

The Influence of Tax Simplicity, Knowledge, and Awareness on Tax Compliance, With Compliance Cost Acting as A Mediator

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Abstract

The study aims to investigate the indirect effects of compliance costs while examining the relationship between Tax simplicity, knowledge, and awareness of tax compliance in Pakistan. The study has obtained cross-sectional data from listed companies in Pakistan through a questionnaire survey. A Partial least square structural equation modeling (PLS-SEM) approach has been employed to address the research question. The findings reveal that there is no meaningful correlation, between compliance expenses and tax knowledge. When attempting to communicate the internal costs of compliance, knowledge needs to be more focused than the external cost. Although our findings showed that taxpayers need to acquire tax knowledge for compliance, however, the taxpayers have to bear the cost. The complexity of the tax system leads to an increase in compliance cost. This paper demonstrates some regular analytical deliberations of knowledge and awareness in influencing tax compliance, there is also an indirect effect of compliance costs in laying the groundwork to comprehend taxpayers' compliance. This paper provides practical implications for taxpayers and taxation authorities.

Keywords: Tax Simplicity, Knowledge, Awareness of Tax Compliance, Compliance Cost, Cross-sectional, PLS-SEM

1. Introduction

The government of a country provides tax filing assistance, educational campaigns for tax laws, customer services and online support for the residents to enhance tax simplicity, awareness, and knowledge. Tax money is needed to carry out the government's operations, and the majority of that money comes from taxes. The main consideration towards funding demands for social, infrastructure, and other areas is the entire quantity of money, including tax and non-tax while, SDGs (sustainable development objectives) fulfill the monetary requirements. This system lessens reliance on erratic and occasionally dehumanizing aid, which may also lessen the motivation to create individuals' income streams and ensure macroeconomic stabilities and resilience (IMF, UN, OECD, and the World Bank Group (WBG.), 2016)¹. The significance of taxpayer compliance with tax duties has drawn the interest of several academicians worldwide. Developments like e-filing, e-invoicing, and self-assessment present questions while an increasing number of taxpayers may choose an aided tax plan as

the tax code grows more complicated (Ramdhony et al., 2023). As far as tax officials are concerned, electronic tax administration systems are being used worldwide to communicate with taxpayers in tax administration, compliance, and collection contexts. This suggests that taxpayers need to be aware of these advancements and capable of using these tools to generate returns that comply with legal standards. With the advent of the self-assessment system electronic tax filing and Pakistan's constantly evolving tax laws—the most recent of which is the implementation of OTT², and the introduction of the withholding tax, taxpayers need to have personnel that can effectively comprehend and interpret the new tax rules and the systems to prevent non-compliance.

Allingham and Sandro (1972) made the first attempt to investigate the idea and discuss the forecasted income and proposed rate of tax rate and expected audit, and find the factors that determine cost compliance. However, the failure of financial speculations for the experimental defense of the outcomes tracked down in principle redirected the

¹<https://thedocs.worldbank.org/en/doc/5963915405684990430340022018/original/worldbankannualreport2016.pdf>

² Government of Uganda has introduced an OTT TAX effective 1st July 2018. The tax is an excise duty

on over the top ("OTT") services and is charged at a rate of UGX 200 per user per day of access.

<https://ottaccounting.net/>

exploration of charge consistency to track down the avocation in non-monetary elements of assessment consistency. The issue is being examined from a variety of perspectives, including sociological, psychological, and economic perspectives. Measurements of tax compliance were conducted using a variety of approaches. One more review from Kichler et al., (2010.) investigates the tax authorities with separate willful assessment consistency, separately implementing charges on the individuals. The choice to go along willfully or by implementation as well as the choice to keep away from or sidestep charges are assigned as a result of the connection between citizens' confidence in specialists and specialists' ability to screen citizens.

A few researchers (Lopez-de-Silanes, La Porta, Shleifer & Vishay, 1997) calibrated the idea of "trust", while, Frey and Jorgen. (2001) presents "inspiration swarming hypothesis" however, Takumi's., Curatola and Porcano, (2007) use "There are concentrates on that investigate the job of reasonableness in deciding deliberate expense consistency as led by Gobena and Van Dijk (2016). By applying the reasonableness hypothesis of procedural equity to the tricky slant structure of Kirchler, Hoelzl, and Wahl (2008), yet Gobena and

Van Dijke (2016) conclude that procedure equity upgrades deliberate assessment consistency. Additionally, Murphied and Torgler (2004) and Kirchler. et al. (2008) discussed that knowledge and awareness about tax reforms reduce compliance costs. According to the literature, Kirchler et al., (2010) and Hassan et al., (2021), investigated the connection between voluntary tax compliance, tax fairness, and tax system simplicity. Although various examinations explore the impact of non-monetary factors on the charge of tax compliance, yet results are conflicting because of the variety of approaches and informational collections. Additionally, the subject has not been investigated at this point in these aspects for Pakistan. Saad (2014) investigates the impact of straightforwardness in charge installment on deliberate assessment consistency. Kemal (2010) analyzed the impact of expense spirit on the consistent citizen and assessment dodgers. Awan and Hannan (2014) eexamine anti-tax culture and reprieves, Ameen and Ahmad (2017) explore a link with debasement and political precariousness through Hassan et al., (2021) evaluated extract obligations and deals charges, and Allam (2021) discusses the impact of financial factors on deliberate duty compliance.

Pakistan, being an emerging economy, experiencing growth in tax reforms, while, needs the resources that can empower the economy to grow. It is just conceivable with confidence and assessment of tax income as a vital component to accomplish maintainability. By levying taxes, according to Pakistan Diary of Financial Studies³ the Government tries to get handsome amount

for running a state affair smoothly. Since no exact solutions have been found in previous research on the subject, this study aims to accomplish this milestone of examine the relationship between tax simplicity, knowledge, awareness and compliance cost. Moreover, utilizes an enormous informational index of the impact of non-financial variables on charge consistency by suggesting three conversation starters. There is no particular platform in Pakistan for tax payers to explore tax simplicity, awareness, and knowledge. One basic definition is that deliberate expense consistence is a self-inspiration to pay the charges genuinely and the aim of this conduct can be willful or upheld by the tax authority⁴. Pakistan's tax expense framework depends on the direct charges (62%.) which are paid deliberately⁵. Little changes in willful expense consistency

can have a critical improvement in profit. However, there is still a gap to empirically examine the relationship as the literature, theoretical and empirical made an effort to define the factor that determines tax compliance (Riaz et al., 2023). Monetary hypotheses of expense consistency depend on Becker's (1968) idea of the hypothesis of wrongdoing. Based on Becker's, concept, Allingham and Sandman (1972) discover that rate of interest but the model's empirical results were inconsistent.

2. Literature Review

One of the biggest issues facing many tax authorities is tax compliance costs concerning tax simplicity, knowledge, and awareness. Even if tax reforms do not show a set behavior, or exact in specific manner, it seems to be a simple effort to convince people to comply with tax requirements. According to Olaoye et al. (2017), taxpayers' degree of compliance with tax laws, as measured by their filing frequency and remittance, is based on the understanding of tax administrations, including tax rate, allowances, allowable and non-allowable expenses, and penalties for tax default. According to Frey and Feld (2002), there are

two main categories of theoretical approaches to tax compliance, first: economic deterrent theory, second: broader behavioral theory.

2.1 Tax Compliance

Tax compliance in the form of regulations is not defined in a specific way. One straightforward definition of voluntary compliance of tax is the self-motivation towards tax payment, intending to do so either voluntarily or imposed by the tax authority. Direct taxes account for approximately 62 percent of Pakistan's tax system⁶, which requires voluntary payment. Little changes in deliberate duty consistency can have a critical raise in revenues. A survey of the writing uncovers that there has been a ton of work to characterize factors that decide charge consistency, hypothetically and observationally. Monetary hypotheses of assessment consistency depend on Becker's (1968) hypothesize of wrongdoing as based on Becker's concept, Allingham and Sandman (1972) influence tax compliance. However, the model's empirical results were inconsistent with the theoretical findings.

This lighted a tremendous discussion in the fields to make sense of these debates.

Different techniques and hypotheses from various disciplines were utilized to come to a compromise. One more course in which charge consistency research developed was to address a fascinating question, presented by Alma. (1991) "Why do individuals pay charges from an open door or even a motivating force to sidestep?" The examinations from numerous disciplines arrived at the possibility that citizens are not just influenced by judiciousness as declared by financial displays, but cost confidence has areas of strength for an in-cost consistency choice. Research in late 1990 began zeroing in on factors past review likelihood and punishment rates (Asnawi, 2013). Traditional theory was combined with behavioral science methods and definitions, and alternative explanations of the phenomenon took into account moral perceptions of the agent's behavior as well as conventional socioeconomic situations.

As per Mollanazari et al., (2016), three social factors impact citizen choices which are normal practices, view of decency, and trust in government. Ferry (2011) demonstrates that good relationships between the government, authorities, and tax payers can improve tax compliance. It makes a

⁶ <https://fbr.gov.pk/categ/pay-income-tax/51147/40850/81156>

'mental agreement' of trust among them and goes past the legitimate guidelines. Kirchler et al. (2008) proposed a novel variation of the "slippery slope framework" in which tax behavior is viewed in two ways: first, being non-cooperative, and following economic theories, and second, as a responsible citizen, being cooperative with tax authority and fully comprehends the benefits of taxes to society. As a result, one may assume that compliance occurs both willingly and through enforcement. In choosing to pay taxes, Kirchler (2008) took into account both psychological (such as tax morale, tax ethics, norms, etc.)

2.2 Tax Simplicity

According to research certain significant factors that determine tax compliance behavior of the of tax simplicity. An intricate expense framework might build the expense of consistency as citizens might look for help from a professional which can be an extra obstruction to consistency inclinations. Because taxpayers have a better understanding of the regulations to easily calculate tax amount based on table income and rate. There finds no significant study that focuses on the role of compliance cost as the mediator between tax simplicity and voluntary tax compliance, even though there has been extensive discussion regarding

simplicity in the tax system. The straightforwardness of the duty framework once interceded by the impression of the decency of the expense framework can cause a citizen to have confidence in straightforwardness and he might feel more obliged towards covering charges. This effect and link will be investigated in this study.

H1: Tax simplicity has a significant positive impact on voluntary tax compliance with mediating role of compliance cost.

2.3 Tax Knowledge

The term is exceptionally a critical construct to make decisions for tax cost deliberately as the center conviction of taxpayers' alongside exact and adequate data will cause them to choose emphatically. Saad, (2014) states that an individual's information about tax reforms motivates towards compliance. According to Kornhauser (2006), tax compliance and knowledge are positively linked. One more concentrate by Lefebvre et al., (2015), examined that at an exceptionally fascinating outcome concerning the way of behaving of individuals towards tax compliance. Delivering public duty data might emphatically affect charge consistency. The current review has explored the impact of assessment information on charge deliberate

expense consistency. Likewise, reasonableness assumes a part of the middle person in characterizing the connection between charge information and deliberate cost consistency. This anticipates that tax awareness acts as a mediator between tax knowledge and its positive influence.

H2: Tax knowledge has a significant positive impact on voluntary tax compliance with mediating role of compliance cost.

2.4 Tax Awareness:

Charge mindfulness is a comprehension of the citizen of assessment regulations, rules, guidelines, strategies, and explicit expense issues are interconnected. The capacity to dissect the duty framework helps in going with a superior choice toward charge consistency. Charge mindfulness is probably going to increment charge consistency. In an examination done by Eriksen and Fallen (1996) concentrated on two gatherings: one was a controlled gathering doled out to concentrate on showcasing while the treatment bunch was allocated to concentrate on tax assessment. Thus, it is evident that tax awareness will positively influence tax

compliance behavior. This hypothesis will be put to the test in this study by assuming it.

H3: Tax awareness has a significant positive impact on voluntary tax compliance with mediating the role of compliance cost.

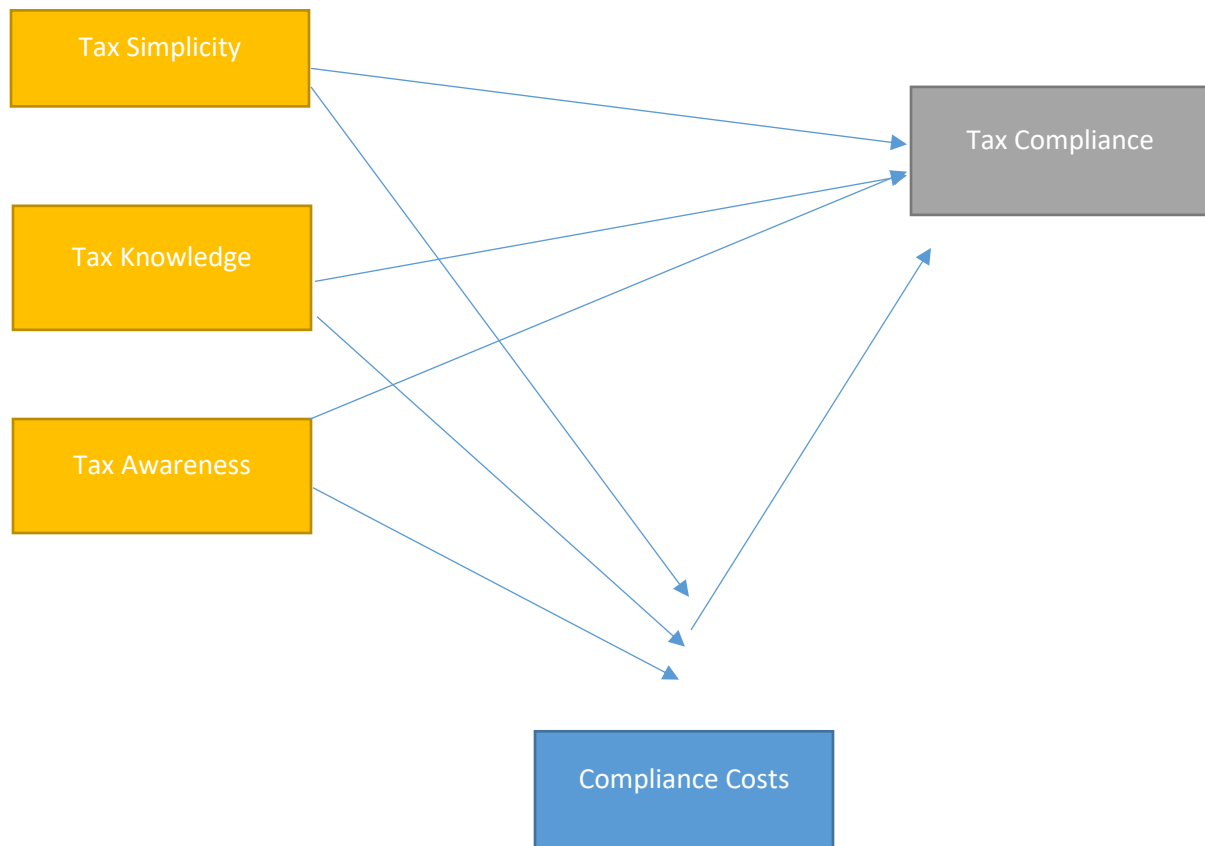
H3: Tax compliance has a significant positive impact on compliance cost.

H4: Compliance has a significant positive impact on tax cost.

3. Data and Methodology

The study employed a cross-sectional design for research. Data has been gathered from a population at a particular point in time is analyzed using a cross-sectional study approach (Sekaran, 2003; Saunders et al., 2007). To determine tax compliance prevalence, we used a cross-sectional survey approach in this study, which included a sample of Pakistani taxpayers in 2019. Furthermore, because the data collecting time was brief, there would be little change in the properties of the variables being assessed. Establishing a correlation b/w two or more variables in the same populations or between the same variable in two populations is the focus of the correlational research.

3.1 Conceptual Model



Independent Variables: Tax Simplicity, Tax Knowledge, Tax Awareness

Dependent Variable: Tax Compliance, Mediator Compliance Cost

3.2 Research Methodology:

In this section, we will empirically investigate the proposed conceptual framework. Our proposed framework contains all critical software testing challenges that highly impact project success.

3.3 Measures and Procedures for Data Collection:

A quantitative approach has been used in the current studies to empirically look into how the influence of tax simplicity, knowledge, and awareness about tax

compliance, while compliance cost acting as a mediator. A questionnaire was designed to assess and validate the theoretical framework. Generally, the survey is used to picture present situations. By questionnaire survey, gathering information from participants is much easier than getting through other observational methods. This study developed a questionnaire for the respondents about Influence of tax simplicity, knowledge, and awareness on tax compliance. We have used closed-ended questions adopted for this study to gather data and get opinions from experts in targeted populations that have worked in the Tax Collection Department in listed Firms. The questionnaire survey is composed of three main sections described in detail below. In the first section, we have focused on getting demographic information of the participants: Email ID, Gender, Educational Background, Working Experience, Tax Payers Etc. In the second, we have obtained information about the organization (Organization Name, No of Employees, etc.). The last section includes identifying an impact of tax simplicity, knowledge, and awareness on tax compliance, with compliance cost acting as a mediator. We have applied five-point Likert scale for the identification of software testing challenge levels like one =” Normal, 2 =”

Strongly disagree, 3 =” Disagree, four =” Agree, and five =” Strongly Agree. Using standard or neutral point values in the scale of the questions may not have any drawbacks in our research. Still, it provides evidence or claims that our result is unbiased data, allowing respondents not to question our answer negatively or positively.

We conducted content and face validity with the experts to evaluate the questionnaire survey’s accuracy and reliability. Content validity is through experts who have accessed questionnaire items’ accuracy, readability, and completeness. Face validity is when experts observe questionnaire items and acknowledge whether respondents quickly understand the questions. Both are performed to finalize the questionnaire survey. After assessing the accuracy and reliability of the questionnaire survey, we sent it to tax retailer companies and taxpayers (filer and non-filer) to extract accurate data. The Statistical Package for the Social Sciences (SPSS) - 26.0 has been used to test data from a pilot study. Later, some changes were made to the questionnaire survey and revised again based on experts’ feedback on our pilot study. Also, ensure data collected from the practitioners through the questionnaire survey will not be shared with anyone or other third parties and keep it confidential.

3.4 Participants

This study used convenience sampling technique for data collection from listed companies in Pakistan based on the accessibility of the author. While this sampling technique has already been used on research (Edgar & Manz, 2017). Adopted this sampling technique and modified it in the study for data collection from different tax retailers' companies that perform tax collection, tax management, and tax entrepreneurship. The targeted population is those with excellent working experience performing Tax Collection activities at the industry level. It includes Professional accountants, Taxpayers, Registered Tax Agents, others Etc. A questionnaire survey was sent to experts in the above-mentioned industry to collect data to evaluate the above-proposed framework. Usually, methods used for collecting data are divided into four types: Mail Questionnaires, computer questionnaires, in-house surveys, and telephone questionnaires. In our study, we have adopted a mail questionnaire type for collecting data from respondents in which we sent email messages and invited respondents to respond by filling online Google form. For

data collection, we used social applications like LinkedIn, Facebook, Gmail, Yahoo, and WhatsApp.

Nowadays, the use of social applications and online work from home has increased too much, and almost all organizations allow workers to work remotely, stay at home, and stay safe. So, in this condition, we adopted the online survey technique and invited participants to fill out the form through online resources, and its response rate also increased. We included all listed Organization Companies who perform Tax-related activities in different organizations and have the experience to understand all the tax regarding terms and conditions. In our survey, all participants are currently working in different organizations in different cities of Pakistan, and our targeted cities are Rawalpindi, Faisalabad, Lahore, and Islamabad. The data collection period from various listed companies is from March 2024 to May 2024. A total of 261 responses were collected from respondents, of which 20 were discarded due to the same response, missing questions, and later changes in the questionnaire survey. Finally, 241 complete and accurate responses were selected for data analysis, and almost 90 percent response rates were achieved.

3.5 Demographically Profile of Respondents

This section will discuss the demographic profile of respondents that is part of our study survey and their related organization's information. It is the best way to discuss our empirical study's sampling and evaluation comprehensively. Information related to participants and their organization is beneficial for investigating our target problems. Respondent's demographic information is a very secure and confidential part of the survey. We ensure that this information will not be shared with any third party. Therefore, the respondent demographic profile was maintained as a significant and more authentic part of the survey.

The way we gather information from organizations and respondents for our survey is shown in the appendix. In this way, we obtain our survey results more authentic and significant. The recommended sample size of SEM-PLS for data validation must be more than 150, and less than 100 will not benefit nor be authentic for finding results. Therefore, we collected data responses of more than 150, and our total collected responses were 261. However, out of these 261, only 241 are included in our study.

Others are discarded due to data missing or respondent duplication responses and changes occurring later in the questionnaire survey after the pilot study. In detail, respondents' information related to demographics included Email addresses, Gender, Education background, etc.,.

4. Data Analysis

In the current study, we used the most popular method, PLS-SEM (Partial least square structural equation modeling) estimate the path and relation between the model and its latent variables. Its common goal is to analyze and identify impact of tax simplicity, knowledge, and awareness of tax compliance, with compliance cost acting as a mediator. The structural or base model elaborates the causal predictive relationships between the constructs. To develop a path model, the researcher combines structural theory and measurement theory which indicates a relationship between the elements of a path model. Structural theory specifies the latent variable to analyze the particular phenomenon and its relationships, while, Measurement theory explores the way of measuring latent variables. The research develops path model sequence is the typically from left to right... Hence, the latent variable left side is the independent variable and the

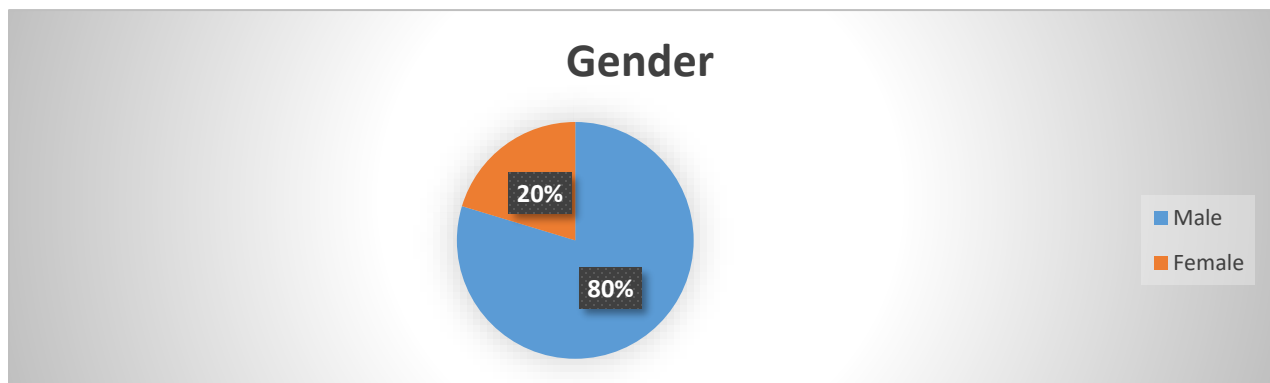
path model dependent variables are on the right sides

4.1 Results of Empirical Study

In this section, the results of our study have been shown that validated and investigated by Tax listed organization experts performing in tax-related projects as team members. This section provides the result of the empirical investigation carried out in this study.

Figure 1: Respondent Demography

First, we discuss gender information that has been analyzed from the respondents: males or females. Of the 241 respondents, 192 are male, covering almost 80 percent of the total survey responses. It is observed that males are highly interested in giving responses compared to females. Females submitted only 49 responses out of 241, only 20 percent of the total respondents. However, it may be a good comparison and helpful in future studies. Research shows that primarily males are interconnected with the Tax Collection industry compared to females.



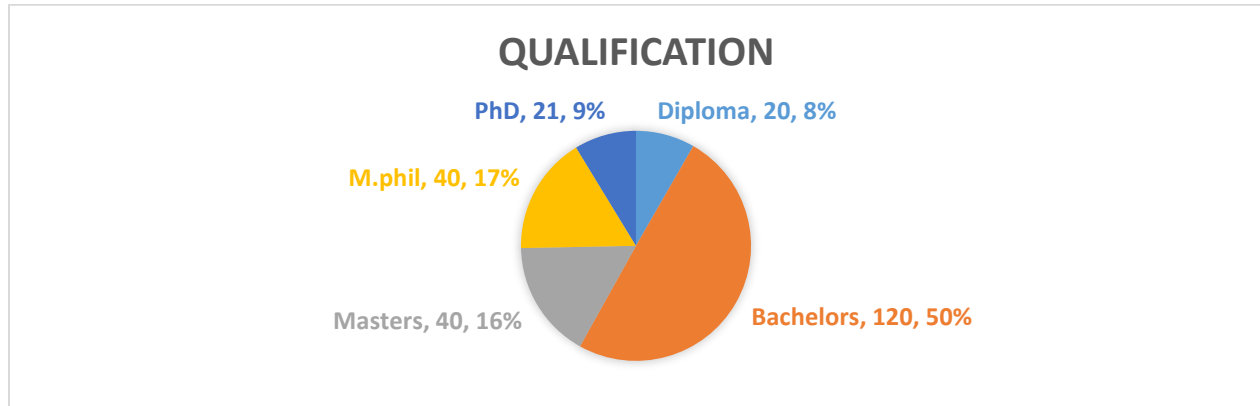
Second, we discuss the educational background of our targeted population's literacy level. In this way, we identified our study as beneficial for which level of people. So, from the total of 241 responses, 120 (50 Percent) are Bachelor's (BS) Degree holders, 40 (16 Percent) are Master's Degree Holders,

40 (17 Percent) are MPhil Degree Holders, 21 (9 Percent) have done postgraduate (Ph.D.), and 20 (8 Percent) are diploma certificate holders in Commence field. This study shows that most of our respondents are above the bachelor's level and graduated in Commence. So maybe it's a good point for

our study that our targeted population has graduated level means this study is beneficial

in the future for academic purposes, as shown below.

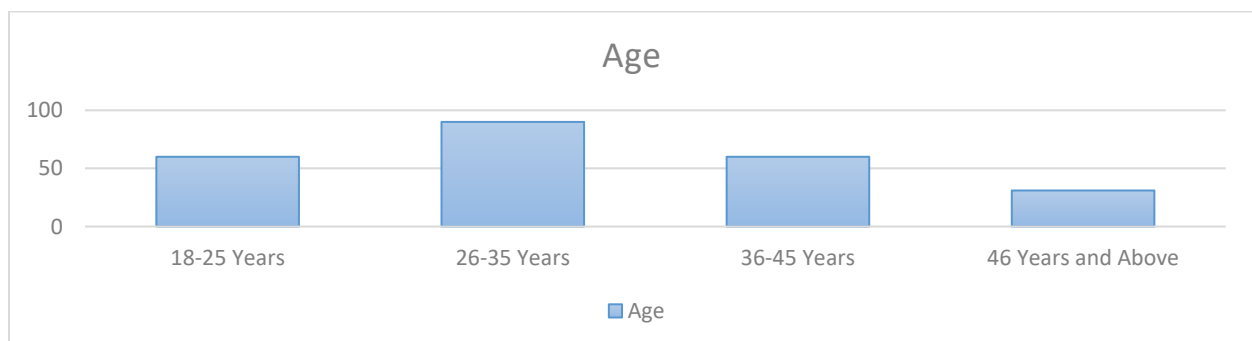
Figure 2: Respondent Demography



In this, we also collected respondents' ages and found our targeted population age, and results showed most of our respondents are between 26 to 35 years. Also, results have shown that 65 (25 Percent) respondents between 18-25 Years Age, 90 (37 Percent) respondents between 36-35 Years of Age, 55

(25 Percent) respondents between 36-45 Years of Age, and 31 (13 Percent) respondents are above than 46 Years Age. However, our survey results have shown that most of the respondents are Young and expert persons in the commerce field.

Figure 3: Age Demography

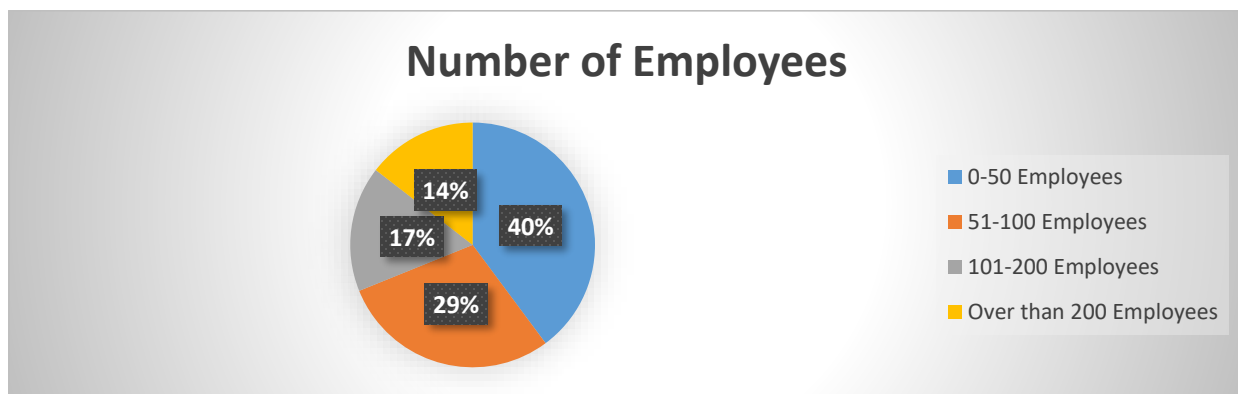


4.2 Organization Related Information:

This section discusses the information gathered in a questionnaire survey related to the organization, such as organization name, current position, total experience, organization size (employee strength), Etc. We discuss the organization's size where our respondents work. Generally, the standard size of organizations in Pakistan is 250 in small and medium enterprises (SMEs), so our

research collected data from organizations with SMEs recognized in Pakistan. Through survey found that 96 (40 Percent) of organizations consist of 0-50 employees, 70 (29 Percent) of organizations have 51-100 employees, 40 (17 Percent) of organizations have 101-200 employees, 35 (14 Percent) of organizations have more than 200 employees correspondingly.

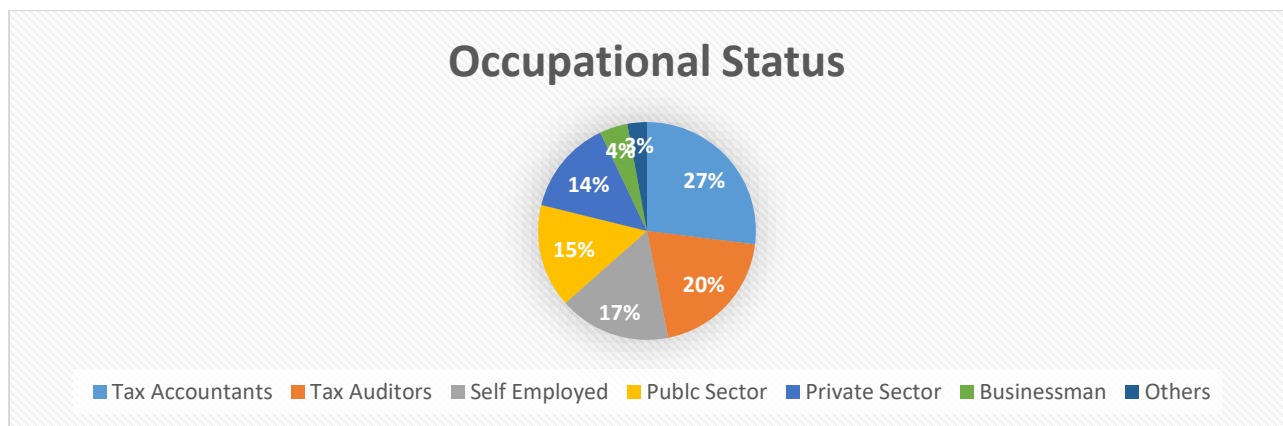
Figure 4: Employees Demography



First, we discuss the current position of respondents in the organization, which is mentioned below, so the results show that 65 respondents are tax accountants by profession. 27 percent of the total means large respondents are tax accountants by profession. Next, 48 (20 Percent) are Tax auditors, and 40 (17 Percent) are self-employed in different organizations. Both are members of higher management of the organization and control the whole

organization's infrastructure. However, 37 (15 Percent) are in the Public Sector and 34 (14 Percent) are private sector. Our primary focus is on these people because they perform tax collection activities at the industry level. Also, 10 (4 Percent) are Businessman and 7(3 Percent) (CEO, Teacher, CTO, Students, Manager, Executive, and Owner) are included, respectively shown in table 5. Second, we discuss respondents' working experience in commerce organizations.

Figure 5: Occupational Demography



The survey aims to gather data from listed tax professionals with good experience performing tax collection. Results show that 140 (56 Percent) respondents have working experience of 1-3Years, 50 (20 Percent) respondents have working experience of 4-6 Years, 40 (16 Percent) respondents have

working experience of 7-10 Years, and 21 (8 Percent) respondents have working experience of More than 10 Years. However, our survey results have shown that most of the respondents are hard-working and in the growth stage, continuously increasing our commerce industry expertise.

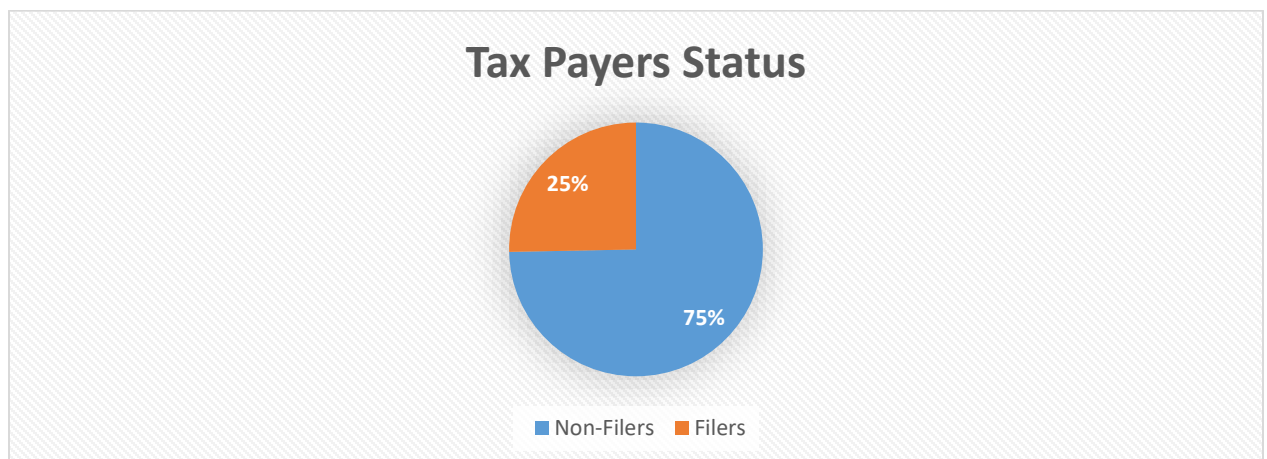
Figure 6. Workings Experience Demography



The survey aims to gather data information about the current taxpayer ratio in Pakistan survey results in the below diagram show most of the people cannot be retired as taxpayers like 180 (75 Percent) are

non-Filer and 61 (25 Percent) are Filers. Results show very small community is registered as a tax pyre in government organizations and most of them are salary persons.

Figure 7: Tax Payers Demography



4.3 Reliability Analysis

The reliability of the questionnaires is checked through Cronbach's alpha following the methodology of Bonett & Wright (2015).

This test will be applied to check the internal consistency between the questionnaire items. It is concerned with measurement results' stability, reproducibility, and consistency. It is an important factor in questionnaire quality as it helps to classify contradiction and their effect on outcome contradiction and their impact on outcomes. Internal reliability is important when a construct has multiple measure items. Construct used in this research study have various items, i.e., TP, TAD, and TIE have three measures. To

assess the reliabilities of measure items by examining the consistency of the defendant's answers to the questions. The Cronbach alpha value up to 0.70 is well throughout accepted, while 0.8 is considered good. A reliability coefficient < 0.6 is poor, and greater than or equal to 0.7 is acceptable. Cronbach's alpha' shows adequate reliability, if the reliability coefficient is greater than or equal to 0.70, so Cronbach's alpha is calculated to determine the reliability of each measure. As the value moves toward one, the greater the reliability.

Table 1. Test of Reliability

Constructs.	No of Items.	Cronbach's Alpha.
TK	5	0.963
TS	4	0.862
TA	4	0.842
CC	3	0.912
TC	7	0.893

4.4 Descriptive Analysis:

The conversion of raw data into the form that will make it easy to understand and interpret i.e., rearrange, order, and manipulate data to provide insightful pieces of information about the provided data. It is the types of Analysis of data that help describe show or summarize the data point constructively so that a pattern might emerge

that fulfills every condition of the data. It is the one of most important steps for conducting statistical data analyses. It gives you a conclusion of the distributions of your data helps you detect typos and outliers and enables you to identify similarities among variables, thus making you ready to conduct further statistical analyses. In this research, we did the descriptive analysis using SPSS 26.0 and found mean, standard deviation,

skewness, and kurtosis values. The mean range is from 2.0 to 3.99, the skewness range is from -1.96 to +1.96, and the kurtosis range is from -3 to +3. It helps us describe summarized data points constructively so that

a pattern builds to fulfill every data condition. Through this analysis, we will normalize data and find and remove all outliers in our collected data set.

Table 2. Descriptive Statistics

	Mean	Std. Deviation	Skewness		Kurtosis	
TK1	2.3402	1.20433	0.604	0.157	-0.469	0.312
TK2	3.5768	1.03447	-0.538	0.157	-0.201	0.312
TK3	3.7137	1.16054	-0.666	0.157	-0.366	0.312
TK4	3.6473	1.08593	-0.699	0.157	-0.084	0.312
TK5	3.7137	1.17481	-0.702	0.157	-0.355	0.312
TS1	3.5768	1.20905	-0.624	0.157	-0.500	0.312
TS2	3.6556	1.12623	-0.755	0.157	-0.076	0.312
TS3	3.6763	1.11944	-0.718	0.157	-0.155	0.312
TS4	3.5270	1.17982	-0.610	0.157	-0.435	0.312
TA1	3.6680	1.17517	-0.588	0.157	-0.586	0.312
TA2	3.5851	1.14110	-0.525	0.157	-0.428	0.312
TA3	3.5975	1.24492	-0.662	0.157	-0.460	0.312
TA4	3.5519	1.15398	-0.472	0.157	-0.610	0.312
CC1	3.5643	1.17128	-0.619	0.157	-0.317	0.312
CC2	3.6141	1.10135	-0.567	0.157	-0.356	0.312
CC3	3.7261	1.13638	-0.769	0.157	-0.084	0.312
TC1	3.5602	1.18915	-0.699	0.157	-0.305	0.312
TC2	3.5809	1.13775	-0.630	0.157	-0.324	0.312
TC3	3.3610	1.33478	-0.388	0.157	-1.093	0.312
TC4	3.3900	1.28345	-0.487	0.157	-0.840	0.312
TC5	3.6473	1.28941	-0.671	0.157	-0.712	0.312
TC6	3.7137	1.28654	-0.730	0.157	-0.661	0.312

TC7	4.0456	0.79188	-1.097	0.157	2.229	0.312
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4.5 Correlation Analysis:

Pearson product-moment r correlation sometimes called a Pearson correlation (Pearson, 1936) has been used to measure the linear relationships among the two variables. Pearson correlation is denoted by “ r ” when it is measured in the sample. Pearson’s r can vary from +1 to 1- An r of value +1 specified a perfect positive relationship 0 shows no linear relationships between variables whereas, 1 denotes a negative correlation, after recording items the correlation was

performed to each category individual to analyze its impacts on projects success’s measuring variable. To assess the correlation coefficient, ‘Cohen’s standard was used.

From Table 3, we can interpret that most of the Influence of Tax Simplicity, Knowledge, and Awareness on Tax Compliance, depict a negative outer correlation with the measure of Compliance Cost. Therefore, an increase in the values of one factor can decrease the value of the correlated factor.

Table 3. Correlated Factors

	TC1	TC2	TC3	TC4	TC5	TC6	TC7
TK1	0.055	-0.153	-0.064	-0.153	-0.242	0.055	-0.064
TK2	-0.064	-0.242	-0.242	-0.345	-0.153	0.167	-0.153
TK3	0.167	-0.345	0.190	0.167	-0.064	-0.189	-0.242
TK4	-0.153	-0.189	-0.076	0.055	0.190	-0.076	-0.345
TK5	-0.242	-0.312	-0.312	-0.189	-0.345	0.190	0.055
TS1	-0.189	0.190	-0.153	-0.076	0.190	-0.189	0.167
TS2	0.055	0.167	-0.064	-0.312	-0.153	-0.345	-0.153
TS3	-0.064	-0.345	-0.242	0.190	-0.189	0.190	-0.064
TS4	-0.153	-0.312	0.055	-0.076	-0.064	-0.189	-0.345
TA1	-0.312	-0.076	0.190	-0.153	-0.242	-0.153	0.055
TA2	-0.189	-0.153	-0.345	-0.189	0.055	-0.312	-0.242
TA3	-0.153	-0.076	0.055	0.167	-0.189	0.190	0.167
TA4	-0.242	-0.312	-0.242	-0.312	-0.312	-0.345	-0.064

CC1	-0.064	0.167	-0.064	-0.345	-0.242	-0.189	-0.242
CC2	0.055	-0.189	-0.153	-0.189	-0.064	-0.153	0.055
CC3	0.167	-0.242	-0.189	-0.153	-0.076	0.190	-0.153

4.6 Quantitative Analysis:

In the current study, we used the most popular method, Partial least square structural equations modeling (PLS-SEM) estimate the path and relation between the model and its latent variables. Its common goal is to analyze and identify software testing challenges affecting the targeted project's success. Path models include Latent variables or construct and Hypotheses. A path model consists of two elements structural and measurement model.

4.6.1 Assessment of Measurement Model

The conceptual framework proposed in this study is formative. It contains five exogenous constructs identified: Tax Simplicity, Knowledge, Awareness, and compliance cost. These are Tax-related activities and Tax Compliance as endogenous constructs.

Formative Measurement of the model is the strict assessment using PLS Model B. In our current study, PLS Model B algorithms are used for data evaluation of the proposed model. First, we evaluate the formative

model's collinearity that measures each item's Variance Inflation Factor; (VIF) by running a multiple regression analysis between formative measured constructs items and other constructs indicators in the measurement model. If the value of the VIF is high, then the automatic collinearity level will be high.

To access VIF criteria, VIF is acceptable if the values are less than five and is considered ideal if the values are lower than 3. Convergent validity defines the correlation of constructs that the measured formatives with reflectively measured item (s) correlate with alternative measures of the same concepts. It would be 0.708 or higher than the considered constructs which explains 50 Percent of the alternatives measure's variance. Regarding relevance indicator weight is standardized to a value usually between -1 and +1, with weight closer to +1 (or -1) representing strong positive (or negative) relationships and weight closer to 0 indicating weak relationships. Note that values below -1 and above +1 may technically occur, for instance when col

linearity is at the critical level. If the indicator weight is zero it is not statistically significant and is removed from the measurement models.

Table 4. Variance Inflation Factor

	Outer Loading	Outer Weight	Scale Type	Significance	VIF
TK1	0.841	0.393	Formative	<0.001	1.526
TK2	0.831	0.331	Formative	<0.001	1.823
TK3	0.896	0.566	Formative	<0.001	1.676
TK4	0.800	0.276	Formative	<0.001	1.534
TK5	0.813	0.355	Formative	<0.001	1.523
TS1	0.834	0.504	Formative	<0.001	1.654
TS2	0.872	0.455	Formative	<0.001	2.298
TS3	0.799	0.355	Formative	<0.001	2.456
TS4	0.811	0.267	Formative	<0.001	1.765
TA1	0.820	0.347	Formative	<0.001	1.854
TA2	0.821	0.433	Formative	<0.001	1.456
TA3	0.854	0.388	Formative	<0.001	2.543
TA4	0.865	0.269	Formative	<0.001	3.452
CC1	0.843	0.399	Formative	<0.001	2.455
CC2	0.833	0.365	Formative	<0.001	1.765
CC3	0.821	0.213	Formative	<0.001	1.654
TC1	0.856	0.290	Formative	<0.001	1.876
TC2	0.854	0.287	Formative	<0.001	1.943
TC3	0.780	0.345	Formative	<0.001	1.567
TC4	0.844	0.421	Formative	<0.001	1.766
TC5	0.865	0.280	Formative	<0.001	1.833
TC6	0.803	0.343	Formative	<0.001	1.755
TC7	0.806	0.486	Formative	<0.001	1.655

However, our results show indicator loadings and weights, VIF, and values meet the above criteria. Hence in Table 5, the results show that all the measurements of variables and constructs identified for this study are statistically significant and have satisfactory reliability, which is essential for model assessment validity.

The PLS-SEM assessment measurement model accesses the convergent validity by measuring full collinearity, Cronbach's alpha measures the reliability of individuals, and all indicators are equally reliable. Still, it is more

sensitive in no of items than internal consistency reliability is found called Composite reliability (CR). If the value of CR is more significant, then 0.7 is acceptable and satisfactory, and values above 0.95 are not sufficient. However, our results show that Cronbach's alpha and Composite reliability values meet the above criteria. Moreover, the results show that all the measurements of variables and constructs identified for this study are statistically significant and have satisfactory reliability, which is essential for model assessment validity.

Table 5. Reliability and Collinearity

Constructs.	Cronbach's Alpha.	Composite Reliability	Full- Collinearity
TK	0.776	0.871	2.436
TS	0.812	0.888	2.657
TA	0.706	0.873	2.298
CC	0.823	0.895	2.144
TC	0.722	0.879	2.306

4.6.2 Assessments of Structural Model

To evaluate the hypothesis and structural model of the proposed conceptual framework find the path coefficient, R2 coefficient, and effect size value of endogenous construct, i.e., Using Wrap PLS 7.0 to calculate p-value

and t-value for project success (P.S.). The T-value will be calculated by the given formula path coefficient /S.E. If T-value is the greater than 1.64 or 1.96 is considered statistically significant. A P-value less than $P < 0.05$. is considered significant statistically. As shown in Table 5.

Table 6. Testing of Hypothesis

Hypothesis Testing	Path Coefficient.	SE.	T-value	P-Value.	Effect Size	Results.
H1:TK→ TC	0.199	0.059	2.687	0.007	0.122	Supported
H2:TS → TC	0.162	0.058	2.376	0.018	0.123	Supported
H3: TA→ TC	0.157	0.059	2.251	0.024	0.121	Supported
H4:CC→ TC	0.189	0.058	3.021	0.001	0.175	Supported

Therefore, results show that the Tax Knowledge (TK) significantly impacts its endogenous construct Tax Compliance (TC). The value of the PS path coefficients is 0.199, and its T-value is 2.687 at a p-value of 0.007, which will be less than $p < 0.05$, fulfilling the whole criteria already mentioned above. Moreover, the Tax Simplicity (TS) also has the most significant impact on its endogenous construct. Tax Compliance (TC). the value of the path coefficient is 0.162, and its T-value is 2.376 at a p-value of 0.018, which will be less than $p < 0.05$, which fulfills the whole criteria already mentioned above. Moreover, Tax Awareness (TA) also significantly impacts Tax Compliance (TC). Its path coefficient value is 0.157, and its T-value is 2.251 at a p-value is 0.024, which will be less than $p < 0.05$. Whereas, Compliance Cost reporting also has an incredibly significant impact on final Tax Compliance (TC) Its path

coefficient value is 0.189, and its T value is 3.021 at a p-value of 0.001.

In this study the effect size of exogenous on endogenous is also calculated, evaluating the associations among construct. Hence, our study's R-squared coefficient value is 0.595, which is above than criteria of satisfactory. The software testing challenges having ES value ≥ 0.35 have a significant effect. If value ≥ 0.25 has a medium effect and value ≥ 0.1 will be considered a small effect among constructs. Results shown in the Table that testing planning has small effects with a value of 0.122, which is higher than 0.1. Testing control monitoring also has a small effect with a value of 0.123, higher than 0.1, and Testing analysis design also has a small effect with a value of 0.122, which is higher than 0.1. Testing implementation execution also has small affected a value of 0.175,

which is higher than 0.1 and the last testing competition reporting has a small adequate size value is 0.240, which is more significant than 0.1 and less than 0.25. The R-squared coefficient value among endogenous constructs against Project success is 0.595, which is above than given criteria of ≥ 0.5 and shows it is statistically significant. In addition, further model assessment is performed using the Wrap PLS 7.0 version that calculates that the model is statistically significant and correct. Some results are given below.

Our above results show that our proposed conceptual framework is significant statistically, as the value of Average path coefficient (APC) Average R-squared (ARC), and Average adjusted R squared (AARS) concerning P-Value ≤ 3.3 , and it is acceptable if ≤ 5 . Therefore, the current study result demonstrates that the values of the AVIF and the AFVIF fulfilled the given criteria as AVIF was 2.905 and AFVIF was 2.786, which is ideal for our current study because that is less than $j=3.3$. They showed that both values ideally satisfying.

5. Conclusion and Discussion

Since taxpayers consistently declare that they conform to the law, it can be challenging to establish tax noncompliance. According to

Musimenta et al. (2017), there are substantial differences in tax compliance between taxpayers and tax authorities; as a result, it is difficult to determine whether or not taxpayers comply. The baseline is that tax compliance can only be demonstrated by physically inspecting the accounting records of the taxpayer and the records of the tax authorities, which is not feasible due to confidentiality concerns. There is still a noticeable discussion around tax compliance in emerging nations like Pakistan. The study concludes that the connection between tax complexity and tax compliance is partially mediated by compliance expenses, both external and internal. The expense of compliance increases with the complexity of tax regulations

There are several reasons why these results are important. First, as far as we are aware, this work is the first to empirically analyze the indirect impacts of compliance costs in the link between tax complexity and tax compliance, which is a significant method for resolving compliance concerns. In light of this, this study adds to the body of pieces of literature by producing empirical proof of the concept's worth. Future studies might examine the benchmarks for lowering compliance costs qualitatively since it is believed to be important for enhancing

compliance. Notably, operating costs associated with compliance lower taxable earnings or potentially raise the cost of products and services. the results of this study are aligned with the existing research (Hidayat & Fachrian, 2023; Saptono & Khozen, 2023; Hidayat et al., 2023). Furthermore, the extent to which taxpayers' degree of tax expertise, code, and the expense of compliance all have a role in their ability to comply with tax rules in terms of filing tax returns and making remittances. This would close the knowledge gap between taxpayers and the complexity of taxes. rules through door-to-door sensitization campaigns, tax incentives, and direct-free symposiums and seminars. At the moment, only business-oriented pupils are taught about taxes in economics classes in high schools and universities, disregarding the other levels and other areas that also serve as the foundation for taxation. This study is helpful to taxpayers and tax authorities. However, during this study, we have experienced certain limitations regarding data collection as the accessibility and response of sample. We have experienced certain respondent to avoid exposing their opinion regarding tax compliance, e-filing and political reservation. In the future, tax compliance will be

examined by macroeconomic variables to provide insight to policymakers.

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