



Effects of Online Tax Systems on the Tax Compliance Behaviors of small business owners

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ABSTRACT :

The impact of online-tax systems on the tax-compliance behaviour of the small business owners is discussable in this paper on both the technological and behavioural front. Though the importance of usability of systems, trust and efficiency has been given focus by past studies, yet in the literature there continues to exist a very significant gap on how the socio economic, psychological and demographical factors are aggregated to influence compliance decision- among informal and rural establishments. The final aim of the research is to compare findings of influence of the system of online tax collection to determine the compliance behavior and the second aim is to scrutinize the terms of perceived advantage and the perceived limitation of online tax collection system, ease of use, trust and other system security which may influence the use of the system as well as the individual factors such as age, education, experience in business to determine whether or not the system should be adopted. According to the results given by the proprietors of small business in empirical research, the problems in the cyber security, the variation in levels of digital literacy and trust in the accuracy of the systems is found as one of the barriers to voluntary compliance. This conforms to a broader preoccupation with digital finance and e-governance, where such perceived security threat risks have a fatally influential impact on user interaction. The results suggest that half of the respondents have a concern over online tax schemes in the tax systems and the online risk of security. This shows a significant issue in relied terms that can slack its usage. The study reveals that there is a measure of important knowledge on how the small entrepreneurs who view online tax systems. Nearly half of the participants expressed that they care about cyber threats, and trust and the safety of their information were regarded as a critical adjacency factor.

Keywords: Online Tax Systems, Compliance Behaviour, Digital Tax Platforms, Digital Literacy

Introduction

Proper tax compliance is one of the elements that play important roles on the economic situation in a country and development.

Governments finance infrastructure, social representation and state using tax income. It may however, nonetheless prove a challenge to ensure proper structure and organization of taxes, and in the example of a small business owner because a larger company is not necessarily as strong and informed as he might be. Traditionally, manual and paper-based systems of tax compliance have been at work and are tedious and most importantly, vulnerable to mistakes. To this several governments all around the world have set online taxation structures also referred to as taxation structures to God easy the process of taxation by making it easier to comply and thus saving the state and the taxpayer money.

Online systems of tax systems are matched to facilitate customary and straightforward automated tax related activities such as online registration, online payment of taxes and records maintenance. The advantages that such systems offer are numerous and they are reduced paper work, fast processing and increased transparency and remoteness. Small business owners can find great relief in such systems because in most cases they have a weak workforce and have limited time available to them. Still these mechanisms prove to be very promising to enhance the behavior of tax compliance, considering that, the performance of these systems is prone to a host of categories: the usefulness of systems, digital systems, training of taxpayers, and trust in the institutions, among others.

This research aims at assessing the impact of the online tax systems on the behavior of the owners of small businesses in the specific regard of tax compliance. It argues as to whether the systems are achieving their noble objective or not because of practical predicaments such as being digitally illiterate, technical, or being unaware.

Research Gap

Even though more literature and evidence exist on the positive effects of the online tax system that can lead to the growth in tax compliance due to the rising number of small business owners, certain crucial gaps that are yet to be filled do exist. Most studies (e.g., Shukla and Kumar, 2019; Nguyen et al., 2023) have concentrated on technological and system related factors such as usability/confidence/system quality and have not addressed behavioral, socio-economic, and psychological factors such issues having an influence on compliance choices. Other than it has been proposed that digital literacy matters highly in certain research (e.g., Wanjagi and Ondabu, 2019), in the vast majority of studies no effort has been put into examining various obstacles that may challenge informal sector enterprise, or the activity of rural groups with a scarce digital landscape. In addition, although reports e-efficiency of compliance has been linked to on-line system e-efficiency, little effort has been made to empirically measure long-term behavioural results of these systems and a distinct division has also not been made between voluntary and forced compliance. In addition, there are limited comparisons across

countries and reliance on the existing literature is quite context-specific and cannot be easily generalized to different tax systems, economies and jurisdictions.

Objectives

- To find perceived advantages and difficulties in using online tax systems to proprietors of the small businesses.
- The aim of study was to analyze the correlation between the perceived ease of use as a predictor of intention to submit tax returns.
- To examine how trust and data security would influence the tax compliance using online systems.
- To assess the effects of the use of online tax systems in affecting the tax compliance behavior of the small business owners.

Research Questions

- My concern about completing tax forms online is that of possible cyber-attacks.
- Compliance can be tracked more easily due to the ease of having online tax systems adopted by tax authorities.
- With an online tax system, I am more assured that I am doing the correct tax filing.

Significance of the Study

The significance of the research is that it does provide substantial information on the presence of internet systems of tax and their influence on tax behavior on the part of small business owners who play a pivotal role in economic development of a nation yet who are challenged to pay in form of tax. The research, covering technological (such as usability and system efficiency) and behavioral (such as trust, digital literacy, and perceived security) variables, give a more accurate picture concerning motivation and inhibiting variables in the compliance with the transition to a digital environment. It bridges critical areas of missing knowledge in the existing written materials in that it considers the unique challenges that informal firms and industries are subjected to in unfamiliar or underequipped places. The findings can be generalized to policy makers, taxation bodies and program directors to tax online in more inclusive, accessible and efficient ways. Last but not least, the study will be used in improving compliance with volunteering to pay taxation and raising revenues and advancing a more distributed participation in taxation.

Literature Review

Shukla and Kumar (2019) The study topic is the implementation of Indian Goods and Services Tax Network (GSTN) within the small entrepreneurship. With extended incorporation of trust variables on the basis of Technology Acceptance Model (TAM), the research determined that on the intention to use online tax services, trust of the system remained a critical factor. Barriers to adoption were observed to be technical problems, computer illiteracy and complexities in the systems. The studies emphasized risks on trust building precautions and the use of simple interfaces as a measure of enhancing compliance.

Apply, et al. (2023) In this case, the authors describe the factors that affect the use of online payment and tax filing systems of micro and small and medium enterprises in Vietnam, and also used an adoption model that merged. the Technology Acceptance Model and the Information System Success Model. The results Disclosure showed that the most fundamental elements were the information system and the system and service provided.

The impact of social influence was not significant, while the impact of influence adoption was significant. The authors suggest that policymakers aim to improve the system and user support quality to enhance adoption rates.

Bhalla et al. (2022) The constrained use of technology on the business of Indian MSMEs was considered in his study, on which the effect of tax knowledge, together with the change in technology, in the taxation regime was analyzed. Findings indicated that efficiency of operations and compliance was reported to be influenced positively by increased tax knowledge and the use of digital tax systems. Transitioning training and education to this end has been stressed in the paper.

Nhundu and Matamande (2023) The problem that was researched was what effect does an online system of taxes have on the compliant behavior of small and medium businesses in the town of Harare of the country of Zimbabwe. The researchers noted that there was a positive correlation between the level of computer literacy and the respective level of tax compliance, hence, the computer literacy level is high among SMEs and so is the level of compliance. However, the rate at which online filling systems were accessed was lower than expected, in comparison to the country, suggesting that additional efforts are needed in the digitalization of this system.

Wanjagi and Ondabu (2019) Tax compliance behaviour in Kenya is a central concern for policymakers and economists alike. It is a means to harness new SMME's contributions to economic development as well as a conduit to nearby high tax compliance areas from townships. Thus, the Kenya Revenue Authority (KRA) is about to deploy a hyper-automated, digitalized, remote and 100% online tax compliance ecosystem that will enable SMMEs operating from the Kangemi ISH Market to register, file and pay taxes, and obtain appropriate receipts and access certificates to be invoice bonded online.

KRA understands that removing the physical, automated, and digital customer interaction layers will dramatically shave the tax compliance overheads, as well as to enable them to access other electronic compliance services from the safety and convenience of their homes or customary workplaces. This hyper-automated tax compliance service will focus on compliance promotion, education, and online privileged access to user-friendly educational resources. For instance, the online tax reporting training session will be rolled out for this category of SMMEs, and other self-paced, modular training resources will be made available. The online tracking and reporting systems will enable them to see their growth in tax compliance level and self-assess on a monthly basis their progress, and thus tax planning to optimize savings or other irreversible financial commitments.

Methodologies of Research

Since it will examine and analyze the existing digital marketing services, tendencies, and approaches and analytical reading in correlation with the web site and app development, the research methodology used in this paper will be a descriptive one. The number of these research participants was 150 people. In carrying out this research, the primary data was established in the workplace by applying questionnaires. These were those queries that were particularly administered to the workers. Monitored Data Analysis Software Data was analyzed using statistical package namely Spencer Programming System (SPSS) could be applied to correlation analysis, regression analysis and percentage analysis studies.

Limitations

- The analysis is very much dependent on the self-report questionnaires that are prone to social desirability bias Limited Generalizability.
- The sample is not necessarily representative of the range of owners of small businesses, particularly were informal business sectors or rural locations with limited internet access/digital infrastructures.
- A cross-sectional survey is used in the study with the data being taken at one time.
- Most technological and some psychological variables are taken into consideration in the study, such that the study might not sufficiently explain the contextual and institutional factors.

Correlation

		Online tax systems simplify my tax compliance	Using an online tax system significantly improves my confidence in tax filing accuracy
I find online tax methods simpler.	Pearson Correlation	1	.005
	Sig. (2-tailed)		.960
follow tax rules	N	150	150
Feeling more confident	Pearson Correlation	.005	1
my tax returns utilizing	Sig. (2-tailed)	.960	
Tax system online	N	150	150

Interpretations

With respect to the statement Pearson correlation On-line tax systems causes me to feel more able to follow tax rules when using the On-line tax system and the statement the On-line tax system makes it easier to plan my tax reporting reveals the correlation coefficient as 0.005 which indicates the positive relationship between statement and variable is extremely weak and practically of no value. P value 0.960 is also much more than the conventional significance threshold of 0.05 which is considered to be of little value. It means that concerning the responses given by the 113 individuals, no significant linear relationship is observed between the perception of ease in tax system compliance and the level of confidence in accuracy on using the online tax systems.

Regression

ANOVA TABLE

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	19.964	1	19.964	5.446	.021 ^b
	Residual	406.921	148	3.666		
	Total	426.885	149			

Dependent Variable: 1. Age

Coefficients

Coefficients Unstandardized				Standardized Coefficients	t	Sig.
Model		B	Std. Error	Beta		
1	(Constant)	4.451	.379		11.742	.000
	I worry about cyberattacks while submitting taxes online.	-.299	.128	-.216	-2.334	.021

a. Dependent Variable: 1. Age

Interpretation

The regression model will focus on the dependence of age on the concern of cyber threats while filing taxes online. The ANOVA result visuals indicate that the rigorous entirely linear model is significant with an F-value of the 5.446 and p-value of 0.021. This result is less than the 0.05 examination

threshold. This denotes that the cyber threat is a predictor of the difference in age of the majority of the respondents. The coefficient table also depicts a negative significant correlation ($B = -0.299$, $p = 0.021$). This means that the younger a respondent is the more likely s/he is to raise privacy issues with the online tax filing systems.

This association is incompletely reflected by the small positive strength the association of the standardized Beta at 0.216. All in all, this shows that there is a need to alleviate the anxiety concerning the cyber threats to trust the use of the online tax systems and to adopt them and use them more.

Findings

- The findings point at 49.5 percent (16.8 percent Strongly Agree and 32.7 percent Agree) of respondents expressing that they are worried about experiencing an Internet threat whenever they use online tax systems. This is an indication that there is a serious trust problem that may act as a hindrance to further uptake.
- A mixed collaboration between 52.2 percent consisting of 23.9 and 28.3 percent Strongly Agree and Agree respectively report that respondents think online tax systems help governments observe compliance, a follow-up to the growing approval of technology by tax authorities.
- The results reveal that 56.6% of them (32.7% Agree and 23.9% Strongly Agree) agreed with the statement, with 26.5% (10.6% Disagree and 15.9% Strongly Disagree) being in disagreement with the statement, which argues that generally they strongly concurred with the variable.
- The findings indicate that there is an agreement with the statement among 43.4 percent of the respondents; those who disagreed are 35.4 percent and the neutral persons constitute a ratio of 21.2 percent that is slightly positive.
- The correlation ($r = 0.005$) shows that the positive relationship is insignificant and p-value (0.960) clearly shows that it is not statistically significant.
- The regression analysis reveals that age has significant correlation with concerns about cyber threats in regard to the use of online tax system.
- The negative value of B (-0.299 , $p = 0.021$) proves that those who are younger are more troubled by cybersecurity problems.

Suggestion

- Act on the critical trust lack by providing user education, open data management policies and open security certifications.
- Ride the emerging wave of popularity of technology in tax stimulus by sharing stories of success and features of convenience.
- Promote adoption through outcomes of reinforcing positive experiences, and work to address concerns raised by those who expressed an opposing result (26.5%).
- Target persuasion works to change the neutral and negative perceptions into more positives using the testimonials and provision of support to the users.
- The relationship between the two is insignificant hence more emphasis in interventions should be on other factors that may influence rather than overall trends in relationships.
- Be age-specific in cybersecurity communication strategies, considering age-specific fears and expectations of the younger users.

Conclusion

The research shows that although many customers of small businesses are aware of the advantages of online taxation systems especially in the benefits of raising compliance monitoring levels by authorities, nearly 50% of them showed doubts assigned to this method, even though the majority had confidence in the system. Participation notwithstanding that of the participants, more than half see technology as an effective aid to tax enforcement, which means it is increasingly accepted. Nevertheless, the ambivalent nature of the responses, including some positive and some negative views, indicate the necessity of enhancing the trust and security attainments, as well as the education of the users. The age-related issues regarding the cyber threats also imply that individual approaches must be utilized to meet various demographic demands. In general, the results highlight that one should pay more attention to the issue of security and raise awareness to make online tax systems more acceptable to the population.

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