How Small Changes Can Make a Big Difference* (2015).
[35] N. Dwenger et al., 'Extrinsic and Intrinsic Motivations for Tax Compliance: Evidence from a Field Experiment in Germany' (2016) 8 *Am. Economic J.: Economic Policy* 203, at 204.
[36] R. Ryan and E. Deci, 'Intrinsic and Extrinsic Motivations: Class Definitions and New Directions' (2000) 25 *Contemporary Educational Psychology* 54; and J. Alm et al., 'Combining Psychology and Economics in the Analysis of Compliance: From Enforcement to Cooperation' (2012) 42 *Economic Analysis and Policy* 133.
[37] M. McKerchar et al., 'Indicators of Tax Morale: An Exploratory Study' (2013)11 *eJ. of Tax Research* 5; and D. Onu et al., 'The Dynamics of Internalised and Extrinsic Motivation in the Ethical Decision-Making of Small Business Owners' (2018) 68 *Applied Psychology* 177.
[38] J. Farrar and C. Hausserman, 'An Exploratory Investigation of Extrinsic and Intrinsic Motivations in Tax Amnesty Decision-Making' (2016) 2 *J. of Tax Administration* 47, at 47.
[39] E. Kirchler et al., 'Enforced Versus Voluntary Tax Compliance: The ''Slippery Slope'' Framework' (2008) 29 *J. of Economic Psychology* 210; and L. Batrancea et al., 'Trust and Power as Determinants of Tax Compliance Across 44 Countries' (2019) 74 *J. of Economic Psychology* 102191.
[40] A. Koumpias et al., 'Trust in Government Institutions and Tax Morale' (2021) 77 *FinanzArchiv/Public Finance Analysis* 1, at 4.
[41] B. Rothstein and D. Stolle, 'The State and Social Capital: An Institutional Theory of Generalised Trust' (2008) 40 *Comparative Politics* 441, at 448.
[42] J. Fischer and B. Torgler, 'Social Capital and Relative Income Concerns: Evidence from 26 Countries' (2013) 51 *Economic Inquiry* 1542.
[43] B. Torgler and F. Schneider, 'The Impact of Tax Morale and Institutional Quality on the Shadow Economy' (2009) 30 *J. of Economic Psychology* 228.

institutional responsiveness, or institutional failings may all negatively impact on trust in governments and decrease tax morale.[44]

Third, there is also now extensive evidence on the role of *attitudinal factors*, such as norms, and fairness perceptions, as key drivers of tax morale,[45] although the findings are not always fully consistent.[46] Nevertheless, the role of norms is now well established.[47] Norms explain why individuals obey tax laws despite their personal interests being negatively affected (personal norms);[48] and why individuals may feel constrained and decide to comply, where there is low acceptance of tax law (non)compliance among a specific reference group (social norms).[49] Historically, laws that conflicting with prevail social norms can be difficult to enforce.[50] Recent empirical evidence regarding the growing unacceptability of tax evasion in developed countries, may therefore prove critical for growing overall levels of compliance in the medium term.[51] Similarly, the role of fairness perceptions on tax morale has now been well established.[52] Three different types of fairness perceptions have been found to influence individuals' tax morale, namely distributive, procedural, and retributive justice, at three levels individual, group, and societal,[53] with each potentially having effects on tax (non)compliance.[54]

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[44] A. Allam et al., 'National Culture and Tax Evasion: The Role of The Institutional Environment Quality' (2023) 52 *J. of International Accounting, Auditing and Taxation* 100559; L. Feld and B. Frey, 'Tax Compliance as the Result of a Psychological Tax Contract: The Role of Incentives and Responsive Regulation' (2007) 29 *Law and Policy* 102; and C. Williams, 'An Institutional Theory of Tax Non-Compliance in Bulgaria: A Tax Morale Approach' (2020) 1 *Economics Alternatives* 33.

[45] I. Ajzen, 'The Theory of Planned Behavior' (1991) 50 *Organizational Behavior and Human Decision Processes* 179; M. Kornhauser, 'A Tax Morale Approach to Compliance: Recommendations for the IRS' (2006) 8 *Florida Tax Rev.* 601; D. Onu, 'Measuring Tax Compliance Attitudes: What Surveys Can Tell Us About Tax Compliance Behaviour' (2017) 23 *Advances in Taxation* 173; K. Gangl et al., '"How Can I Help You?" Perceived Service Orientation of Tax Authorities and Tax Compliance' (2013) 69 *FinanzArchiv/Public Finance Analysis* 487; and M. Orviska and J. Hudson, 'Tax Evasion, Civic Duty and The Law-Abiding Citizen' (2002) 19 *European J. of Political Economy* 83.

[46] Kogler and Kirchler, op. cit., n. 12, p. 195.

[47] J. Alm, 'Devising Administrative Policies for Improving Tax Compliance' (2023) 70 *Can. Tax J.* 43, at 49. For theoretical review of the roles of social norms in predicting tax compliant behaviour, see D. Onu and L. Oats, 'The Role of Social Norms in Tax Compliance: Theoretical Overview and Practical Implications' (2015) 1 *J. of Tax Administration* 113.

[48] P. Reckers et al., 'The Influence of Ethical Attitudes on Taxpayers Compliance' (1994) 47 *National Tax J.* 825.

[49] M. Wenzel, 'Motivation or Rationalisation? Causal Relations between Ethics, Norms, and Tax Compliance' (2005) 26 *J. of Economic Psychology* 491; and R. Cialdini and M. Trost, 'Social Influence: Social Norms, Conformity, and Compliance' *The Handbook of Social Psychology*, eds. D. Gilbert et al. (1998) 152.

[50] D. Acemoglu and M. Jackson, 'Social Norms and The Enforcement of Laws' (2017) 15 *J. of European Economic Association* 245, at 245-46.

[51] Avina Mendonza et al., op. cit., n. 13.

[52] R. de la Feria, 'Tax Fairness: Reconceptualising Taxation and Inequalities' in *Taxation and Inequalities*, ed. R. de la Feria (2025). See also S. Sheffrin, *Tax Fairness and Folk Justice* (2013).

[53] M. Wenzel, 'Tax Compliance and the Psychology of Justice: Mapping the Field' in *Taxing Democracy*, ed. V. Braithwaite (2003) 45-62.

[54] M. Marshall et al., 'In All Fairness: A Meta-Analysis of the Tax Fairness–Tax Compliance Literature' (2024) 36 *Behavioral Research in Accounting* 105.

Fourth, *cognitive and affective elements*, which have been found to generally impact taxpayers' decision-making processes,[55] may also affect tax morale,[56] and taxpayers' decision to comply with tax law.[57] Fifth, recent literature has also explored how *cultural values* influence tax morale.[58] Cultural values are defined in various ways and lie at the intersection of various disciplines such as economics, law, sociology, and history.[59] The effects of culture values on tax morale can be examined through comparative law approach or the concept of legal transplantation, employing different methods of persuasion to ensure compliance.[60] However, most existing work on tax and culture does not focus extensively on tax non-compliance. Instead, it emphasises the tax behaviours and attitudes of tax elites involved in the progress of tax law design and drafting,[61] as well as culture of tax collection.[62]

Recent developments in this area have explored how cultural values influence tax morale, particularly through the lens of Hofstede's cultural framework. Focussing on five cultural dimensions, namely power distance, uncertainty avoidance, individualism versus collectivism, masculinity versus femininity,[63] and long-term versus short-term orientation, including studies on Confucian dynamism,[64] and cultural values of familism.[65] Various cultural elements have been identified as relevant for tax morale. These include trust, attitudes to redistribution,[66] national pride or patriotism,[67] religions and

[55] A. Tversky and D. Kahneman, 'The Framing of Decisions and The Psychology of Choice' (1981) 211 *Science* 453; D. Kahneman and A. Tversky, 'Prospect Theory: An Analysis of Decision Under Risk' (1979) 47 *Econometrica* 263; and J. Elster, 'Emotions and Economic Theory' (1998) 36 *J. of Economic Literature* 47.
[56] A. Lewis et al., 'Individual, Cognitive and Cultural Difference in Tax Compliance: UK and Italy Compared' (2009) 30 *J. of Economic Psychology* 431; and G. Coricelli et al., 'Cheating, Emotions, and Rationality: An Experiment on Tax Evasion' (2010) 13 *Experimental Economics* 226.
[57] E. Kirchler and B. Maciejovsky, 'Tax Compliance within the Context of Gain and Loss Situations, Expected and Current Asset Position, and Profession' (2001) 22 *J. of Economic Psychology* 173; J. Cullis et al., 'Tax Framing, Instrumentality and Individual Differences: Are There Two Different Cultures?' (2006) 27 *J. of Economic Psychology* 304; and R. Christian and J. Alm, 'Empathy, Sympathy, and Tax Compliance' (2014) 40 *J. of Economic Psychology* 62.
[58] R. Cummings et al., 'Tax Morale Affects Tax Compliance: Evidence from Surveys and An Artefactual Field Experiment' (2009) 70 *J. of Economic Behaviour and Organization* 447.
[59] See further B. Nerre, 'The Concept of Tax Culture' (2001) 94 *National Tax J.* 288. For a discussion on law and culture, see D. Nelken, 'Thinking about Legal Culture' (2014) 1 *Asian J. of Law and Society* 255, at 257-60.
[60] D. Nelken, 'Towards a Sociology of Legal Adaption' in *Adapting Legal Cultures,* eds. D. Nelken and J. Feest (2001) 40.
[61] Livingston, op. cit., n. 9, p. 27.
[62] A. Mumford, *Taxing Culture: Towards a Theory of Tax Collection* (Dartmouth Publishing Company 2000).
[63] G. Hofstede, *Culture's Consequences: Comparing Values, Behaviors, Institutions, an Organizations Across Nations* (2003).
[64] B. Husted, 'Wealth, Culture, and Corruption' (1999) 30 *J. of International Business Studies* 339; and M. Cheng et al., 'Cultural Norms and Tax Compliance: Evidence from China' (2024) 227 *J. of Economic Behavior and Organization* 106720.
[65] F. Pampel et al., 'How Institutions and Attitudes Shape Tax Compliance: a Cross-National Experiment and Survey' (2019) 97 *Social Forces* 1337, at 1339.
[66] H. Kleven, 'How Can Scandinavians Tax So Much' (2014) 28 *J. of Economic Perspectives* 77.
[67] K. Gangl et al., 'Patriotism's Impact on Cooperation with the State: An Experimental Study on Tax Compliance' (2016) 37 *Political Psychology* 867.

traditional beliefs,[68] constitutional and political changes,[69] ethnic diversity,[70] or fraud tolerance as cultural attributes.[71] For example, societies where individuals express preference for a large welfare system, tend to experience lower rates of tax law non-compliance, while others, where culturally greater importance is given to achievements and material success, tend to have higher acceptance levels of tolerance for tax evasion.[72] Cultural values have also been linked to differences in tax morale based on demographic factors, such as gender,[73] education,[74] and tax knowledge.[75] For example, women and married couples tend to have higher levels of tax morale, than men and single individuals.[76]

Finally, some of the above factors can in turn be influenced by other factors outside the tax system, including political alignment,[77] or voting rights,[78] thus indirectly affecting tax morale. For example, political alignment may trigger cognitive biases: individuals are known to be more willing to comply with tax law when it is enacted by the party they support or voted for, hinting at possible cognitive dissonance or motivated reasoning.[79]

The above literature has developed almost exclusively on the context of compliance with PITs, in developed countries. Compliance in other taxes, in developing countries, or both, has so far been largely left unexplored. As a result, the prevailing assumption is that the motivations behind non-compliance with other taxes, such as VAT and CIT, in both developed and developing nations, are identical to those observed for the PIT compliance. Or said in another way, the assumption is that corporate tax morale is not only identical to individual tax morale, but that there are no differences between tax morale in developed and developing countries – despite now extensive evidence, for example, on the impact of cultural values on tax morale. Yet, three key factors challenge this assumption.

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68 Dwenger et al., op. cit., n. 35.
69 A. Mohlmann, 'Persistence or Convergence? The East – West Tax-Morale Gap in Germany' (2014) 70 *FinanzArchiv/Public Finance Analysis* 3.
70 A. Belmonte et al., 'Tax Morale, Aversion to Ethnic Diversity, and Decentralization' (2018) 55 *European J. of Political Economy* 204.
71 W. Knechel and N. Mintchik, 'Do Personal Beliefs and Values Affect an Individual's "Fraud Tolerance"? Evidence from the World Values Survey' (2022) 177 *J. of Business Ethics* 463.
72 G. Tsakumis et al., 'The Relation between National Cultural Dimensions and Tax Evasion' (2007) 16 *J. of International Accounting, Auditing and Taxation* 131.
73 J. Hasseldine and P. Hite, 'Framing, Gender and Tax Compliance' (2003) 24 *J. of Economic Psychology* 517; and C. Bazart and M. Pickhardt, 'Fighting Income Tax Evasion with Positive Rewards' (2011) 39 *Public Finance Rev.* 124.
74 E. McCaffery and J. Baron, 'Thinking about Tax' (2006) 12 *Psychology, Public Policy, and Law* 106.
75 E. Hofmann et al., 'Preconditions of Voluntary Tax Compliance: Knowledge and Evaluation of Taxation, Norms, Fairness, and Motivation to Cooperate' (2008) 216 *J. of Economic Psychology* 209; and M. Bornman and P. Ramutumbu, 'A Conceptual Framework of Tax Knowledge' (2019) 27 *Meditari Accountancy Research* 823.
76 I. Horodnic, 'Tax Morale and Institutional Theory: A Systematic Review' (2018) 38 *International J. of Sociology and Social Policy* 868, at 875.
77 J. Cullen et al., 'Political Alignment, Attitudes Toward Government and Tax Evasion' (2021) 13 *Am. Economic J.: Economic Policy* 135.
78 J. Alm et al., 'Changing the Social Norm of Tax Compliance by Voting' (1999) 52 *Kyklos* 141.
79 N. Epley and T. Gilovich, 'The Mechanisms of Motivated Reasoning' (2016) 30 *J. of Economic Perspectives* 133, at 140; and D. Redlawsk, 'Hot Cognition or Cool Consideration? Testing the Effects of Motivated Reasoning on Political Decision Making' (2002) 64 *J. of Politics* 1021.

First, attitudes may be different when businesses have to deal with different types of taxes, and with different tax procedures. Thinking about tax complexity, for example, the fact that SME owners have to deal with more than one tax may mean that their perceptions will be different and thus affect their tax decisions and tax morale more acutely.[80] Indeed, we know that perceptions of tax complexity and firms' behaviours may be variant in relations to different taxes,[81] dependent on their salience,[82] situational contexts,[83] or design,[84] and can be affected by the frequency of amendments, poorly drafted tax laws and regulations, and inappropriate legal traditions.[85] Second, informality is known to be large in developing countries, and this may be an indication of lower corporate tax morale of SMEs owners, who are the main tax revenue collectors in those countries.[86] Tax evasion can be viewed as modern version of political resistance,[87] so informality may be seen, for example, as a form of questioning regulators' legitimacy,[88] a reflection of different types of institutional settings and cultural values,[89] or the result of the influence of political factors on tax morale.[90] Third, availability, access, and transmission of tax information may be different for different types of taxes, and for different types of taxpayers,[91] and this may affect tax morale. For example, tax knowledge of SME owners is known to accumulate through different channels from individual taxpayers,[92] and the type of tax information they have access to may affect self-awareness,[93] competence,[94] trust in government,[95] or fairness perceptions.[96] Understanding corporate tax morale in developing countries, particularly insofar as SMEs owners are concerned, is therefore critical.

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[80] A. Borrego et al., 'Tax Professionals' Profiles Concerning Tax Noncompliance and Tax Complexity: Empirical Contributions from Portugal' (2017) 15 *eJ. of Tax Research* 424; and B. Kamleitner et al., 'Tax Compliance of Small Business Owners: A Review' (2012) 18 *International J. of Entrepreneurial Behaviour and Research* 330.
[81] T. Budak and S. James, 'The Level of Tax Complexity: A Comparative Analysis Between the U.K. and Turkey Based on the OTS Index' (2018) 44 *International Tax J.* 23.
[82] A. Mumford, 'Tax Complexity, Tax Salience and Tax Politics' (2015) 24 *Social and Legal Studies* 185.
[83] J. Slemrod. 'The Etiology of Tax Complexity: Evidence from U.S. State Income Tax Systems' (2005) 33 *Public Finance Rev.* 279, at 279.
[84] J. Pantya et al., 'Work Performance and Tax Compliance in Flat and Progressive Tax Systems' (2016) 56 *J. of Economic Psychology* 262.
[85] R. Krever, 'Taming Complexity in Australian Income Tax' (2003) 25 *Sydney Law Rev.* 467.
[86] J. Alm et al., 'Nudges, Boosts, and Sludge: Using New Behavioral Approaches to Improve Tax Compliance' (2023) 11 *Economies* 223.
[87] Cullen et al., op. cit., n. 77.
[88] K. Murphy, 'Regulating More Effectively: The Relationship between Procedural Justice, Legitimacy, and Tax Non-compliance (2005) 32 *J. of Law and Society* 562.
[89] B. Torgler, 'Tax Morale and Direct Democracy' (2004) 21 *European J. of Political Economy* 525.
[90] Besley and Presson, op. cit., n. 20.
[91] J. Alm et al., 'Tax Compliance, Social Norms, and Influencers' (2024) *Tulane Economics Working Papers* 2413; and D. Gioacchino and D. Fichera, 'Tax Evasion and Social Reputation: The Role of Influencers in a Social Network' (2022) 73 *Metroeconomica* 1048.
[92] K. Devos, *Factors Influencing Individual Taxpayer Compliance Behaviour* (2013).
[93] K. Eriksen and L. Fallan, 'Tax Knowledge and Attitudes Towards Taxation: A Report on a Quasi-Experiment' (1996) 17 *J. of Economic Psychology* 387.
[94] B. Freudenberg et al., 'Tax Literacy of Australian Small Business' (2017) 18 *J. of Aus. Tax* 21.
[95] M. McKerchar, 'Understanding Small Business Taxpayers: Their Sources of Information and Level of Knowledge of Taxation' (1995) 12 *Aus. Tax Forum* 25.
[96] M. Kasper et al., 'Tax Policy and the News: An Empirical Analysis of Taxpayers' Perceptions of Tax-Related Media Coverage and Its Impact on Tax Compliance' (2015) 54 *J. of Behavioral and Experimental Economics* 58.

III. (DIS)OBEYING TAX LAW: A NEW MODEL OF CORPORATE TAX MORALE

Our proposed theoretical framework for understanding the tax morale of corporate taxpayers, particularly SMEs, is informed by primary data. Using known individual tax morale motivations as a starting point, the framework presents a new approach to classifying these motivations, based on how they relate to the functioning of the tax system: motivations originate from within the tax system are characterised as endogenous motivations, while those that originate outside the tax system are characterised as exogenous motivations. As set out in Figure 1, it identifies five endogenous and six exogenous motivations for corporate tax law (non)compliance.

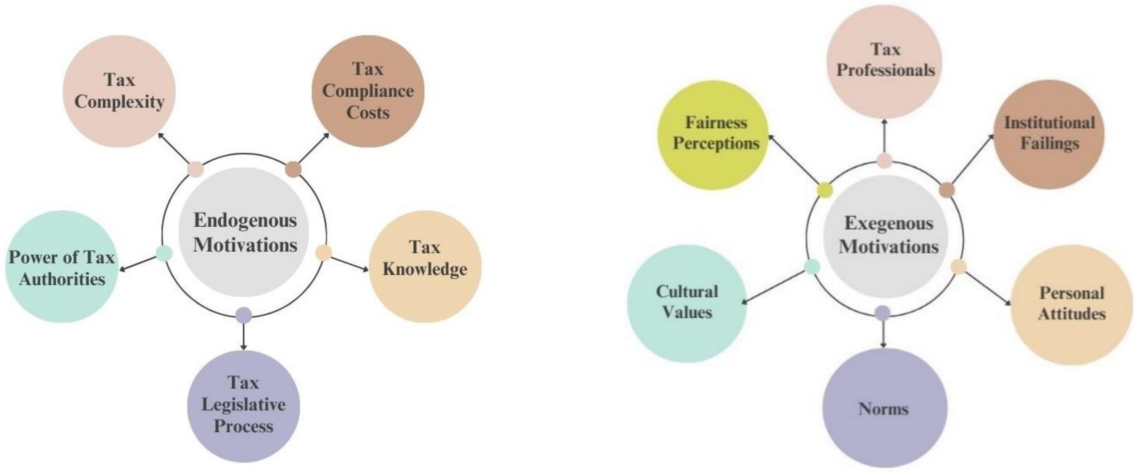


Figure 1. Corporate Tax Morale: A Theoretical Framework

Research methods: Online semi-structured interviews and court cases

To examine corporate tax morale, we employ qualitative methods, drawing data from 42 online semi-structured interviews and 86 published court cases. The novelty of this methodology lies in combination of two sources of empirical data: interviews SME owners and court cases from open-access databases. The complementarity of these two methods is necessary, particularly when researching a difficult field, such as tax law non-compliance. Whilst online semi-structured interviews are common for collecting data on sensitive topics, information from court cases is also critical, as it allows for triangulation of information, providing a broader generative context that may extend beyond, or corroborate, the experiences of selected interviewees.[97] By examining court cases, we can uncover the details of tax disputes, including the interactions between business taxpayers, tax authorities, and courts, the areas of the law more likely to be litigated and the consequent litigation level and intensity, as well as the decisions made and arguments presented by tax authorities – all factors that may, in turn, affect the tax morale of SME owners.

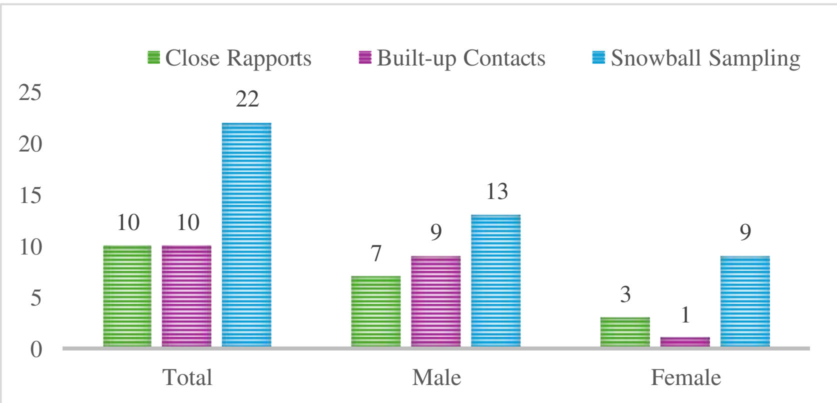
[97] A. Skarpelis, 'Life on File: Archival Epistemology and Theory' (2020) 43 *Qualitative Sociology* 385, at 395.

Online semi-structured interviews, widely used in social science research,[98] provide insight into participants' knowledge, reflections, and real-world responses.[99] The convenience of online interviews encouraged open discussions, even on sensitive topics like tax law (non)compliance,[100] and facilitated participant recruitment. The process of recruiting research participants played a vital role in the success of this study. Following the official classification of businesses by the Vietnamese government by size and industry types,[101] as set out in Table 1, focussing on business-to-customer firms (B2C) firms that pay CIT and VAT, so as to better explore tax compliance of transactions with private consumers – regarded as higher-risk transactions – and only interviewing owners of these firms. As described in Figure 2, we successfully recruited a total of 42 interviewees, through a mixture of close rapports, built-up contacts, and snowball sampling.[102]

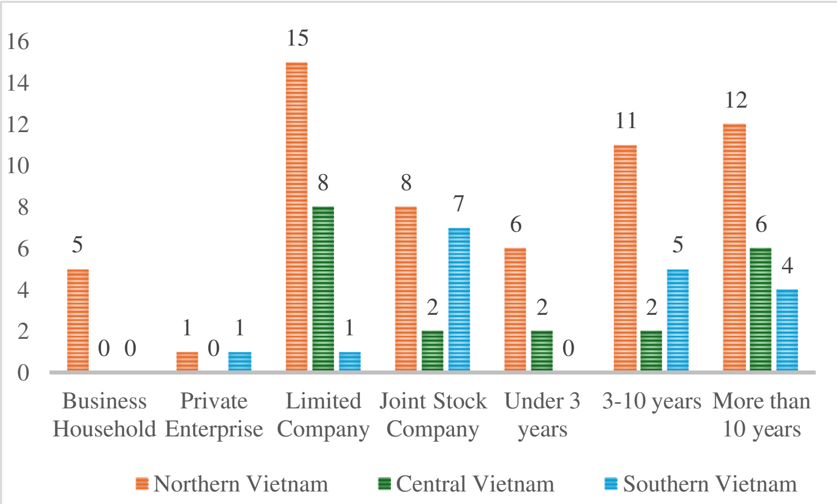
Table 1. Official Classification of Businesses by Vietnamese Government

	Agriculture, Forestry, Fishery		**Industrial, Construction**		**Commerce, Service Industry**	
	No. of Employees	*Annual Revenues (VND billion)*	*No. of Employees*	*Annual Revenues (VND billion)*	*No. of Employees*	*Annual Revenues (VND billion)*
Micro-sized Enterprises	1-10	0-3	1-10	0-3	1-10	1-10
Small-sized Enterprises	11-100	Above 3-50	11-100	Above 3-50	11-50	Above 10-100
Medium-sized Enterprises	101-200	Above 50-200	101-200	Above 50-200	51-100	Above 100-300

Figure 2. Interviewees and their SMEs: Key Characteristics



[98] H. O'Connor an *h Methods*, eds. N. Fielding et al. (
[99] J. Salmons, *Qua*
[100] C. Paechter, 'Researching Sensitive Issues Online: Implications of a Hybrid Insider/Outsider Position in a Retrospective Ethnographic Study' (2012) 13 *Qualitative Research* 71.
[101] Decree No. 80/2021/ND-CP.
[102] A comprehensive list of interviewees is included as Appendix 1.



The 42 interviewees were categorised into three groups: close rapports, built-up contacts, and snowball sampling, including 29 males and 13 females. The close rapports group (10 participants) included friends and former students with strong pre-existing relationships. The built-up contacts group (10 participants) was selected from 78 suitable attendees of tax support projects launched on Facebook before the interviews. The snowball sampling group (22 participants) was recruited through referrals. The first two groups played a key role in identifying 19 of the final 22 cases, while the remaining three cases were recommended by tax researchers and government officials. As expected, Facebook was the most used platform, followed by Zalo (Vietnam's equivalent to WhatsApp); other platforms included Zoom, Viber, and Telegram.

Out of the 42 interviewees, 26 business owners were from Northern Vietnam, while the Central and Southern regions had 8 participants each; Figure 3 disaggregates the number of SMEs by size and geographical location. The total number of companies was 48, most of which had been established for more than 3 years, as shown in Figure 4. It is worth noting that some interviewees owned multiple separate companies. The most preferred type among these businesses was limited liability companies, accounting for 24 firms.

Figure 3. SMEs by Size and Location

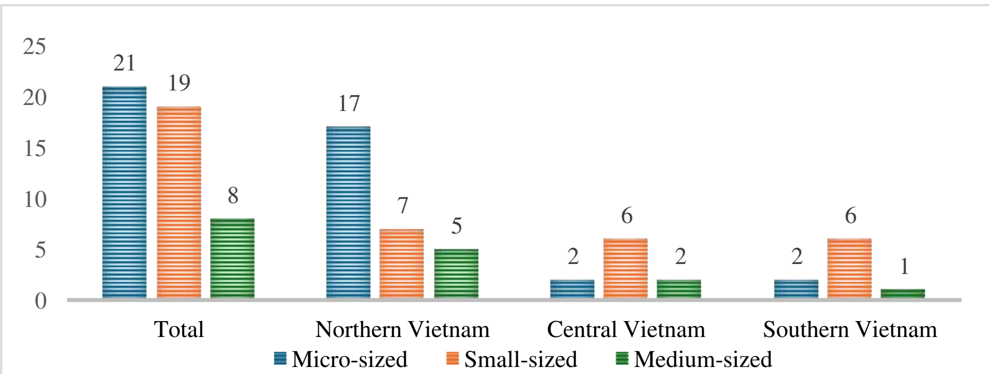
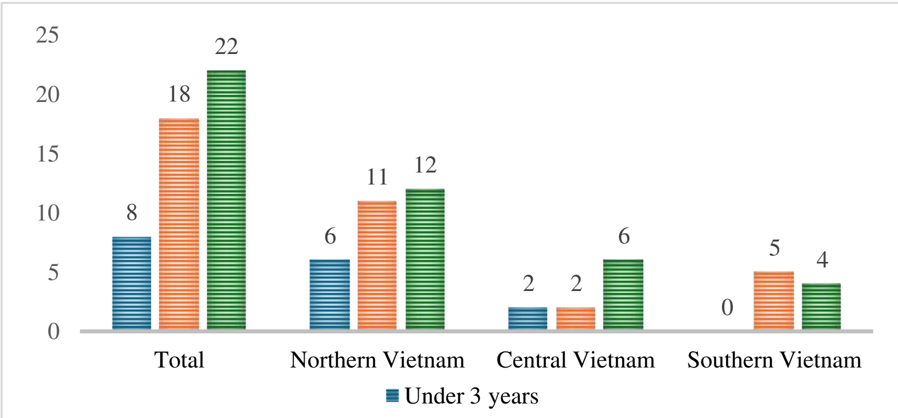


Figure 4. SMEs by Age



The interview consisted of two parts: a background questionnaire on participants and their companies, followed by targeted questions on motivations for tax law (non)compliance. Based on a proxy for tax non-compliance and the hypotheses for exogenous and endogenous motivations, participants first answered six questions on informality, then eight on the abuse of tax discretion and tax officials' performance. Additional questions covered trust in governments, fairness perceptions, norms, and self-control. The final section of the questionnaire explored experiences with tax compliance costs and tax professionals. Interview questions were arranged in a manner, so as to allow tax law non-compliant behaviours to show itself gradually over each interview.[103]

Court cases, like interviews, are a key data source for social science research,[104] offering unbiased insights into SMEs' tax behaviour.[105] These cases were used both to inform the design of the interview questions, and to supplement interview data, revealing tax dispute processes, fairness perceptions, power of tax authorities, and compliance costs.[106] Previously confidential tax cases became public after 2017, under the 2013 Constitution's transparency mandate,[107] opening new opportunities for rich legal research. Data was sourced from the Vietnam Supreme People's Court and major Vietnamese legal libraries, resulted in the identification of 86 VAT and CIT cases, in the period of 2008-2021, categorised

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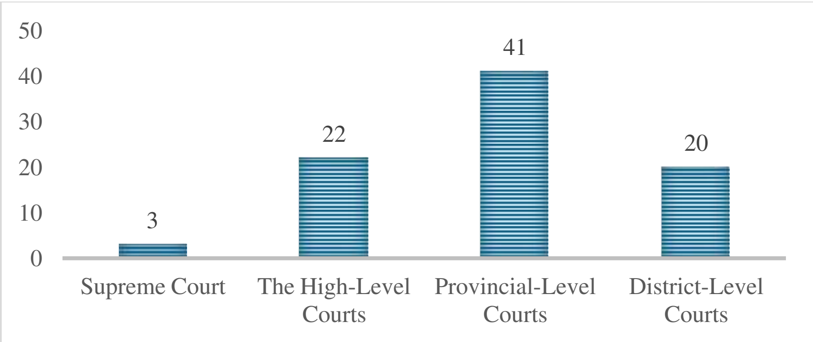
103 The full questionnaire is included as Appendix 2.
104 V. Parisot et al., 'Court Files as Data in Sociological Family Research: Methodology and Methods for a Little-Tapped Kind of Data Material' (2021) 22 *Forum: Qualitative Social Research* 1.
105 L. Lederman, 'Which Cases Go to Trial?: An Empirical Study of Predictors of Failure to Settle' (1999) 49 *Case Western Reserve Law Rev.* 315, at 327.
106 B. Tran-Nam and M. Walpole, 'Tax Disputes, Litigation Costs and Access to Tax Justice' (2016) 14 *eJ. of Tax Research* 319.
107 Resolution No. 03/2017/NQ-HĐTP by Judges' Chambers of the Supreme People's Court on 16/03/2017.

by keywords and SME details, like firm type, industry, and annual revenues.[108] The Vietnamese court system is divided into four levels: the Supreme People's Court, three High-level People's Courts, Provincial-level People's Courts, and District-level People's Courts.[109] Since 2015, the three high-level courts have been established as part of Vietnam's ongoing judicial reform.[110] The number of cases by court levels is shown in Figure 5 below.

Figure 5. Number of Cases by Levels of Courts



Endogenous motivations

The empirical evidence confirms the existence of five endogenous motivations for corporate tax law (non)compliance. This first is *tax complexity*. Interviewees confirm the impact of legal complexity – to include challenges relating to the interpretation, comprehension, and practical application of tax laws – [111] on their tax morale. In line with previous evidence on individual tax morale,[112] legal complexity increases tax compliance costs and perceptions of unfairness among SME owners. SME owners also express the belief that tax complexity affects the performance and reliability of tax authorities,[113] a perspective that is also confirmed by several tax cases.[114]

The most important divergence as regards previous evidence on individual tax morale is the evidence that perceptions of legal complexity may not be static, as previously assumed. Rather, as demonstrated in Figure 4, they depend on a range of contextual factors, including the presence of tax incentives, the occurrence of tax audits, the availability of tax support, and the introduction of new tax laws and regulations. There is also a notable variance in perceptions among owners of medium-sized firms,

[108] A comprehensive list of Vietnamese tax case is included in Appendix 3.
[109] As of May 2025. Law No. 62/2014/QH13 on 24/11/2014, Chapter I, Article 3; and Law No. 63/2014/QH13 on 24/11/2014, Chapter III, Article 40.
[110] Resolution No. 957/NQ-UNTVQH13 on 28/05/2015, and Resolution No. 9573/NQ-UNTVQH13 on 28/05/2015.
[111] Definitions of tax complexity, see C. Evans and B. Tran-Nam, 'Tax Complexity' in *Comparative Taxation: Why Tax Systems Differ,* eds. C. Evans et al. (2017) 209.
[112] J. Alm and C. McClellan, 'Tax Morale and Tax Compliance from the Firm's Perspective' (2012) 65 *Kyklos* 1; and E. Ahmed and V. Braithwaite, 'Understanding Small Business Taxpayers' (2005) 23 *International Small Business J.* 539, at 544.
[113] Interviewees No. 13, No, 17, and No. 21.
[114] Case No. 86/2018/HCST on 26/11/2018 by the People's Court of Ba Ria – Vung Tau Province; and Case No. 1443/2020/HC-ST on 09/09/2020 by the People's Court of Ho Chi Minh City.

particularly those who are shareholders in larger corporations, versus those in small-sized firms.[115] Consequently, the tax morale of SME owners can change over time, depending on their perceptions of tax complexity at that particular moment, in a specific context.

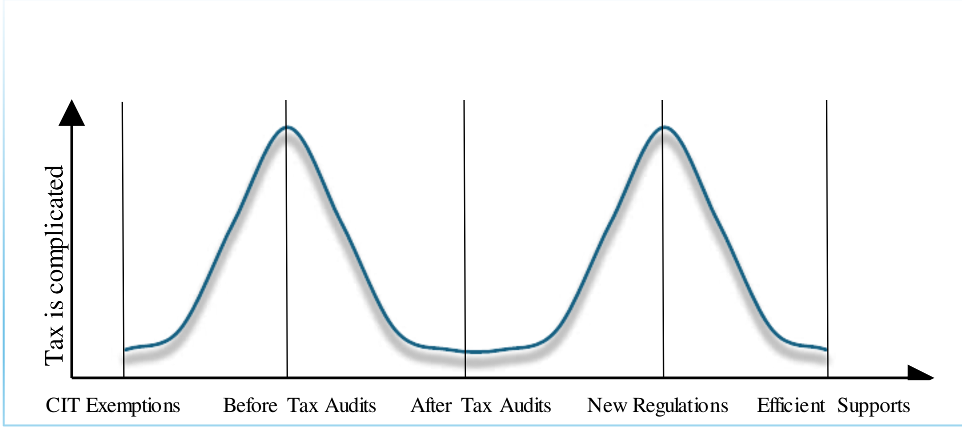


Figure 4. Changes in Perceptions of SME Owners towards Tax Complexity

The second endogenous motivation for tax law (non)compliance of SME owners is *tax compliance costs*. The findings are aligned with the PIT literature on tax compliance costs of different taxes, industries, or firms' sizes;[116] how they are naturally interlinked with other drivers of tax non-compliance like labour costs of tax professionals, impacts of tax services, the appeal procedure, and fairness perception;[117] and on the relationship between informal entrepreneurship and high tax compliance costs in developing countries.[118] SME owners confirm that a high tax compliance burden is a key reason why they choose not to register their start-ups, while they test the potential of their businesses.[119] These corporate taxpayers express the belief that informal entrepreneurship is widely accepted, and tax evasion of start-up SMEs is less harmful than that of large corporations.[120] While these perceptions are likely the result of self-interest followed by motivated reasoning, they nevertheless strengthen social norms of tax non-compliance,[121] indirectly decreasing levels of tax morale.

The third endogenous motivation is *tax knowledge.* When it comes to tax non-compliance, there is a long journey from an intention (not) to comply with taxes to actually committing evasion; tax knowledge plays a significant role in this journey. As being predicted based on PIT literature, tax knowledge of SME owners is gathered through different channels, and that information may affect their

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[115] Interviewees No. 3 and No. 26.
[116] J. Slemrod, 'Does the Tax System Penalize or Favor Small Business' in *The Crisis in Tax Administration*, eds. H. Aaron and J. Slemrod (2003) 69.
[117] C. Evans et al., 'Small Business and Tax Compliance Costs: A Cross-Country Study of Managerial Benefits and Tax Concessions' (2014) 12 *eJ. of Tax Research* 453; and K. Blaufus et al., 'The Income Tax Compliance Costs of Private Households: Empirical Evidence from Germany' (2019) 47 *Public Finance Rev.* 925.
[118] C. Williams et al., 'Informal Entrepreneurship in Developing Economies: The Impacts of Starting Up Unregistered on Firm Performance' (2016) 41 *Entrepreneurship Theory and Practice* 773.
[119] Interviewee No. 29.
[120] Interviewee No. 27.
[121] P. Godfrey, 'Toward a Theory of the Informal Economy' (2011) 5 *The Academy of Management Annals* 231.

self-awareness, competence, and views on redistributive policies. There are, however, some particularities in how it affects corporate tax morale that are not present insofar as individuals' tax morale is concerned. Interviews' data highlights two different avenues through which tax knowledge may affect tax law (non)compliance of SME owners, especially of newly established companies,[122] as follows: *(i)* they may not pay sufficient attention to tax issues during the early stages of business set-up; and *(ii)* they are often overdependence on accountancy professionals,[123] resulting in cycle whereby non-compliance starts with low levels of tax knowledge and unintentional tax mistakes, and ends with low tax morale and deliberate tax evasion. Only three out of the 42 interviewees state that improving their tax knowledge was their primary solution to understanding tax procedures and complying with tax laws.[124]

The fourth endogenous motivation for tax law (non)compliance is the *tax legislative process*. SME owners' tax morale is shaped by the tax legislative process, including policy formulation and law drafting.[125] Interviewee No. 35 strongly criticised the legislative process, stating:

> …No debate took place when the National Assembly discussed the tax laws [of SMEs] in the last meeting. …Obviously, no member acknowledged SMEs' difficulties…

While participation is perceived as an opportunity to contribute, most view it as futile effort in light of governance challenges: interviewees in Vietnam express low expectations as regards parliamentary accountability, pre-legislative tax policy review, or judicial supervision.[126] Many believe tax laws are shaped by large corporations and lobby groups, leaving SMEs with little influence.[127] As a result, the implementation of tax laws is often perceived as impractical, with SME owners likening themselves to 'guinea pigs in the lab',[128] thereby diminishing their trust in government and negatively impacting their tax morale.

The fifth endogenous motivation for tax law (non)compliance is the *discretionary power of tax authorities*, whether coercive or legitimate.[129] In line with studies on individual tax morale,[130] both interview and case law data reveal significant concerns over abuse of tax law enforcement discretion by the executive branch, and its negative effect on tax morale. This discretion is particularly problematic

[122] Interviewees No. 1, No. 10, No. 17, No. 24, No. 25, No. 27, No. 30, No. 36, and No. 38.
[123] Interviewees No. 1 and No. 38.
[124] Interviewees No. 10, No. 11, and No. 18.
[125] A. Swistak, 'Tax Penalties in SME Tax Compliance' (2016) 40 *Financial Theory and Practice* 130, at 132; and P. Mason et al., 'Why Pay Our Fair Share? How Perceived Influence over Laws Affects Tax Evasion' (2020) 42 *The J. of the Am. Taxation Association* 133.
[126] Interviewees No. 11, No. 13 and No. 40. See also B. N. Son, 'The Law of China and Vietnam on Comparative Law' (2017) 41 *Fordham International Law J.* 135.
[127] Interviewees No. 17 and No. 27.
[128] Interviewee No. 27. R. Gordon and V. Thuronyi, 'Tax Legislative Process' in *Tax Law Design and Drafting*, ed. V. Thuronyi (1996) 9.
[129] B. Hartl et al., 'Does the Sole Description of a Tax Authority Affect Tax Evasion? -The Impact of Described Coercive and Legitimate Power' (2015) 10 *PloS One* 0123355.
[130] Alm et al., op. cit., n. 36.

when tax laws lack precision: unclear tax law provisions enhance the discretionary power of the executive branch.[131] There is evidence that tax authorities often disregarded Ministry of Finance guidelines, failing to notify companies before inspections,[132] and exceed legal maximums for inspection frequency[133] – an issue that even drew the attention of the previous Prime Minister.[134] Many SME owners felt that their rights violated,[135] and that tax officials were harsher toward SMEs, fuelling perceptions of tax enforcement unfairness, and thus discouraging tax compliance.[136]

Endogenous motivations

The first exogenous motivation for corporate tax law (non)compliance is *personal attitudes*. Although attitudinal factors are known to be critical for of individual tax morale, it may appear counterintuitive to think of them as relevant to corporate tax morale.[137] Yet, interview data shows that SME owners are strongly motivated by attitudes. Indeed, a wide range of emotions was expressed by interviewees,[138] from satisfaction with the tax officials,[139] to anger towards tax authorities' communication tone and approach;[140] SME owners who had direct involvement with tax authorities expressed particularly strong emotions. Interestingly, the mere reference to terms associated with the tax authorities seem to trigger strong negative emotions: some participants expressed 'frightened' or 'extremely dislike' at the use of terms such as 'tax inspector' in hypothetical questions,[141] even when they no prior contact with local tax officials.[142] Although, again there may be an element of self-interest and motivated reasoning, interviewees expressed relief if tax officials were supportive in communications, but would stop fully declaring income or sales, if they felt that they were harshly treated, forced to pay taxes or penalties.[143]

The second exogenous motivation for corporate tax law (non)compliance are *cultural values*. Evidence of adherence to Confucianism – an often unfamiliar culture element in Western societies, resulting largely from historical and sociological context –[144] is found, but as opposed to previous studies on corporate (non-tax) fraud, interview data shows a negative influence of Confucianism on tax morale. In

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[131] M. James, 'Humpty Dumpty's Guide to Tax Law: Rules, Principles and Certainty in Taxation' (2010) 21 *Critical Perspectives on Accounting* 573. In the case of the UK, it does not only increase the power of the executive branch but also that of the judicial body.
[132] Case No. 496/2020/HC-PT on 08/9/2020 by the High-level People's Court in Ho Chi Minh City.
[133] Case No. 525/2018/HC-PT on 08/11/2018 by the High-level People's Court in Hanoi, where the local tax authority was found to have violated both administrative circulars and tax law rules.
[134] Instruction No. 10/CT-TTG on 22/4/2019; and Official Dispatch No. 1199/TCT-KTNB on 23/3/2020.
[135] Case No. 11/2018/HC-ST on 08/11/2018 by the People's Court of Dong Thap Province.
[136] Interviewees No. 2 and 4.
[137] Onu, op. cit., n. 45, p. 182.
[138] J. Olsen et al., 'Emotions and Tax Compliance Among Small Business Owners: An Experimental Survey' (2018) 56 *International Rev. of Law and Economics* 42, at 44.
[139] Interviewee No. 18.
[140] Interviewees No. 20 and No. 27.
[141] Interviewees No. 5, No. 24, No. 27, No. 28, No. 30, and No. 36.
[142] Interviewees No. 5 and No. 24.
[143] Interviewees No. 17 and No. 27.
[144] Hofstede et al., op. cit., n. 16, p. 354.

the Vietnamese feudal system, government officials were referred to as 'parents of the people',[145] a perception that can be traced to Confucian scholars.[146] Interviewee No. 27 thus compared tax authorities and tax officials to 'the parents', and stated that SMEs always followed their orders without expressing any personal feelings in front of them, reflecting Confucian values of parenting,[147] yet, this corporate taxpayer chose to engage in informality as a form of resistance.

Third, tax law (non)compliance of SMEs is influenced by the involvement of *tax professionals*. One of the most significant empirical findings is that accountants, whether tax or non-tax professionals, play a central role in complying with tax laws,[148] and are also used as a method of avoid working directly with tax officials and local tax authorities.[149] Interview data highlights three primary roles of accountants working with SMEs, namely: tax information spreaders or advisor, tax preparers, and tax non-compliance facilitators. Each of these roles and the trust that SME owners place on their accountants in fulling them,[150] ultimately affects tax compliance and tax morale levels.

Outsourcing tax matters to part-time experienced accountants can reduce money and time spent.[151] Yet some participants stress that without industry-specific experience, accountants may struggle to address their inquiries accurately, potentially leading to unintentional tax violations.[152] This finding is in line with a previous study, demonstrating the impact of unqualified or poorly qualified accountants on compliance with accounting standards in Vietnam.[153] In the social media era, accountants may also distribute misinformation or untested and unqualified advice, from Facebook tax groups and online forums,[154] or even from tax officials.[155] Believing in false information, accountants may, for example, misinterpret treatment of tax deductible and non-deductible items or misunderstand VAT exemptions, leading to incorrect tax filings.[156] Online platforms allow this type of incorrect information to spread more swiftly among accountants,[157] leading to a higher number of tax law violations.

[145] N. N. Huy and T. V. Tai, *The Lê Code: Law in Traditional Vietnam* (1987) 178.
[146] P. D. Nghia, 'Confucianism and the Conception of the Law in Vietnam' in *Asian Socialism and Legal Change: The Dynamics of Vietnamese and Chinese Reform*, eds. J. Gillespie and P. Nicholson (2005) 82-3.
[147] T. Nguyen et al., 'The Psychology of Vietnamese Tiger Mothers: Qualitative Insights into the Parenting Beliefs and Practices of Vietnamese Australian Mothers' (2014) 20 *J. of Family Studies* 48.
[148] E. Doyle, 'Encouraging Ethical Tax Compliance Behaviour: The Role of The Tax Practitioner in Enhancing Tax Justice' (2023) 85 *Law and Contemporary Problems* 137.
[149] Interviewees No. 4, No. 9, and No. 33; and J. Frecknall-Hughes et al., 'The Influence of Tax Authorities on the Employment of Tax Practitioners: Empirical Evidence from a Survey and Interview Study' (2023) 97 *J. of Economic Psychology* 102629.
[150] G. Stone, 'Power, Dependence and Frustration: A Study of Power in Australian Accountants' Advisory Relationship with Small Business" (2015) 23 *Meditari Accountancy Research* 250; and Interviewee No. 8.
[151] Interviewee No. 7.
[152] Interviewees No. 1 and No. 10.
[153] S. Dang-Duc, 'Compliance with Accounting Standards by SMEs in Transitional Economies: Evidence from Vietnam' (2012) 12 *J. of Applied Accounting Research* 96.
[154] Interviewee No. 34.
[155] Interviewees No. 20 and No. 24.
[156] K. Thomas and E. Scharff, 'Fake News and the Tax Law' (2023) 80 *Washington and Lee Law Rev.* 803, at 803.
[157] Interviewees No. 11 and No. 32.

The fourth exogenous motivation for tax (non)compliance is perceived *institutional failings*. In line with previous literature on individual tax morale,[158] corruption, which is perceived as a result of formal institutional failings, is often cited by participants as a reason for tax law non-compliance, and low tax morale.[159] Several participants argue that 'petty corruption' – largely stemming from poor tax services,[160] perceived coercive tax authorities' power, and government failures – is widely accepted. It is also clear from interview data that perceptions of corruption can be influenced by news and media reporting. Participants report concerns that the media focus on 'grand corruption' stories effectively downplays the severity of 'petty corruption' that they experience.[161] While attitudes toward petty corruption vary, some SMEs owners see corruption as beneficial, and try bribe tax officials, often to evade CIT; over time, engaging with corrupt officials becomes a 'one-size-fits-all' solution for tax-related issues,[162] with obvious negative consequences for tax morale.

Fifth, *personal and social norms* also emerge as an exogenous motivation for tax law (non)compliance. In several cases, personal norms, tax compliance, and patriotism emerge as strongly connected. For example, several interviewees' instant response to a question regarding taxpayers' duties and rights was a famous Vietnamese slogan stating that paying taxes is patriotic. In a country historically severely affected by wars, some participants felt that paying taxes is an indirect way of contributing to reconstruction and development.[163] This evidence is in alignment with findings from studies on individual tax morale,[164] as well as with historical evidence on the role of wars in the public willingness to pay taxes.[165] Social norms also play a significant role on corporate tax morale. One prevalent finding – although not universal –[166] norm is the perception corporate taxpayers do not need to provide accurate information to local tax authorities, with some SME owners admitting to not recording certain transactions for tax purposes.[167] They rationalise this behaviour by either believing it will not affect tax compliance, or by assuming that others engage in similar practices.[168]

The last exogenous motivation for tax law (non)compliance is *fairness perceptions*. As identified by the literature on PIT compliance fairness perceptions are also a significant factor on corporate tax morale.

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158 J. Alm et al., 'Corruption and Firm Tax Evasion' (2016) 124 *J. of Economic Behavior and Organization* 146; and R. Picur and A. Riahi-Belkeout, 'The Impact of Bureaucracy, Corruption and Tax Compliance' (2006) 5 *Rev. of Accounting and Finance* 174.
159 B. Jahnke and R. Weisser, 'How Does Petty Corruption Affect Tax Morale in Sub-Saharan Africa?' (2019) 60 *European J. of Political Economy* 101751; Alm et al., id.; and Interviewees No. 12 and No. 39.
160 Interviewees No. 15, No. 17, No. 25, No. 31, No. 37, and No. 38.
161 Interviewees No. 17 and No. 31.
162 Interviewee No. 29.
163 Interviewee No. 11.
164 K. Konrad and S. Qari, 'The Last Refuge of a Scoundrel? Patriotism and Tax Compliance' (2012) 79 *Economica* 516.
165 M. Keen and J. Slemrod, *Rebellion, Rascals, and Revenue: Tax Follies and Wisdom through the Ages* (2021); and H. Yeomans, 'Taxation, State Formation, and Governmentality: The Historical Development of Alcohol Excise Duties in England and Wales' (2018) 42 *Social Science History* 269.
166 Interviewees No. 8 and No. 10.
167 Interviewees No. 23 and No. 28.
168 Interviewees No. 23, No. 32, and No. 34.

SME owners were more willing to comply with tax laws when they believe that others also pay their fair share (distributive justice),[169] and they express support for fair tax procedures,[170] and they show concern with the appropriateness, and equitable application of sanctions for rule breaking (procedural justice).[171] However, it is noteworthy that, although a significant number of SME owners paid close attention to tax penalty levels, their views on penalties have limited impact on their compliance decisions.[172] Similarly although they do express frustration with the fact that large firms are in a better position to negotiate with, and are more respected by, tax officials, while SMEs seldom receive similar treatment, and may face even harsher penalties,[173] they acknowledge that this fact may not directly impact their decision to pay taxes.

The above data paints a comprehensive picture of the motivations for tax law (non)compliance in developing countries, revealing both key convergences and divergences with existing evidence regarding individual tax morale in developed countries. Indeed, similarly to individual tax morale, corporate tax morale in developing countries is influenced by the role of tax professionals, strong personal norms such as patriotism, and perceptions of fairness. However, the empirical evidence also demonstrates that, despite similarities, there are also key differences, as follows.

(i) Legal complexity and high tax compliance burdens. Unlike individual taxpayers, SMEs must comply with different taxes, particularly VAT and CIT, as regards which not only is legislation often more complex, but the legal framework may vary across industries, type of business, and locations. This results in significantly higher compliance costs, and higher levels of legal uncertainty for corporate taxpayers, than it is the case for individual taxpayers, and thus (unsurprisingly) these factors play a more significant role on their tax morale. On this regard, it is also important to note that tax authorities' discretionary power and tax officials' poor performance – a more significant issue in developing countries where tax administrative capacity is usually lower – often also distorts SME owners' perceptions of tax complexity and increases their reliance on often inexperienced – given financial and affordability constraints – accountants.

(ii) Informality as a social norm. SMEs' engagement in informality emerges as a strong social norm. As opposed to developed countries, where new evidence indicates tax fraud is now largely regarded as unacceptable, in developing countries, it is generally accepted that SMEs operate outside the formal economy and SMEs' tax law non-compliance is perceived as less harmful, especially when compared to large corporations. Moreover, engagement in the informal economy is often framed as tax resistance,

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[169] B. Nathan et al., 'Paying Your Fair Share: Perceived Fairness and Tax Compliance' (2024) *NBER Working Paper* 32588.
[170] M. Fochmann and E. Kroll, 'The Effects of Rewards on Tax Compliance Decisions' (2016) 52 *J. of Economic Psychology* 38.
[171] J. Farrar and T. King, 'To Punish or Not to Punish? The Impact of Tax Fraud Punishment on Observers' Tax Compliance' (2023) 183 *J. of Business Ethics* 289.
[172] Interviewees No. 6, No. 12, No. 15, and No. 41.
[173] Interviewees No. 12 and No. 31.

reinforcing informality as a social normal and consequently embedding low tax morale. Cultural values, such as Confucian values of parenting, may attenuate the impact of this social norm for some taxpayers, but are not sufficient to override it for the majority.

(iii) Corruption as an institutional failing. Unlike developed nations, corruption perceptions emerge as one of the most significant motivations for tax law non-compliance. Petty corruption is common, perceived by small and medium corporate taxpayers as the ultimate 'one-size-fits-all' solution, with bribing of tax officials viewed as essential. Over time, as low tax morale becomes entrenched, and working with corrupt officials is sometimes even regarded as a marker of political stability.

In addition to the above drivers of corporate tax morale in developing countries, the data also points to the lower impact of classical elements of deterrence theory on tax law compliance. This is particularly the case as regards the role of tax penalties as a key deterrence mechanism, with little evidence that higher penalties will have any sway on corporate taxpayers' compliance decisions. A possible explanation for the limited impact in this context of deterrence mechanisms, such as high penalties, is that the two aspects are interlinked: overall low corporate tax morale may reduce the effectiveness of deterrence tools, because those who are more averse to risk already decided not to comply due to low morale; or, alternatively, specific drivers of that low tax morale, such as institutional failings, may decrease the fear of detection, and thus the deterrence force of tools such as penalties. Whatever the explanation, put together these findings on corporate tax morale and the (un)effectiveness of classic deterrence mechanisms highlight the structural and cultural barriers to corporate tax compliance in developing countries, offering critical insight into the challenges faced by those countries when trying to increase tax law compliance.

IV. CONCLUSION

This article fills a fundamental gap in the literature by delving, for the first time, into the corporate tax morale of SMEs in developing countries and presenting a new analytical framework for their tax behaviour. This framework is supported by extensive empirical data, gathered through a novel methodological approach, designed to overcome the challenges inherent to undertaking research into a difficult area, such as tax law non-compliance. In developing countries, SMEs are often the most important taxpayers from a revenue perspective: not only do they pay CIT, which as opposed to developed countries where PITs are a key source of revenue, tend to be the most significant income taxes in developing countries, but perhaps more importantly, they are *de jure* collectors of the most important tax in those countries, often by a wide margin, VAT. Yet, surprisingly little is known about the tax behaviour of SMEs in developing (or developed) countries, apart from the fact that they are often the main source of tax law non-compliant behaviour in the country.

The proposed framework highlights the similarities between the known tax behaviour of personal income taxpayers, and the tax behaviour of SMEs owners: many of the known motivations for individuals' tax law non-compliance are also key factors to explain SMEs non-compliance, since it the latter is ultimately driven by its owners' motivations. Yet, the framework – and the empirical evidence that supports it – also point to important divergences insofar as developing countries are concerned. From a normative perspective, understanding not just the similarities, but also those divergences, is vital. Moving away from informality as a social norm is difficult, but not impossible;[174] and while fully addressing institutional failings would realistically be difficult to achieve in the short-term, decreasing legal complexity and compliance costs – including a reduction of tax administrative discretion – can be more easily attained, by reforming tax law, and going further on the digitalisation of tax law enforcement.[175] Ultimately, normative solutions to corporate tax law non-compliance in developing countries will always be multifaceted, but the proposed analytical framework provides the first ever insights into the phenomenon, opening the door to further research in this area, allowing for the design of more effective solutions, and hopefully advancing the tax policy and enforcement debate to a new space.

[174] Avina Mendonza et al., op. cit., n. 13.
[175] R. de la Feria and A. Grau Ruiz, 'The Robotisation of Tax Administration' in *Interactive Robotics: Legal, Ethical, Social and Economic Aspects*, ed. A. Grau (2022) ch. 20, 115-123. See also, R. de la Feria and A. Schoeman, 'Addressing VAT Fraud in Developing Countries: The Tax Policy-Administration Symbiosis' (2019) 47 *Intertax* 950.