A systematic review on predictors of customs tax non-compliance behaviour

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Abstract

Purpose: This systematic review examines the predictors of customs tax non-compliance behaviour to elucidate the factors influencing adherence to taxation regulations.

Methodology: The study employs the Preferred Reporting Items for Systematic Review and Meta-Analysis (PRISMA) guidelines to organize and structure the systematic literature review (SLR).

Findings: This study identifies four main themes/ predictors: economic, tax knowledge and awareness, enforcement and detection and perceived fairness.

Research limitations: This systematic literature review (SLR) was conducted by exclusively retrieving scholarly articles from the Science Direct and Google Scholar databases, which may not encompass all literature on the subject matter.

Practical implications: This review is crucial as it can assist researchers in focusing their efforts on exploring topics that have been less investigated. While underscoring gaps in the existing literature and emphasising the need for further empirical research, the review offers a nuanced understanding of contextual variations in non-compliance factors.

Originality/Value: The study's originality lies in its comprehensive approach, which assimilates diverse studies and provides practical recommendations for policy development and enforcement strategies. Despite limitations associated with the available literature, this review establishes a foundation for future research, guiding scholars and practitioners in addressing the intricate dynamics of customs tax non-compliance.

Keywords: Customs, Tax Compliance, Tax Non-compliance, Tax Knowledge and Awareness, Detection.

Introduction

Tax collection is vital revenue source of almost all nations worldwide. (Sapari et al., 2020) quoted that taxation is essentially every government's principal source of revenue. According to (Mohd Taufik et al., 2017), taxation is the most consistent source of government expenditure and plays a vital role in driving a nation's economic strength. (Kim et al., 2022) have pointed out that for developing countries, safeguarding tax revenue holds the utmost significance as their fiscal income is heavily reliant on Customs services. Based on (Mirza, 2015) studies indicate that one of the most difficult roles for Customs tax assessment officers when assessing Customs tax declarations is to ensure the accurate payment of taxes and duties on goods detained by Customs. Due to the fast-paced nature of global commerce, importers and exporters frequently enlist the services of Customs agents to represent them to expedite Customs

clearance procedures. Furthermore, the Customs administration entrusts Customs agents as licensed third-party legal entities, in providing Customs-related services based on their expertise and qualifications. According to (Siow Yue Chia, 2010; Uzzaman & Abu Yusuf, 2011), there are several issues involving the non-compliance of Customs agents such as wrongly classified Customs HS codes, low declaration of commodities' price, erroneous classification of products, and the fabrication of fake documents, which will have a direct impact on Customs tax.

As reported in (Astro Awani, 2018; The Star, 2020), the Royal Malaysian Customs Department quoted that tax non-compliance is closely linked to mis-declaration of import/export paperwork in Customs, which resulted in significant yearly revenue losses due to uncollected duties and taxes. (Marrelli, 1984; Sandmo, 2005) discussed tax non-compliance, specifically on indirect tax non-compliance, noting its widespread prevalence in developing countries, which leads to significant revenue losses. Tax evasion can have several negative consequences, including impeding income collection, damaging a nation's reputation and credibility, hindering foreign direct investment (FDI), and undermining social justice (Adugna, 2019; Driffield et al., 2021). As reported by (Adam & Mohamed Yusof, 2017), Tax compliance cost (TCC) refers to the expenses incurred by taxpayers to fulfil their legal obligations under tax laws and regulations beyond the actual amount of tax owed. One factor influencing the amount of tax revenue generated by the government is the level of tax compliance. High tax compliance based on strict regulations and tax officer conduct deter investment, encourage tax evasion, and impede economic growth (Adudu & Simon, 2015; Kochanova et al., 2016). Based on studies (Ghosh, 2017), tax evasion has remained a prolonged issue for revenue authorities in all nations, advanced and emerging alike, as most government agencies in the world encounter serious challenges in collecting their tax revenues. (Kar & Sahore, 2018) demonstrated that indirect taxes constitute a substantial portion of government revenue. In addition to Customs import and export duties, Customs officials worldwide collect various other revenue streams, including Goods and Services Tax, Value Added Tax, Excise duty, Sales tax, as well as local taxes such as service tax and tourism tax. There is a scarcity of review studies pertaining to prior research in existing literature. Consequently, the objective of this study is to systematically review, consolidate, and integrate preceding studies. The primary objective is to discern the predictors influencing Customs tax compliance and to identify the theoretical frameworks employed in these antecedent studies. The motivation of this review is to offer insights and guide future researchers by establishing a comprehensive understanding of the existing body of literature to delineate potential directions for subsequent scholarly endeavors.

Literature Review

Several research studies have investigated Customs tax compliance behaviour predictors, employing diverse analytical methods to explore this phenomenon. For instance, (Webley et al., 1991, 2002) conducted a tax compliance study in the UK, identifying 15 key reasons that could significantly affect compliance behaviour. Furthermore, a study examining the relationship between complexity, fairness, and attitude using the Theory of Planned Behaviour to assess compliance with Customs tax in Jordan was conducted by (Al-Zaqeba & AL-Rashdan, 2020) and analysed the data using SPSS and Smart PLS. This statistical method allowed for the findings of the potential effect of complexity, fairness, and tax compliance attitude. In another academic research by (Sinnasamy & Bidin, 2017), the researchers employed Fisher's Model to explore the associations between predicting factors and Customs tax compliance. Simultaneously, an examination of the factors of tax compliance was carried out ulitising the Deterrence theory incorporating Fischer's Model, which considers economic, social, and psychological aspects to elucidate patterns on Customs non-compliance behaviour.

Customs Tax Non-Compliance

Customs tax compliance is the adherence, besides conformity, of individuals or businesses to customs regulations and requirements related to paying taxes, duties, and other fees on imported or exported goods. It involves fulfilling the legal obligations set by Customs administrative or authorities to accurately declare the value, classification, and origin of goods and promptly paying the appropriate Customs duties and taxes. Customs tax compliance is crucial for maintaining the integrity of international trade, ensuring fair competition, and facilitating smooth cross-border transactions. Non-compliance with Customs tax regulations may impose penalties, fines, shipment delays, and other legal consequences. Customs authorities work diligently to promote tax compliance and prevent Customs fraud. Table 2.1 shows the common Customs non-compliance. Effective Customs tax compliance contributes to a transparent and efficient global trade environment. Research on Customs tax non-compliance delves into understanding the predictors contributing to such behaviour, exploring the underlying motives and drivers behind non-compliant actions. It involves investigating the economic, social, psychological, and regulatory aspects influencing tax evasion or fraudulent practices within international trade. Additionally, research efforts often focus on analysing the impacts of non-compliance on government revenues, fair trade practices, and the overall integrity of the Customs system.

Table 2.1. Customs Non-compliance

Customs Non-Compliance	Intention
Declaring a lower value for imported or exported goods than their actual worth	This is often done to reduce the Customs duties and taxes owed on the goods, leading to potential revenue losses for the government and distorting international trade
Incorrect or inaccurate assignment of Harmonized System (HS) codes to imported or exported goods	To apply incorrect tariff rates to ensure underpayment of Customs duties and taxes which impacts trade statistics
Fraudulent declaration of the exact "Country of Origin" of goods during import or export transactions	Attempt to take advantage of preferential trade agreements, avoid higher tariffs, or gain unfair competitive advantages
Illicit activity of transporting goods across borders without complying with the necessary Customs procedures and regulations	Attempt to avoid paying Customs duties, taxes, and other import/export requirements by intentionally not declaring the goods to the relevant authorities and also bringing in the contraband goods.
Declaring a higher value for imported or exported goods than their actual worth	This is done to inflate the Customs value of the goods, leading to higher Customs duties and taxes being paid than necessary to legitimise illicit financial flows that may involve money laundering, tax evasion, bribery, corruption, or other unlawful activities.

Source: (Kim et al., 2020; Roman et al., 2006)

Importance of Customs Tax Compliance Studies

The predicament of Customs non-compliance has endured over centuries, originating as far back as the historic epoch of the Empire of Malacca Sultanate era. Owing to imposition of high

tariffs, numerous traders resorted to tax evasion through the clandestine smuggling of goods into the region (Thia-Eng et al., 2000). Despite the formation of enforcement teams to combat such illicit events in Malaysia, the expansive coastline provided ample opportunities for the illegal trade of goods, particularly among European merchants seeking to evade exorbitant Customs duties (Hussin, 2008). This historical evidence underscores the longstanding nature of Customs non-compliance, stretching back to the 14th century. Despite substantial technological advancements aimed at detecting fraudulent practices, the implementation of stringent legislative requirements, and the intensification of enforcement endeavours of the Royal Malaysian Customs Department (RMCD), non-compliance with Customs regulations continues to manifest a concerning upward trend over time. As referenced by (Drogalas et al., 2018), the Organization for Economic Cooperation and Development (OECD) defines tax evasion as illicit practices wherein tax liabilities are either concealed or disregarded, resulting in a reduced tax payment compared to the legally mandated amount. In essence, taxpayers withhold information from tax authorities to evade the full extent of their tax obligations.

The ramifications of tax evasion have been staggering, with (Marandu et al., 2015) reporting a substantial global loss of USD 3.1 trillion in tax revenues, equivalent to approximately 5.1 per cent of the global Gross Domestic Product (GDP). As quoted by (Roman et al., 2006), the underlying challenge lies in the inevitable correlation between Customs tax collection and tax avoidance, whereby the presence of tax collectors is invariably accompanied by attempts from certain entities to elude their tax obligations. This phenomenon transcends mere tax evasion, wherein practices like commodities overvaluation afford corporations the means to execute ostensibly legitimate fund transfers, potentially veiling money laundering schemes. Such practices may be intrinsically linked to drug trafficking and illicit smuggling activities. Consequently, seemingly minor instances of tax evasion could serve as surface indicators, concealing more profound criminal activities beneath the surface.

In the context of tax research, there exists a notable disparity in the attention given to indirect taxes, particularly Customs tax, as underscored by (Swee et al., 2017). The predominant focus of current investigations revolves around income tax, the nation's primary revenue source. The paramount consideration to safeguard tax revenue is given based on observation by (Kim et al., 2022) as many countries' fiscal inflows are intricately reliant on Customs tax. Despite its evident significance, a noticeable paucity of research persists in the domain of indirect taxes, particularly in developing nations characterized by intricate trade regulations and restrictions. This apparent research gap might be attributed, in part, to the sensitive nature of the subject matter, which encompasses facilitation, duties, handling of delicate data, and legal repercussions for research participants associated with such investigations. According to (Uzzaman & Abu Yusuf, 2011), research on Customs compliance assumes paramount importance due to its encompassment of trade facilitation, a critical endeavour aimed at minimizing time constraints in international trade. Such initiatives endow the country undertaking trade facilitation reforms within its Customs, port, and other relevant agencies with a comparative advantage. Improving Customs and port administrations and reducing non-tariff barriers bolster trade facilitation, supporting the just-in-time supply chain method essential for manufacturers competing internationally.

Method

A systematic literature review was thoroughly undertaken to identify pertinent articles on tax compliance, utilising search engines to extract relevant materials. To enhance the robustness of this study, the procedural draft of the Preferred Reporting Items for Systematic Reviews and Meta-Analyses (PRISMA) has been implemented. PRISMA's comprehensive and meticulous approach, which entails managing extensive data sets, positions this method as a benchmark

for high-quality literature review guidelines. The search employed key terms employing databases such as Science Direct and Google Scholar.

Research Questions
This review is formulated using the following research questions as a guide for this study:
a. What is the number of literature studies on Customs tax compliance/ non-compliance, Customs tax compliance theory and its predictors published in online databases between 2003 and 2023?
b. What are the potential methods to increase Customs tax compliance?

Identification
The initial step of the systematic literature review involved identifying keywords related to the chosen topic. Keywords such as "Customs tax compliance, "Customs tax non-compliance"," theories of Customs tax compliance", "factors affecting Customs tax compliance", and " Customs agents" were utilized to search for relevant articles. Science Direct and Google Scholar were selected as the primary online databases. These databases were chosen due to their extensive collections with various subjects and publishers. Consequently, they provide a comprehensive perspective on scientific research worldwide and are currently regarded as significant information sources within the research community. Table 3.1 shows the results of the identification process conducted.

Table 3.1 The search string

Source	Keywords
Science Direct	("Customs tax compliance") OR ("Customs tax non-compliance") OR ("theories of Customs tax compliance") OR ("factors affecting Customs tax compliance") and ("Customs agents").
Google Scholar	Customs tax compliance, Customs tax non-compliance, theories of Customs tax compliance, and Customs agents.

Screening
This search effort yielded 72 articles. Subsequently, a two-step screening process was implemented: first, eliminating unrelated articles, which resulted in the removal of 31 articles, and then refining the selection based on a detailed examination of titles, abstracts, and content, which led to the exclusion of an additional 22 articles due to scope and duplication.

Table 3.2 The inclusion criteria

Types	Inclusion Criteria
Publication timeline	Twenty years (2003-2023)
Publication	Open Access Journal
Language	English
Literature Type	Journal article

Eligibility
The subsequent step involved determining the eligibility of the articles. During the review phase, the authors outlined the criteria for selecting articles. Eligibility was assessed by excluding articles outside the publication timeline of 2003-2023. From an initial pool of 72 papers, only 18 articles from Google Scholar and 23 from Science Direct met the criteria. The selection criteria focused on articles related to Customs tax compliance/non-compliance,

factors influencing Customs tax compliance, and theories of tax compliance. Each article's abstract, keywords, and content were manually inspected in the second phase of the eligibility assessment. Ultimately, only thirteen articles satisfied the eligibility criteria for review, with articles unrelated to the subject matter or field being excluded.
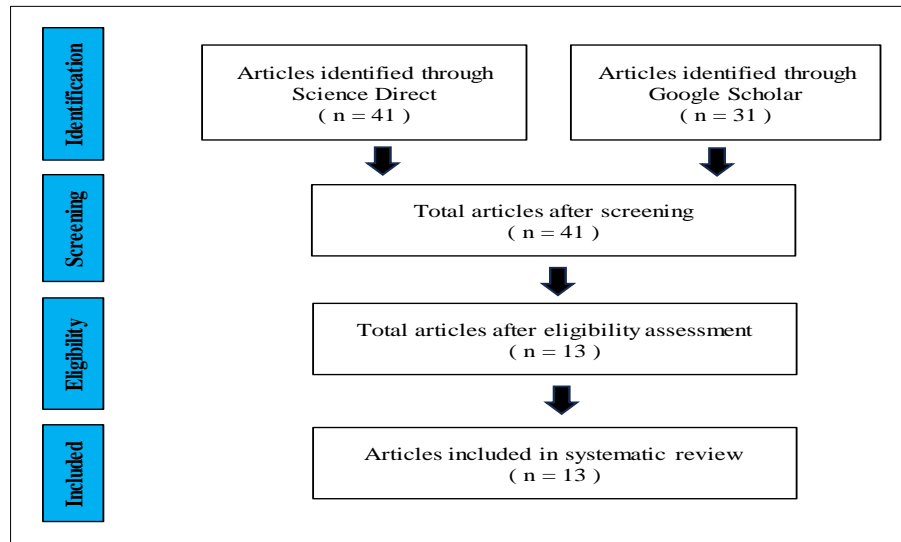

Figure 1: The flow of study as adopted by PRISMA

Inclusion

All 13 journal articles that successfully passed the three PRISMA procedures were deemed qualified and suitable for analysis. Subsequently, the Systematic Literature Review method concentrates on three primary components of the study: context, method, and outcomes, which are organized by year and theme. This division is intended to facilitate the achievement of the study's objectives and goals.

Findings

This systematic Literature Review has identified four main themes: economic, tax knowledge and awareness, enforcement and detection, and perceived fairness. The theme is known as predictors of Customs tax compliance. It refers to factors that can forecast or influence taxpayers' behaviour in adhering to their tax obligations within the Customs context (Sinnasamy et al., 2015)These predictors encompass a range of economic, social, institutional, and psychological dimensions. A scarcity of refined articles specifically exploring the determinants of Customs tax compliance/non-compliance behaviour has been observed. Table 3.3 presents a comprehensive summary of these articles.

Table 3.3 Summary of the Reviewed Articles

Author (year)/ country	Theory / Models Applied	Independent Variable	Dependent Variable	Sample size/ methods	Findings
Hantono (2021), Indonesia.	Behavioural Theory	Tax knowledge, tax awareness, and tax morale.	Tax compliance	100 respondents	Tax knowledge and tax morale significantly influences tax compliance, whereas tax awareness has a lesser impact.
Salawati, S., Sritharan, N., Sheung, S. C. C., & Mohamed, A. S. (2021), Malaysia.	(Economic) Deterrent Model	Tax knowledge.	Tax non-compliance	419 respondents	Taxpayers with a higher level of tax knowledge were not found to be more compliant.
Al-Zaqeba, M. A. A., & AL-Rashdan, M. T. (2020), Malaysia.	Theory of Planned Behaviour	Attitude, subjective norms, moral intensity and perceived control behaviour.	Customs tax non-compliance	485 respondents	Attitude, subjective norms, perceived behavioural control, and moral intensity influence are positive and significant.
Le, H. T. H., Tuyet, V. T. B., Hanh, C. T. B., & Do, Q. H. (2020), Vietnam.	Behavioural Theory	Business and accounting practise characteristics, tax policy awareness, and its view and probability of tax examination.	Tax compliance	376 respondents	Business characteristics, internal accounting practices, awareness of tax obligations, tax policy, perceptions of tax compliance, and the likelihood of tax audits positively influence compliance.
Ramadhanty, A., & Zulaikha. (2020), Indonesia.	(Economic) Deterrent Model, Social-psychology Models, Fiscal Exchange	Taxpayer knowledge, fiscus service quality, tax awareness, and tax penalties.	Tax non-compliance	400 respondents	Taxpayer knowledge, quality of fiscal services, taxpayer awareness, and tax penalties positively impact compliance. The tax transparency system does not yield a significant effect.

Admasu, F., & Shallo, L. (2018), Ethiopia.	Economic Model	Gender, age, education, tax audits, penalties, tax rate, tax compliance cost, simplification of tax rules and regulations and strength of authority, awareness, enforcement, corruption and attitude.	Customs tax non-compliance	185 respondents	Tax rates, compliance costs, and corruption adversely affect tax compliance. In contrast, tax audits, taxpayers' awareness of tax laws, the effectiveness of the tax authority, taxpayers' attitudes toward taxation, reference groups, and educational levels positively influence tax compliance.
Sinnasamy, P., & Bidin, Z. (2017), Malaysia.	Fisher's Model	Tax rate, penalty rate and tax fairness.	Customs tax non-compliance	500 respondents	Positive correlation between penalty rates and Customs non-compliance. Conversely, tax fairness was found to have a negative impact on excise duty non-compliance.
Yayuk, N. R., Margono, S., Eka, A. T., & Sudjatno. (2017), Indonesia.	Theory of Planned Behaviour	Tax knowledge and tax awareness.	Tax compliance	278 respondents	Understanding of tax and awareness of taxation regulations lead to increased compliance.
Niway, A. A., & Wondwossen, J. D. (2017), Ethiopia.	(Economic) Deterrent Model, Social-psychology Models, Fiscal Exchange	Tax awareness, tax audit, penalty, attitude and perception.	Tax non-compliance	377 respondents	Taxpayer awareness and perception of the tax system positively correlate with tax non-compliance, while tax rates do not affect tax non-compliance.

Bello, K. B., & Danjuma, I. (2014), Nigeria.	(Economic) Deterrent Model, Social-psychology Models, Fiscal Exchange.	Tax rate and penalties.	Customs tax non-compliance	Conceptual papers	Tax compliance, or lack thereof, is affected by both economic and non-economic factors.
Palil, Mohd. R., & Mustapha, A. F. (2011), Malaysia.	Behavioural Theory	Probability of being audited, perception of government spending, perception of equity and fairness, penalty, financial constraint, changes to current government policies, referral group, the role of the tax authority and tax knowledge or awareness.	Customs tax non-compliance	1073 respondents	Tax knowledge, awareness, likelihood of being audited, perceptions of government spending, penalties, personal financial constraints, and the influence of reference groups significantly affects tax compliance.
Uzzaman, M. A., & Abu Yusuf, M. (2011), Bangladesh.	(Economic) Deterrent Model	Trade facilitation	Customs tax non-compliance	30 respondents	Trade facilitation has a positive effect on compliance.
Park, C. G., & Hyun, J. K. (2003), South Korea.	Allingham and Sandmo's (1972) tax evasion model	Income levels, tax audit, penalty rate and tax education.	Tax compliance	15 respondents	Taxpayers exhibit similar levels of compliance irrespective of their income levels. Tax audits and penalty rates serve as significant deterrents against tax evasion.

Economic Factor

Within the scope of tax compliance research, several pivotal elements have been scrutinised to explicate the phenomenon of tax compliance. These salient factors encompass the tangible income level, prevailing tax rates, tax incentives, the incidence of tax audits, the probabilities associated with audits, as well as the imposition of fines and penalties (Bărbuţă--Mişu, 2011). According to (Tilahun, 2019), in the context of Africa, the tax rate significantly and negatively impacts tax compliance, suggesting that taxpayers are more likely to adhere to tax systems when tax rates are lower. Conversely, compliance tends to decrease as tax rates rise. This observation underscores an inverse relationship between tax rates and taxpayer compliance behaviour. Moreover, in the specific setting of Bahir Dar, Ethiopia, the tax rate has been empirically evidenced to impact compliance behaviour significantly and negatively (Adugna, 2019). The present findings align with the earlier studies presented by (Park & Hyun, 2003), who observed an escalation in tax rates heightens the motivation to underreport income to offset the diminished revenue. As such, the hypothesis postulating a adverse association between tax rates and tax compliance has been substantiated by (Admasu & Shallo, 2018). This finding highlights the relevance of tax rate as a critical influencing factor of taxpayers' obedience in the region. As stated by (Kumanayake, 2019), discrepancies entail a tendency towards undervaluation and the application of higher tax rates, implying a potentially elevated risk of evasion, albeit the magnitude of these differences remains relatively minor. The study reviewed by (Le et al., 2020) demonstrated a notable negative correlation between tax rates and tax compliance. The results suggest that tax rates negatively impact tax compliance behaviour.

Tax Knowledge and Awareness

(Hantono, 2021) mentioned that tax knowledge refers to extent of taxpayers' consciousness or sensitivity to tax laws and regulations, while tax awareness pertains to the state in which individuals possess knowledge, recognition, respect, and compliance with applicable tax provisions, coupled with a genuine willingness and desire to fulfil their taxation obligations. The significance of taxpayer awareness and compliance is paramount for a country's efforts to efficiently accumulate state income from the tax sector (Yayuk et al., 2017). The government's emphasis on taxpayer awareness and compliance matters stems from the fact that level of considerate and consciousness among individuals to dutifully fulfil their tax obligations remains relatively inadequate. A comprehensive tax knowledge of Customs tax rules, regulations, and requirements is positively linked with higher compliance rates. The tax administrative's pursuit of an improved tax system and promoting intended compliance heavily rely on taxpayers' tax knowledge and awareness. Extensive research, exemplified by (Palil & Mustapha, 2011), has emphasized that tax knowledge and awareness are pivotal in influencing taxpayers' voluntary compliance attitudes. Furthermore, to ensure a sustainable voluntary tax compliance tendency, the tax system must be perceived as fair and equitable, where each individual pays their fair share, as emphasized by (Niway & Wondwossen, 2017). (Ramadhanty & Zulaikha, 2020) conducted a study to examine the factors influencing taxpayers' willingness to pay taxes, with the awareness of tax payment serving as an intervening variable. The findings of the research revealed that various factors, such as understanding of tax regulations, the quality of tax services, and perceptions of taxation effectiveness, significantly influenced taxpayers' awareness of tax payment. (Salawati et al., 2021) mentioned in context of Malaysia, observed that individuals possessing a greater tax knowledge were not certainly identified as better taxpayers. Instead, they appeared to employ their tax knowledge strategically to maximize their profits, aligning with the principles of the Deterrence Theory.

Enforcement and Detection

Effective enforcement measures, including audits and inspections, can deter and encourage compliance. According to (Niway & Wondwossen, 2017), in an environment marked by mutual trust, the implementation of tax audits and fines might be perceived as an expression of authoritarianism and distrust. Consequently, rather than fostering an increase in voluntary tax compliance, these enforcement measures could prove counterproductive. (Kirchler et al., 2008), suggested that tax audits and fines play a more significant role in contexts where there is low trust in tax authorities and government. Likewise, in situations where mutual trust between taxpayers and tax authorities is lacking, taxpayers may be incentivized to comply through tax enforcement measures, such as the imposition of penalties and fines. According to (Widdowson, 2020), the prevailing 'enforcement culture' within Customs auditors is commonly observed, where many auditors prioritize the detection of errors in a company's regulatory activities rather than focusing on evaluating the company's level of compliance with the applicable statutory obligations. According to (Uzzaman & Abu Yusuf, 2011), certain importers exhibit a proclivity for submitting erroneous invoices to Customs, leading to under-invoicing and inaccurate classification. These practices consequently heighten the reliance on physical verification procedures to verify the accuracy of declared values and product classifications.

Perceived Fairness

Taxpayers' perceptions regarding the fairness of Customs regulations, tax rates, and decision-making processes impact their willingness to adhere to tax obligations. Moreover, it is crucial for the tax authority to prioritize taxpayer cooperation in the operation of the tax system rather than depending solely on coercive measures to enforce tax obligations. In general, taxpayers' perception of a fair tax system and the responsible allocation of tax revenue by the government play key roles in promoting voluntary tax compliance (Niway & Wondwossen, 2017). In certain scenarios, individuals might face higher tax burdens in comparison to lower corporate profit taxes, leading them to perceive an inequitable tax burden. According to research by (Bello & Danjuma, 2014), some individual taxpayers may opt to report only a portion of their income as a form of retaliation against the tax system. Moreover, the tax system's perceived fairness is positively influenced when people observe others in their community complying with their tax obligations, thus bolstering their willingness to comply. Conversely, if taxpayers perceive widespread tax evasion in their community, such behaviour may gradually become the norm, diminishing their intrinsic motivation to contribute to society.

The Organization for Economic Co-operation and Development (OECD, 2021) has delineated three distinct types or levels of fairness in taxation. The first aspect is distributive fairness, which involves taxpayers' perceptions of the government's responsibility as a prudent manager and effective custodian of tax revenues. This form of fairness is closely linked to the concept of equitable exchange between the government and taxpayers, and can be linked to fiscal exchange theory. The second type is procedural fairness, which centres on taxpayers' perception of tax authorities adhering rigorously to established procedures and treating taxpayers with equity and impartiality. The third type is retributive fairness, which involves taxpayers' perceptions of tax authorities administering penalties in a fair and equitable manner when tax regulations or norms are breached. While distributive fairness emphasizes the equitable exchange of benefits between the government and taxpayers, and thus corresponds with fiscal exchange theory, procedural and retributive fairness are primarily concerned with ensuring equitable treatment of taxpayers relative to each other. These two aspects will be significantly inclined by tax authorities, as emphasized by Walsh, K. (2012), through their commitment to promoting fairness and transparency in handling tax matters. (Al-Zaqeba &

AL-Rashdan, 2020) cited scholars who investigated the influence of tax fairness on individuals' willingness to adhere to tax regulations. Their findings indicated that the perception of a fair tax system positively affects individuals' attitudes toward tax compliance.

Tax Compliance Models and Theories

Tax compliance theories are theoretical frameworks that seek to explain the factors persuading taxpayer behaviour regarding compliance with tax laws and regulations. Tax compliance theories form the bedrock of scholarly investigations seeking to comprehend the intricate dynamics that govern taxpayers' adherence to or violation of tax laws and regulations. These theoretical frameworks offer valuable insights into the motivations and determinants underlying tax compliance behaviour, allowing researchers and policymakers to devise operative approaches to promote voluntary tax compliance and combating tax dodging. Some prominent tax compliance theories on predictors influencing tax compliance include (Bello & Danjuma, 2014):

1.   The Economic Deterrent Model
2.   Social-psychology Models
3.   Fiscal Exchange Theory

The Economic Deterrent Model

The economics of tax compliance theory suggests that taxpayers, acting as rational economic actors, assess the costs and benefits associated with complying with tax obligations. In the study by (Bello & Danjuma, 2014), it is noted that the economic deterrence model, within its foundational framework, views individual taxpayers as rational economic agents. According to this model, taxpayers conduct a cost-benefit analysis, considering the expenses linked to potential detection and penalties for tax evasion, influenced by the likelihood of detection, and the advantages gained from the prevailing tax rate. If the perceived benefits of tax evasion outweigh the perceived costs, taxpayers are more likely to choose non-compliance and evade paying the required taxes. Examining rational choice theory from an economic perspective did not materialize until the 1970s. It was during this period that the notion of criminals as rational actors, making conscious decisions to partake in criminal activities based on economic incentives gained significant attention, and sparked heated debates in both the realms of economics and criminology. Notable contributions by (Becker, 1968; Ehrlich, 1973; Stigler, 1970) played pivotal roles in pioneering this conceptualization. The foundation of criminal economics analysis can be traced back to the cost-benefit analysis and rational choice theory that form the backbone of economics. These theories provided the basis for exploring criminal behaviour as a rational response to weighing the potential gains versus the risks involved.

As research advanced, it transitioned from theoretical formulations to practical applications that utilized real-world data to discern the economic factors influencing criminal decision-making and the deterrence effect of punishment within society. This expansion of research methodology further enriched the understanding of criminal economics and its implications for crime prevention and public policy. (Lau et al., 2019) had pointed out that the economic deterrence model has faced substantial critique due to its omission of behavioural aspects, such as attitudes, perceptions, and moral judgments. Moreover, it has been criticized for neglecting the influence of codes of conduct, encompassing moral and ethical constraints that could act as deterrents to tax evasion. Because of these accumulated criticisms, there has been a noticeable shift in tax compliance behaviour research, where multiple perspectives and disciplines, particularly those addressing behavioural elements, have been introduced to provide a more comprehensive understanding of taxpayer behaviour.

Social-psychology Models

The significance of the social psychology model in tax compliance lies in its ability to elucidate the intricate interaction of individual and social elements that impact taxpayers' behaviour (Lisi, 2019). As noted by (Kondelaji et al., 2016), social psychology models elucidate human behaviour by examining the underlying attitudes, norms, and beliefs that influence individuals' actions and decisions. These theoretical frameworks explore the intricate interplay between cognitive processes, social interactions, and personal perceptions to provide insights into how individuals respond to various stimuli and situations. By analysing the psychological mechanisms that drive human behaviour, social psychology models contribute to a profound thought of the human cognition complexities and social dynamics (Adhikara et al., 2022; Sudiartana & Mendra, 2018). Descriptive norms, reflecting what others commonly do, and injunctive norms, representing perceived approval or disapproval by others, play a vital role in influencing taxpayers' actions. Normative influence, stemming from conformity to societal expectations, further impacts tax compliance decisions. Reference groups, comprising individuals with whom taxpayers identify or aspire to be, also play a pivotal role in shaping compliance behaviour. Moreover, attitudes formed through individual beliefs and evaluations of tax-related issues, significantly influence taxpayer behaviour. The social psychology model emphasizes the role of attitudes in mediating compliance decisions. Procedural justice refers to the perceived fairness experienced by taxpayers when allocating tax rights and responsibilities, regardless of whether the process strictly adheres to established procedures. Research findings indicate that when individuals perceive that tax authorities apply fair and transparent procedures, they are willing to accept and align with the authority's decisions. Consequently, procedural justice is believed to exert an influence on voluntary compliance behaviour among taxpayers (Mutia Basri et al., 2019). Understanding how taxpayers' attitudes are formed and how they align with their compliance behaviour offers valuable insights for designing effective compliance strategies. Furthermore, group dynamics within social contexts hold substantial implications for tax compliance. The model acknowledges the influence of social groups, both formal and informal, on taxpayer behaviour. Collective responsibility, where individuals perceive a shared responsibility for societal well-being, can positively impact compliance behaviour. Additionally, trust in institutions and social groups is pivotal in determining taxpayers' willingness to comply.

Empirical studies have corroborated the significance of the social psychology model in tax compliance research. Research has explored the impact of social norms on compliance decisions, revealing how normative influences can significantly affect tax reporting behaviour. Studies examining the association between attitudes and compliance have demonstrated the role of attitudes in shaping taxpayers' voluntary compliance. Moreover, research on group dynamics and compliance has shed light on the influence of peer pressure and social identity on tax compliance behaviour. While the social psychology model provides valuable insights, researchers acknowledge certain limitations and challenges in its usage to tax compliance behaviour (Batrancea et al., 2012). Balancing the interplay of social factors with economic incentives, as proposed by the economic deterrence model, may lead to a more comprehensive understanding of taxpayer behaviour. In conclusion, the social psychology model offers a valuable lens to comprehend the intricate web of social influences on tax compliance. By integrating social psychology tenets into tax compliance research, policymakers can design tailored interventions to foster voluntary compliance and promote a more effective and equitable tax system.

Fiscal Exchange Theory

The fiscal exchange theory in tax compliance suggests that taxpayers' compliance behaviour depends on their perception of the reciprocal benefits received from the government in return for their tax payments (Bello & Danjuma, 2014). Under this theoretical framework, taxpayers perceive their tax contributions as a form of transaction wherein they provide financial resources to the government and, in return, expect to receive public goods, services, and social benefits provided by the state (Ali et al., 2013). (Alm et al., 1993), cited that the core idea of fiscal exchange theory is that taxpayers are likelier to meet their tax duties when they see a balanced and fair relationship between what they pay in taxes and the concrete benefits and services they get from the government. In summary, people are more inclined to voluntarily adhere to tax obligations when they are confident that their contributions directly contribute to societal improvement and the provision of vital services.

Central to this theory is recognising the significance of government transparency, efficient allocation of resources, and effective delivery of services in fostering taxpayer compliance. When taxpayers perceive that their financial contributions are utilized efficiently and responsibly, and when they receive tangible benefits from the government, they are more expected to assess tax compliance as a reciprocal exchange rather than a burdensome duty (Borrego et al., 2015). (Mas'Ud et al., 2019) reviewed that the fiscal exchange theory enhances people's understanding of tax compliance by providing complementary insights to other theoretical perspectives, such as the economic deterrence model and social psychology models. It highlights the significance of perceived benefits and reciprocity in shaping taxpayer behaviour. By comprehending the dynamics of fiscal exchange, policymakers can devise effective strategies to promote voluntary tax compliance by ensuring that tax revenues are utilized judiciously to address public needs and enhance the overall welfare of society.

Measures to Increase Customs Tax Compliance
Risk-based Auditing

Risk-based auditing (RBA) defines as a proactive method which identifies high-risk transactions or entities for targeted inspection and audit. Risk-based auditing has gained prominence as an effective strategy to address the complexities and challenges associated with Customs management (Widdowson, 2020). This method relies on data analytics and predictive modelling to assess the likelihood of non-compliance and prioritize resources accordingly (Hematfar & Hemmati, 2013). The foundation of risk-based auditing lies in the recognition that Customs authorities face limitations in allocating resources to inspect every transaction or shipment. This approach advocates for a systematic assessment of risks associated with various trade activities and entities. Risk assessment involves identifying factors such as transaction value, product type, origin, and historical compliance data (Desiderio & Bergami, 2011). The goal is to prioritize high-risk transactions for audit, thereby maximizing the impact of available resources. RBA enables Customs authorities to allocate resources efficiently, focusing on high-potential areas for revenue recovery and fraud prevention. Empirical studies have shown that RBA can lead to increased compliance rates, reduced audit costs, and enhanced resource allocation (Abidin, 2017). While Risk-based auditing addresses Customs tax compliance from different angles, it also aims to optimise resource allocation and mitigate compliance risks.

Technological Integration

Technological integration in Customs activities is grounded in leveraging digital tools to create a seamless and efficient trade environment (Chebotareva et al., 2021). This integration involves the adoption of advanced technologies such as data analytics, artificial intelligence, blockchain, and electronic documentation to streamline Customs processes, enhance data accuracy, and

enable real-time monitoring to minimize opportunities for non-compliance (Vorotyntseva et al., 2020). The implementation of technological integration requires a comprehensive approach involving the digitization of various Customs processes. Electronic submission of trade documents, automated risk assessment, and online payment systems are some examples of how technology is integrated into Customs operations. Advanced systems enable Customs authorities to process declarations efficiently, while traders benefit from reduced paperwork and faster clearance times (M.Y. Veselovsky et al., 2019). Technological Integration not only enhances transparency, reduces the scope for errors, and acts as a deterrent against fraudulent activities. However, successful implementation requires careful planning, investment, and a commitment to overcoming challenges. As technology continues to evolve, Customs administrations must remain agile in embracing innovations to further enhance the competency and efficacy of Customs activities.

Discussion

This study attempted to analyse existing literature using the SLR method on the Customs tax compliance predictors such as economic factor, tax knowledge and awareness, enforcement and detection and lastly perceived fairness. A total of 13 journal articles have highlighted on the predictors. Economic factors have emerged as a cornerstone, with tax rates playing a pivotal role in predicting compliance behaviour. The inverse correlation between tax rates and compliance behaviour underscores the idea that taxpayers are more likely to fulfill their obligations in environments with lower tax rates. Tax knowledge and awareness proved equally significant, emphasizing the pivotal role of taxpayer education and awareness campaigns in fostering compliance attitudes. These efforts, when coupled with perceived fairness in tax systems and decision-making processes, create an environment where taxpayers are motivated to fulfil their obligations willingly. Enforcement and detection strategies also came to the fore, underlining the dual nature of their impact on compliance behaviour. Although effective enforcement measures can deter non-compliance and promote adherence to tax laws, the absence of mutual trust between taxpayers and tax authorities may undermine their effectiveness, potentially making these measures counterproductive. This underscores the delicate balance required in the application of enforcement mechanisms to ensure their efficacy in promoting compliance.

Conclusion

In global taxation, the pursuit of effective Customs tax compliance stands as a paramount objective, resonating with taxation's vital role in government revenue generation, economic stability, and the facilitation of international trade. This systematic review has traversed diverse dimensions of Customs tax compliance behaviour, unveiling a tapestry of factors that collectively shape the intricate landscape of taxpayer adherence to Customs regulations. As the economic engine of nations steers towards ever-increasing complexity, Customs tax compliance emerges as a critical fulcrum in safeguarding equitable revenue collection and upholding the integrity of cross-border transactions. Three theoretical constructs, the Economic Deterrent Model, Social-Psychology Models, and Fiscal Exchange Theory, emerged as guiding lights in understanding taxpayer behaviour within the Customs tax compliance milieu. The Economic Deterrent Model framed taxpayers as rational agents evaluating costs and benefits, though its limitations lay bare the need to encompass behavioural nuances and ethical considerations. Social-Psychology Models, on the other hand, peel back the layers of individual and social dynamics that shape taxpayer decisions, inviting us to consider normative influences, attitudes, and perceptions that dance at the heart of compliance choices. Meanwhile, the Fiscal Exchange Theory offers a lens through which compliance is seen as a transactional

relationship between taxpayers and governments, emphasizing the importance of perceived benefits and fair reciprocity. This review explores economic factors, tax knowledge and awareness, enforcement and detection mechanisms, and the perceived fairness of Customs regulations, offering valuable insights into the determinants that shape compliance actions. With roots stretching back centuries, the challenge of non-compliance persists, yielding far-reaching consequences beyond revenue loss. As the global landscape evolves, particularly in the realm of trade facilitation and increasing technological integration, the need for comprehensive research becomes ever more pronounced. Unravelling the intricate threads of economic, cognitive, and behavioural influences provides a foundation upon which policymakers, researchers, and practitioners can construct strategies that promote voluntary compliance, deter Customs tax evasion, and contribute to the integrity and prosperity of international trade and fiscal systems. As the Customs landscape continues to evolve, the insights gleaned from this review stand as guideposts, illuminating the path toward a more compliant and equitable global trade environment.

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