Enhancing VAT compliance in the retail industry: The role of socio-economic determinants and tax knowledge moderation

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ABSTRACT

Despite tax being a fundamental method to redistribute wealth and achieve a sustainable economic and social system, tax agencies and institutions in most countries are struggling with low tax collections. This issue is often attributed to the level of compliance among taxpayers. To gain more insight into this problem, a study was conducted to examine how socio-economic determinants such as probability of detection, tax complexity, tax penalty, tax sanctions, tax ethics, tax justice, government spending, and tax services quality impact VAT compliance decisions. The study drew a random sample of 770 retail industry participants from Jordan, an Arabic country, for a self-administered survey. Smart-PLS structural equation modeling was used to analyze and estimate the compliance model. The results indicated that all proposed direct relationships were supported, and the interactions between tax knowledge and the socio-economic determinants on VAT compliance were found to be significant. The findings of this research can be useful for policymakers and institutions responsible for taxpayers' communities to understand the role of tax knowledge in VAT compliance in the retail industry. The study emphasizes the significance of instilling tax knowledge, social and moral values among VAT payers, establishing an equitable system, and launching awareness programs in Jordanian society. Additionally, it contributes to existing literature by confirming a practical compliance model rooted in the socio-economic theory of regulatory compliance. This model incorporates the moderating effect of tax knowledge within socio-economic aspects of VAT compliance. By understanding the importance of tax knowledge, policymakers and institutions can develop effective strategies to boost VAT funds and improve compliance in the retail industry. This can ultimately lead to increased government revenues without placing an undue economic burden on lower-income taxpayers.

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1. Introduction

The issue of timely tax payment dates back as far as taxes themselves. State legislatures all around the world obviously have areas of strength for an on recognizing and depicting the reported examples of expense resistance and, at long last, tracking down ways of lessening it (Batrancea, Kudła, Błaszczak and Kopyt, 2022). The financial issues of cost consistency can be viewed as a problem with public funds, policing, the plan, the supply of work, morals, or a combination of these (Khassawneh, 2014). Diverse literary works have depicted tax compliance concepts. Tax compliace is described as that taxpayers follow the obligation guidelines, articulate the right compensation for each year and pay the ideal extent of tax on time (Batrancea et al., 2022). Along these lines, as per James and Rear entryway (2004), tax compliance is characterized as the degree to which a citizen consents to burden guidelines. Deliberate duty consistency, on the other hand, refers to the availability of a single and various substances to submit to the evaluation regulations without the use of any requirement (Alshir'ah et al., 2016; Alshira'h, 2018a; Alshira'h et al., 2018b; Alshira'h et al., 2019c; Alshira'h, 2019; Alshira and Abdul-Jabbar, 2019c; Alshira'h and Abdul-Jabbar, 2019a; Alshira'h and Abdul-Jabbar, 2019b; Alshira'h, and Abdul-Jabbar, 2020; A.F. Alshira'h et al., 2020c; A.F. Alshira'h et al., 2020; A. Alshira'h et al., 2020b; Alshira'h et al., 2021; Kirchler et al., 2007; Palil et al., 2012; Alabede, Zainal Affrin, 2011). Worldwide, tax authorities face financial management challenges related to tax revenue collection performance. Worldwide, tax authorities are confronted with fiscal management challenges related to tax revenue collection performance. Natrah (2012) says that tax non-compliance is a way of thinking among taxpayers that could lead to tax evasion or avoidance. Al-Ttaffi, Abdul-Jabbar (2016) research shows that this is true for countries in the Middle East. Consequently, tax compliance is still a pressing issue that necessitates additional research in the literature. No matter what the previous assessments prompted figure out the issue, an understanding among the makers concerning the cost portion consistence is at this point unpretentious (Randlane, 2016), but the ordinary presence of expense assortment for a seriously lengthy timespan into the future will find the creativity of resistance if not made due.

In Jordan, tax revenue holds great importance due to its significant role in the public budget, the Ministry of Finance reported that tax revenue contributed 71% to domestic revenue from 2010 to 2016. Charge consistence issues have thusly been raised as a public issue impacting the country's economy (Al-Shawawr and Al-Smir, 2016). Despite the government's adoption of various fiscal measures to increase domestic revenue through national economic development and financial stability, businesses report that Jordan's public debt remains high at JD27,500 billion as of 2017 (MOF, 2017). As indicated by Jordan Free Monetary Watch (2014), charge rebelliousness has additionally expanded by 48%, with Tank cases representing 71% of the generally speaking resistance from 2011 to 2015. Al-Zoubi et al. (2013) state that Jordan's limited economic resources call for a solution to tax noncompliance, particularly in relation to the VAT tax. If this is not done, the persistent fiscal deficit is likely to continue, necessitating an injection of funds to support economic and societal growth. In simple terms, the charge consistency goal is a necessary requirement for increasing the public authority's income, monetary stability, and capacity to meet cultural needs.

SME's play a crucial role in Jordan's business landscape, as stated by Lutfi, Idris, and Mohamad (2016) and the Association of Banks in Jordan (2016). They are able to boost exports, provide foreign currency, reduce the payment deficit, and facilitate the acquisition of goods and services by major companies all while accounting for more than 98% of the total trades that contribute to the economies (Alrousan and Jones, 2016; Saymeh, Sabha, 2014). Small and medium-sized businesses (Retail industry) are regarded as Jordan's primary contributors to the shadow economy, accounting for approximately 90% of total contributions, according to the United Nations Development Program (2012). It is interesting to note that, in terms of charge resistance, 34% of medium-sized businesses and 87% of private businesses report a failed installment of duties (Youthful Businessperson Affiliation, 2011). In addition, Al-Bakri et al. (2014) and Al-Smira's (2013) focus on the lack of bookkeeping records among Retail industry (only 14% had organized bookkeeping data and 40% were open to detailing monetary matters) places a greater emphasis on the business charge consistency in the Jordanian government's financial health (Joulfaian, 2009). Reality to this is affirmed by the country's associations assembled charge wages (Joulfaian, 2000).

According to the economic approach (Batrancea et al., 2019; Frey, 2003), the primary strategy for enforcing tax compliance has been deterrence, and theoretical studies have identified various factors that influencing tax compliance (Batrancea et al., 2022; Alm, 2012). One of the pioneering works that addressed tax noncompliance, Becker's Model (1968), argued that the threat of legal penalties would prevent tax crimes (Batrancea et al., 2012; Matthew and Agne, 2009). Taxpayers' rational behavior, according to Becker (1968), leads them to anticipate using the tax non-compliance gamble, in which they weigh the benefits and risks of a penalty against the likelihood of detection.

The A-S model, a theory of tax non-compliance, was developed by Allingha and Sandm (1973) based on Becker model deterrence theory in their research. The first model to address tax noncompliance was this one. Equivalent to the dispute, Feld et al. (2006) demonstrated that a low level of resistance was succeeded by an increased compliance level in certain countries, the model failed to get a handle on the obligation consistence lead as various factors would have had an impact in driving cost consistence that were disregarded from the demoralization speculation.

Jackso and Milliro (1987) identified four main categories that highlight the drawbacks of the deterrence theory in clarifying tax compliance. The variables that affect tax compliance can be categorized into tax complexity (probability of detection, tax rates and penalty), perceptions and attitude (tax ethics, tax justice, and peer effect), demographic features (education age, and gender), and non-compliance opportunities (income source and level, and occupation). Fischer, Wartic, and Mar (1993) integrated the sociopsychological and economic approaches into a single model, known as the "Fischer model," which encompasses all of these variables. This model offers a comprehensive framework for understanding the factors that impact tax compliance behavior and has been applied to develop effective strategies for enhancing compliance. The Fischer model is widely utilized in tax compliance research. By understanding the complex interplay of factors that influence tax compliance, policymakers and tax authorities can develop more effective strategies for promoting compliance and reducing tax evasion. Numerous published studies (such as Kirchler et al., 2007; for example) demonstrated the model's validity. Andreoni et al. (1998)

This study's author makes a number of attempts to broaden the literature: First, Chan et al. (2000), Hanefah (1996), and Chau and Leung (2009) expanded Fischer's model to focus on drivers of tax compliance. Previous research on VAT tax compliance in Jordan has focused on economic and socio-psycholgical factor, without considering the direct impact of tax service quality and the indirect impact of tax knowledge on the retail industry's compliance with VAT taxes. The compliance behavior of Jordan's retail industry can be partially explained by the aforementioned factors. However, the present study contributes by applying Fischer's model (1992) to determine VAT tax compliance at the business level, rather than the individual level. This approach considers the direct impact of tax service quality and the indirect impact of tax knowledge on VAT tax compliance. By applying Fischer's model, the study provides a comprehensive framework for understanding the factors that influence VAT tax compliance in the retail industry in Jordan. The study's findings can be used to develop effective strategies for improving VAT tax compliance in the retail industry, which can ultimately lead to increased government revenues and

a fairer tax system. Obtaining the perspectives of Jordanian Retail industry' owners and managers is necessary for this. In a connected report, Abdixhiku et al. (2017) viewed that as, in spite of the way that business charges make up a huge part of Gross domestic product in many nations (Nur-tegin, 2008; Pugh, Hashi, Abdixhiku, and Krasniqi; Crocker and Slemrod, 2005). Woodward and Tan also claim that small and medium-sized businesses (Retail industry) have numerous opportunities to evade tax payments. The compliance of individuals with their taxes appears to receive a lot of attention in the literature; however, Alm, (2012) point out that the compliance of businesses with their taxes requires just as much, if not more, attention. If Retail industry are to consistently comply with VAT tax, the non-compliance opportunity and demographic characteristics of the Fischer model need to be eliminated.

The endeavor to decide the impact of prevention hypothesis on VAT compliance consistence is the third way this study adds to the extension of the writing. While many studies have focused on income tax compliance, only a small number have addressed VAT tax compliance. Most of these studies have examined the relationship between deterrence theory and income tax compliance, with few studies conducted in the Middle East, including Jordan. This study aims to establish the effects of socio-psychological factors on VAT tax compliance in Jordan, which is the fourth contribution of its kind. Previous studies have focused on the effects of non-economic factors on individual income tax compliance, rather than VAT tax compliance for businesses. The personal attitudes and perceptions of enterprise owners are among the major factors that influence VAT compliance. The current study aims to validate the association between social and demographic variables and tax compliance, which has been found to be significant in previus literature.

As indicated by the concentrate by Alm and El-Ganainy (2013), concentrates on that inspected VAT compliance are as yet restricted because of the hastened dispersion as a major income instrument utilized by states. The fifth commitment is the affirmation of VAT compliance consistence drivers to limit the hole in the writing. In the interim, Alshir'ah et al. The need for additional research into VAT tax compliance, particularly in Jordan, was emphasized in a 2016 review of tax studies-related literature. Last but not least, this is a ground-breaking study of how tax knowledge modifies the association between VAT tax compliance and its drivers. As an independent variable related to income tax compliance, tax knowledge was the focus of previous studies of this kind (Clotfeleter, 1983; 2001, Kirchle and Maciejovsk; Par and Hyu, 2003). To put it another way, this is the first study to analyze the connection between VAT compliance and its determinants with regards to retail industry and test the moderting impact of tax knowledge.

2. Literature review and hypotheses development

Taxes are widely considered to be significant contributors to a country's total domestic revenue on a global scale. Direct and indirect taxes form the backbone of most countries' efforts to boost and enhance their economies (Tehul and Dinber, 2015; Vadd, 2014). Also, charge installment consistence is obligatory for parties, despite in the event that they are corporate or people - willful adherence to burden regulations are compulsory yet as a general rule, a few people generally avoid their duty obligations (Kirchler et al., 2014). According to Alm et al. (1993), taxpayer participation in government decisions and expenditures and an increase in penalties and the likelihood of detection for tax evaders are two ways to achieve tax compliance (Alm and Torgler, 2011). However, despite the fact that efforts have been made to promote tax compliance, the issue persists and there is no shared definition of tax compliance in the literature (Devo, 2009). Various scholars have defined the concept in different ways; for example, Andreon et al. (1999) defined tax compliance as taxpayers' inclination to fulfill their legal tax duties to sustain a robust economy. Alm (1991) and Jackso and Milliro (1987) provided a comparable definition, stating that it involves disclosing all income and paying taxes mandated by existing regulations, laws, and judicial

verdicts.

Roth and Scholz (1989) defined compliance in the same realm of research as the timely submission of all necessary tax returns that precisely reflect the taxpayer's tax obligations according to relevant tax laws, rules, and judicial decisions. Similarly, Aln et al. (1994) characterized tax compliance as the process by which taxpayers accurately report their taxable income, submit tax returns, and pay their taxes within the specified timeframe. Kirchler et al. (2006) extended this line of thought by likening tax compliance to a game that hinges on the taxpayer's trust in the law, the impartiality of the tax system, and the reciprocal interplay between the taxpayer's actions and the actions of the tax authority. In addition, Brown, Mazur (2003) study revealed the various measurement aspects of tax compliance, classifying taxpayer compliance into three categories: compliance with filing, payment, and reporting requirements. According to Nura et al. (2017), compliance with the VAT tax means adhering to the procedures and laws, such as reporting the actual and accurat VAT paid and collect, actuale VAT liability, paying the entire amount of taxes that are owed within the time frame specified, and filing tax returns within a specific time frame.

Additionally, tax non-compliance can be classified into two categories: tax evasion and tax avoidance. Underreporting VAT, income, or wealth, inflating deductions, obtaining loans or exemptions through false means, or filing tax returns inaccurately are all instances of tax evasion (Ritsato, 2014; Aln, 2012). Tax evasion also covers the deliberate act of individuals and organizations engaging in illegal business ventures to reduce their tax liability. In contrast, tax avoidance refers to the legal methods used to minimize taxes owed (Batrancea, 2021; Nichita, Batrancea, Pop, Batrancea, Morar, Masca, Cesar, … Fortda Silva, 2019; Batrancea et al., 2018; Batrancea and Nichita, 2015; Batrancea et al., 2012; Batrancea and Nichita, 2015; Slemrod, 2007). Kasipilla and Abdul-Jabar (2006) note that tax noncompliance comes in various forms, including failure to submit tax returns promptly, over-reporting deductions, underreporting income, and failure to pay taxes on time. Alshira'h et al. (2018c) highlight that VAT tax non-compliance is a significant problem that involves altering tax reports and manipulating VAT tax invoices to achieve different objectives through tax evasion, which depends on attitudes, beliefs, and norms within the region. These goals include paying less VAT tax, earning more income, and reducing costs based on accrued benefits. Given the limited research on how economic and sociopsychological factors influence VAT tax compliance, this study aims to expand the literature on tax compliance, specifically regarding VAT tax, by analyzing the factors that affect VAT tax compliance in the following sections.

2.1. Tax complexity

VAT complexity is crucial because it has an impact on tax compliance, which in turn affects government revenue and the overall economy. Research suggests that complexity is linked to four significant economic variables (Aiko and Logan, 2014; Bilotkach, 2006). Firstly, complexity can create economic distortions resulting in a decline in GDP. Second, intricacy might prompt either un-deliberate or purposeful expense resistance by giving chances to burden aversion and injustice. Taxpayers and the tax authority both incur significant costs as a result of complexity in tax compliance. Third, consistence costs in certain nations are a sizable extent of the complete expense income or Gross domestic product. Fourth, when taxpayers do not fully comply, complexity results in legal uncertainty. comprehend their tax obligations; Taxpayers may be uncertain about how to handle particular transactions or the justification behind different conclusions made by the tax authority, leading to additional complexity. Long and Swingen (1987) identified six dimensions of complexity based on professional judgments: ambiguity, changes, calculations, forms, detail, and record keeping. In a similar vein, Slemrod et al. (2001) comprehensive description of tax complexity was founded on fundamental properties. Slemrod sorted charge framework intricacy into four aspects. Predictebility and enforcability, both of

which are connected to the tax code, are the first two. The last two are trouble and manipulability, which are connected with citizens' reaction to the assessment regulations.

Abdul Jabbar (2009) conducted research on the complexity influence on compliance among corporate retail industry. The study discovered that tax complexity significantly influencing the compliance. This result is consistent with Sapie and Kasipilla (2013) findings, which also focused on corporate taxpayers in Malaysia. However, Yahaya (2015) found a positive relationship while Morse et al. (2009) and Fauvel-Aymar (1998) reported insignificant relationships between complexity and compliance. According to Biabani and Amezani (2011), tax complexity did not have a significant impact on VAT tax compliance. However, other studies, such as Woodwar and Tam (2015), found that tax complexity had a negative impact on tax compliance. As a result, we anticipate the following hypothesis:

H1. : *There is a negative relationship between complexity and VAT compliance.*

2.2. Tax Sanctions

Sanctions are thought to be one of the most important ways to stop bad behavior. High penalties discourage tax evasion because they make it more risky for taxpayers to avoid paying taxes (Kirchler, 2010). In addition to audit, the tax laws may also establish penalty as an important tax enforcement tool. According to Allingha and Sandm (1973), Previous economic analyses of tax compliance suggested that penalties have a detrimental impact on tax evasion (Srinivasan, 1973). Similarly, other socio-psychological theoretical frameworks propose that the perceived risk of punishment has a negative impact on tax avoidance (Weigel et al., 1987). Additionally, the slippery slope framework highlights the importance of monetary penalties in promoting tax compliance (Kirchl et al., 2008). Friedlan (1983) and Friedlan, Maita, and Rutenber (1979) presented evidence supporting the negative and significant impact of penalties on tax non-compliance. Specifically, Friedland et al.'s groundbreaking experimental study 1978) found that higher punishments will quite often abridge tax avoidance more than reviews do. However, a growing number of studies (Alm et al.,) have shown that penalties have little or no effect on tax non-compliance. 1996; Arie, 2012; Collin and other, 1993; Weble et al., 1992). Strangely, it was said that increasing a penalty had a "crater-bomb effect" on noncompliance. This implies a beneficial outcome on rebelliousness. Hence, a study of individual citizens detailed this impact in Tanzania (Fjeldstad and Semboja, 2001). They looked into how tax compliance was affected by how people perceived the severity of sanctions. Higher penalties had a negative effect on tax compliance, according to the study. The reciprocity effect was used to explain this result. As a result, taxpayers may have been treated unfairly by the tax authority, leading to increased aggressive tax payment. As a result, the following hypotheses are put forth:

H2. : *There is a positive relationship between sanctions and VAT compliance.*

2.3. Probability of detection

Continuing on toward one more VAT compliance determinant, probability of detection and supports such consistence conduct as per Jakson and Millron's (1986) study. The ability of the tax authority to encourage businesses to pay accurate VAT tax and to ensure that they register for such payment if their VAT turnover is at least equal to or greater than the threshold registration is referred to as this ability in the context of VAT tax. Feld and Larsn (2012), Alam and Mc Ke (2006), Pomerehne and Weck-Hanneman (1996), and Wite and Wodbury (1985) are examples of previous studies in which a positive relationship was found between tax compliance and the probability of detection. However, some of these studies did not find a relationship between the

variables (Much, 2015; Tehlu and Dinbru, 2015), while others supported a negative association between compliance and detection (Slemod et al., 2001; Palil et al., 2012). The probability of detection's influence on compliance in the VAT tax has only been the subject of a small number of studies, but the few that have been conducted have demonstrated a positive relationship between the variables (for instance, Wodward and Taan, 2015). Nevertheless, Fardy et al., 2014) found an insignificant connection. The hypotheses are then formed as follows:

H3. : *There is a positive association between probability of detection and VAT compliance.*

2.4. Tax Ethics

Another determinant of compliance that merits mention in the present work is tax ethics, which Jackson and Milliorn (1986) referred to as simply the individual's values or principles. The lack of a universal definition of ethics is due to the complex nature of the concept. Ethics behavior, as defined by Young et al. (2016), is an intrinsic motivation based on ethical principles and values. Because of the ethical compliance to pay VAT tax and the conviction to contribute to the development of the nation, this study views VAT tax ethics as an intrinsic motivation to pay VAT tax. Richardson (2006) asserts that, in comparison to economic factors, non-economic factors have a greater influence on tax compliance behavior. Consequently, ethical principles were found to be one of 45 primary drivers. Consequently, this variable should be pondered (Feld and Schneider, 2010). Slemrod et al. say that, citizens with charge morals are bound to try not to pay charges when they are monetarily focused or when they believe charge dodgers to be exceptionally moral. 2001). Even though Wodward and Tan (2015) and Adam and Webly (2001) discovered a positive expense morals - VAT compliance association, this association actually requires extensive research. Fellnr, Sausgrber, and Traxlr (2013) and Aril (2012) discovered that moral influence does not necessarily bring about expanded consistence. The speculation is introduced because of this sketch:

H4. : *There is a significant association between ethics and VAT compliance.*

2.5. Tax Justice

According to Jackson and Milliron (1986), justice in taxation is also a compliance driver. According to Chau and Leung (2009), the predominant argument is that the high rate of tax non-compliance is the result of growing dissatisfaction among tax's taxpayers and administrators with the justice of the tax system. According to Jakson and Miliron (1986), tax justice consists of two dimensions: the justice of a tax's commerce and interest received and the justice of a taxpayer's burden in relation to other tax payers (the comprehension of the vertical and horizontal tax laws from the taxpayer's perspective). Tax justice is defined in this work as the fair distribution of VAT tax registration thresholds and penalties by the tax authority entity, with registered VAT tax serving as the fair cost. Fochmann and Kroll (2015), Mc Kerchar, Bloomquist, and Pope (2013), Kirhler and Wahal (2010), and Felid and Freey (2007) all found a association between tax justice and tax compliance for this construct. Bank, Cakmak, and Budak (2011) found no significant relationship, while Sinasamy, Biden, and Syied-Ismaeil (2015) found a mix of results. Wodward and Taan (2015) and Adam and Webly (2001), on the other hand, demonstrated a significant effect between the two variables in the VAT tax context. This study hypothesized the following on the basis of these theoretical insights:

H5. : *There is a significant association between justice and tax compliance.*

2.6. Government Spending

According to Luttmer and Singhal (2014), different sorts of government services funded by tax revenues influence an individual's

propensity to cooperate. If the government uses national resources properly, voluntary tax compliance will grow (Palil and Mustapha, 2011). Similarly, Feled and Freey (2007) assert that people will pay their taxes honestly provided they receive important public benefits in exchange. These actions can be explained by recognizing the Social Exchange Theory and the Expected Utility Theory. The decision maker assesses the expected utility values and then chooses between hazardous or uncertain possibilities (Lutfi et al., 2022g), according to Expected Utility Theory (EUT), and Social Exchange Theory (Homans 1958) interprets the aforementioned findings as the exchange of activity, physical or intangible, between two persons. Consequently, as a result, tax payers will demonstrate compliance if they believe the tax amount is being traded for valued public goods. The impression of taxpayers toward government spending is important in affecting their fair compliance behavior (Palil 2010; Kirchgassner 2011). Sufficient use of tax income on public amenities would increase taxpayers' feeling of justice (Dragojlovic 2008). The theory is expressed as follows based on this sketch::

H6. : *There is significant association between government spending and tax compliance.*

2.7. Tax service quality

According to De Lone and Mc Lean (2003), SerQ is generally refers to the extent to which a service is delivered to meet or exceed customer needs, and is facilitated and ensured by effective system management. The New Public Management philosophy has a significant focus on service quality (Lutfi et al., 2022; Lutfi et al., 2022d; Lutfi et al., 2022g; Lutfi et al., 2022e; Lutfi, 2021a; Lutfi et al., 2021b; Lutfi, 2020a; Brysland and Curry, 2001). Due to the services they provide to taxpayers, tax offices, like other public sector businesses, are concerned about service quality. In 2014, Mustafa and Obied conducted a comparison of tax service quality with the key determinants of the tax system, namely reliability, responsiveness, and formativeness. Meanwhile, Hughs and Moizr in 2015 described tax service quality as being influenced by reputation brand names. In the meantime, Jackson and Milliron (1986) emphasized the services and provided to taxpayers in the United States by the Internal Revenue Service (IRS). Other studies, such as Bonyarat, Sofan, and Wadecharoen (2014) found in their research that the quality of tax services has a significant effect on the efficiency of tax collection, which then impacts taxpayer satisfaction and compliance behavior. In addition, Torgler and Schneider (2009) suggest that if the tax authority considers itself a service organization that delivers superior services and treats taxpayers as partners, they are more likely to comply with its decisions. Similarly, Vigoda-Gadot (2006) showed that taxpayer satisfaction with the services provided by the government and tax authority is linked to greater compliance with tax regulations.

In different examinations, upgraded charge consistence in accomplishing charge commitments requires the expansion in charge administration quality by the duty specialists (Al-Ttafi and Abdul-Jabar, 2016). All in all, quality assistance charge gave to the citizens and accommodation laborers would prompt their solace alongside the arrangement of duty data framework, prompting their rising consistence. Then again, assuming that the citizens have a low view of duty administrations quality given by the expense authority (Nichita and Bătrâncea, 2012; Alabed and Afrin, 2012), the outcome is an adverse result in that a positive connection exists between apparent assessment administration quality and duty consistence conduct. Taxpayers' perceptions of tax service quality will improve compliance behavior if the tax authority improves tax service quality. Last but not least, poor service quality may result in a decrease in tax compliance and public confidence in the government. In view of these hypothetical knowledge this study conjectured that charge straightforwardness can have a positive effect on charge consistence:

H7. : *There is a positive association between tax service quality and VAT*

compliance.

2.8. Moderating role of tax knowledge

In Fauziati et al. (2016) argued that tax compliance among taxpayers in the Retail industry is largely influenced by the tax policies established in their country. Tax knowledge, which pertains to a basic understanding of essential tax policy principles, plays a crucial role in determining the level of voluntary compliance with the tax system, particularly when it comes to accurately determining one's tax liability, as noted by Baru (2016). Moreover, having access to charge guidelines information can significantly enhance compliance by promoting greater awareness of tax obligations. While various researchers have found that higher education levels lead to increased taxation knowledge, the specific content of such education has not been identified (Kinsy and Grasmik, 1993; Kinsy and Grasmik, 1993; Soneg and Yarbroug, 1978). Conversely, low levels of tax knowledge have been associated with negative attitudes toward tax payment, as observed by Lewies (1982), while Eriksin and Falan (1996) have demonstrated that improved tax knowledge can lead to more positive attitudes, greater compliance, and reduced tax evasion. This is supported by other studies like Kirchlr and Maciejvsky (2001), Parik and Hyuen (2003), and Paliel and Mustafa, which found that higher tax knowledge and lower complexity increased tax compliance. According to the authors, knowing about taxes would make it easier to avoid paying taxes. Additionally, citizens with great information on duty will emphatically see the assessment framework, and be more disposed towards consenting to its installments (Trisnawati, 2015).

However, research on the moderating effect of tax knowledge on the association between VAT tax determinants and compliance yields inconsistent results. For example, in Haris' (2012) study, the creator expressed that charge information needed tremendous impact on the consistence conduct of citizens. The distinctions in discoveries might be credited to various expense wards, in light of the fact that while the examinations are completed in Malaysia or Australia, Haris' (2012) study was led in the US. In the meantime, despite having relevant information, Zimbabwean small and medium-sized enterprises (Retail industry) have a low compliance rate with legislation. This indicates that Retail industry are aware of tax laws, but their noncompliance is still high. Additionally, in Bierd and Zolit According to the study, Retail industry' tax compliance behaviors were unaffected by the existence of tax knowledge, which included general, legal, and technical knowledge. According to the author, taxpayers with tax knowledge did not comply with the payment. In contrast, Alam, Kirchlr, Muehlbachr, Gangil, Hofman, Koglir, and Polai (2012) found that when SME tax knowledge increased, there was no significant change in tax behavior or attitude. Tax knowledge had no significant effect on tax compliance in a comparable study (Fauziati et al., 2016).

The mixed results above call for the confirmation that taxpayers' decisions regarding tax compliance are largely influenced by their tax knowledge. Baroon and Keny (1986) recommended that the investigation focus on the moderating effects of variables in the event of inconsistent findings. Given the mixed results regarding the factors that determine tax compliance (including tax complexity, probability of detection, tax sanctions, tax ethics, tax justice, peer influence, and tax service quality), it is important to explore the potential role of a moderating variable. Specifically, the presence of tax knowledge as a moderating variable may help clarify some of the ambiguous relationships between economic variables and taxpayer compliance. As a result, these knowledge may be the primary factors that determine whether taxpayers comply or not. This study hypothesized the following moderating relations in light of the preceding discussions:

H8. : *Tax knowledge moderate complexity and VAT compliance relationship.*

H9. : *Tax knowledge moderates audit and VAT compliance relationship.*

H10. : *Tax knowledge moderates' sanctions and VAT compliance relationship.*

H11. : *Tax knowledge moderates ethics and VAT compliance relationship.*

H12. : *Tax knowledge moderates justice and VAT compliance relationship.*

H13. : *Tax knowledge moderates government spending and VAT compliance relationship.*

H14. : *Tax knowledge moderates tax services quality and VAT compliance relationship.*

After reviewing the literature above, the current study presents a conceptual framework (see Fig. 1) that has been developed as follows.

3. Methodology

This study employed a quantitative questionnaire as the main instrument for data collection. The items within were adopted from past relevant studies and gauged on a five-point Likert scale ranging from 1 (strongly disagree) to 5 (strongly agree). The original questionnaire was sent to three academicians and three VAT experts for revision, and based on their feedback, the items were modified, after which a pilot study was conducted to test the questionnaire. The respondents were Jordanians retail industry, with Arabic as their mother tongue. Thus, the questionnaire was translated from English to Arabic language through the use of a professional translator.

owner-manager of retail industry perused the translated version to determine the presence of inconsistencies. Specifically, three owner-manager of retail industry reviewed the Arabic version to ensure the accuracy of the items and their measurement in VAT compliance. Back-to-back translation was conducted so that the meanings of the items were preserved. Before data were collected from the study population for the actual study, the translated questionnaire was first tested on 32 retailers to ensure that the items were clear and had construct reliability, as recommended by Dwivedi et al. (2013). The Cronbach's alpha values of the constructs were all over 0.70, which was indicative of a good level of reliability according to Hair et al. (2019).

This study formulated the research hypotheses based on the reviewed studies in literature. More specifically, for probability of detection, 3 measurement items were obtained from Faridy et al.(2014). For tax sanctions, 4 measuring items were adopted from Braithwaite (2001), which were tweaked to be appropriate to the context of the study. For tax ethics, 6 measuring items were adopted from Torgler (2007). For tax justice, 3 measuring items were adopted from Torgler et al.(2007). For tax services quality, 7 measuring items were adopted from Parasuraman, Valarie and Leonard (1985). For VAT complexity, 6 measuring items were adopted from Long and Swingen (1987). For government spending, 4 measuring items were adopted from (Falsetta,

Fig. 1. research framework.
Source: Compiled by the authors (2023)

Schafer and Tsakumis, 2023). For government spending, 4 measuring items were adopted from (Twum, Amaniampong, Assabil, Adombire, Edisi, and Akuetteh, 2020) and lastly, VAT compliance 5 measuring items were adopted from Gilligan and Richardson (2005).

The population for the present study was SME retail firms operating in Jordan. There are approximately 2767 such firms (Jordan AIC directory). A criterion was applied to define the target population and select the subsequent sample: small businesses have 10–49 full time employees, and medium businesses are those with 50–249 full time employees. Overall, of the 2767 contacts (SME retail firms) obtained from the directory. Accordingly, 2000 questionnaires were distributed to potential respondents who possess knowledge and information regarding the examined phenomenon between January - March 2023.

The firms were initially contacted and informed of the study purpose underlining the concept of VAT. The respondents and their email addresses were then requested from the firms, and the author sent the survey questionnaire online through their addresses. Each questionnaire copy included a cover letter that contained the objective and purpose of the study along with an introduction to VAT. From the 2000 distributed questionnaire copies, only 774 were returned, of which 4 were incomplete or had failed to meet the conditions. Thus, the useable questionnaires totaled 770, and the achieved rate of response was 38.5%. According to Lutfi et al. (2022b), 16% (± 5) is considered to be an acceptable response rate for retail firms surveys. Noting that retail firms researchers are frequently challenged by a reluctant population and low response rates (Alshira and Abdul-Jabbar, 2019a; A. Alshira'h et al., 2020b, 2020a; A. Alshirah et al., 2021; A. F. Alshira'h et al., 2020a, 2020b; Alshir'ah et al., 2016; M. Alshirah et al., 2021b, 2021a; Alshira'h and Abdul-Jabbar, 2019; Lutfi et al., 2017, 2022, 2023b; A.F. Alshira'h et al., 2020; A.F. Alshira'h et al., 2020b; A. Alshira'h et al., 2020c: Lutfi, Alqudah et al., 2023; Saad et al., 2022); it is acknowledged that this is a relatively low response rate. In the next step, the non-response bias was tested through the comparison between early and late responses using t-test. The results showed a significance level of 5% with no statistical differences between the two groups, and thus non-response bias was not an issue based on King and He (2005).

4. Data analysis

To evaluate the offered hypotheses and analyze the created research model, this study used the PLS analytic approach in PLS. PLS can investigate many associations at the same time (Ringle, 2012). PLS modeling, in particular, is appropriate for assessing complicated models with multiple items, variables, and linkages (Lutfi et al., 2023c; Alrawad et al., 2023; Ananzeh et al., 2022; Bani-Khalid et al., 2022; Lutfi, 2022a; Lutfi, 2022b; Lutfi et al., 2022f; Lutfi et al., 2022c; Lutfi et al., 2022j; Chin, 2012) and can address small samples (Hair et al., 2019). Furthermore, normal distribution is not required in PLS, hence it is beneficial in situations when other approaches are ineffective. Furthermore, PLS-SEM is a two-step procedure (Hair et al., 2019). The conceptual framework consists of two models: the measurement model (outer model) and the structural model (inner model). The outer model evaluates the reliability and validity of the constructs and indicators, while the inner model examines the significance of the proposed hypotheses.

The current survey's Table 1 presents a summary of the respondents' Retail industry profile. As indicated, the majority of the respondents (57.6%) had been in operation for over ten years, suggesting a high level of maturity. This suggests that the majority of Retail industry have extensive expertise and could give the required data for determining the factors influencing VAT compliance. The chart also shows that 49.5% of the Retail industry polled had a revenue of less than JD100,000. This research revealed that the majority of Retail industry respondents had an excellent and high VAT turnover. Nonetheless, several of the Retail industry who responded reported minimal VAT turnover. This might be because certain manufacturing demands a lot of money while others
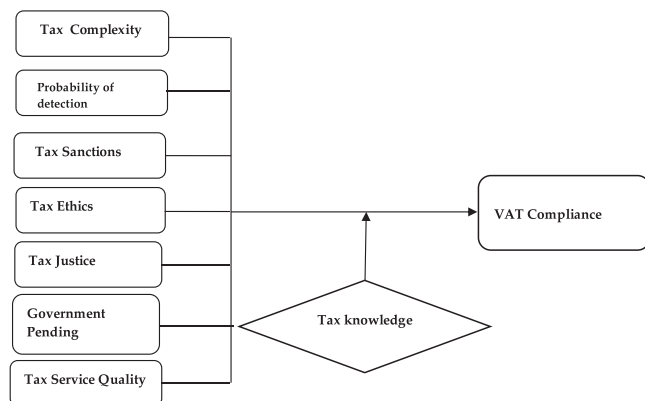
Table 1
The demographics information of the Retail industry respondents.

Demographics characteristics		Frequency	Percent
Operation Years	Less than 5	84	10.9
	5–10	242	31.6
	More than 10	444	57.6
Total		770	100.0
;PL[;' Turnover	Less than JD 100,000	380	49.5
	JD100,000-JD5000,000	258	33.5
	More than JD 5000,000	132	17
Total		770	100.0
Employees	1–9 employees	366	47.6
	10–49 employees	268	34.9
	50 − 249 employees	136	17.5
Total		770	100.0
Position	Chief executive officer	128	16.5
	Managing director	36	4.7
	Owners-Manager	580	75
	Other	26	3.8
Total		770	100.0
Academic Qualifications	Up to secondary level	100	13
	Diploma	156	20.3
	Degree	414	53.3
	Postgraduate	100	13.2
Total		770	100.0

Source: Compiled by the authors (2023)

don't. However, the fact that the majority of responding SME met the register threshold shows that respondents have strong expertise with VAT tax and the knowledge required to answer to the survey instrument and give trustworthy data for the current study.

In terms of the number of full-time workers, the results demonstrate that the majority of responding Retail industry fit the criteria of Retail industry, which is consistent with the study's expectations because all questioned Retail industry were drawn from a sample frame with employees ranging from 1 to 24. Regarding the roles of the respondents, 75% of those in the Retail industry were owner-managers, which aligns with the typical structure of SMEs in Jordan where the owner often serves as the manager. Additionally, almost 54% of all respondents held a bachelor's degree, while accounting diploma, postgraduate, and secondary level accounting students comprised 21%, 14%, and 13% of the sample, respectively. This educational and professional background demonstrates that Retail industry owner-managers possess the necessary qualifications and expertise to participate in the survey and provide valuable data on the factors being studied. Furthermore, descriptive statistics indicate that the majority of respondents had sufficient knowledge and experience to offer accurate insights into the factors considered in this study.

According to Pallant (2005), "normality" denotes that data have a symmetrical distribution and take the form of a bell curve. Multivariate analysis and the majority of statistical tests need the assumption of normality since any fundamental violation of this assumption might result in inaccurate results (Hair et al., 2010). According to several earlier studies, PLS-SEM may provide a model with an appropriate estimation even when the data distribution is non-normal (Reinartz, Haenlein, and Henseler, 2009; Wetzels, Odekerken-Schroder, and Van Oppen, 2009). Hair et al. (2014a) suggested, however, that researchers should examine the data to ensure normality. Skewness and kurtosis values are two techniques for assessing normalcy (Pallant, 2005). According to George and Mallery (2006), skewness is a metric that shows how much a data distribution deviates from the mean center. To be considered normal data, skewness values must fall between + 3 and − 3 (Kline, 1998). According to Kline's (1998) advice, the results in Table 2 demonstrate that the research variables' skewness values were between + 3 and − 3, suggesting that the data have a normal distribution. According to Kline (2016), it should only become an issue when the absolute value of skewness is more than 3. According to a normal distribution, the data group can be described as flat or peaked using the

Table 2
Results of Skewness and Kurtosis for Normality Test.

Variable	Skewness		Kurtosis	
	Value	td. Error	Value	Std. Erro
VAT Compliance	-0.925	0.167	0.005	0.333
Tax sanctions	-0.733	0.167	0.448	0.333
Tax complexity	-1.024	0.167	0.627	0.333
Detection of probability	0.925	0.167	0.005	0.333
Tax ethics	-0.555	0.167	-0.299	0.333
Tax justice	-1.024	0.167	0.627	0.333
Tax services quality	-1.311	0.167	2.195	0.333
Tax knwoladge	-0.555	0.167	-0.299	0.333
Government spending	1.311	1.311	2.195	0.333

Source: Compiled by the authors (2023)

kurtosis metric (Hair et al., 2014a). Positive values of kurtosis suggest a flatter distribution, whereas negative values denote a peaked distribution (George and Mallery, 2006). Kurtosis values can be positive or negative. The kurtosis test was performed for all variables in the current investigation, as shown in Table 5.4, and it came within the optimal indicated range (+7 and −7) as stated by Byrne (2010) and Curran, West, and Finch (1996). According to a recent argument, it should only be problematic when the absolute value of kurtosis is more than 10 (Kline, 2016). As a result, the data are kurtosis-free, indicating that they have a normal distribution. The results of the normalcy test demonstrated that the assumption of normality was upheld. Since all construct values were below the suggested cut-off values, the data illustrating the variables of the current investigation exhibit a normal distribution. In circumstances of very non-normal distribution, PLS-modelling can, nonetheless, yield suitable model estimations.

The tolerance value and Variance Inflation Factor (VIF), which have been often used to detect multicollinearity (O'brien, 2007; Petter, Straub and Rai, 2007), were used in the current investigation to expose the issue of multicollinearity. Multicollinearity is not a problem, according to Hair et al. (2014a), when VIF is less than 5 and Tolerance is more than 0.20. The results in Table 3 show that there was no multicollinearity among the latent variables, since all tolerance values ranged between 0.812 and 0.954, all greater than 0.20, and all VIF values varied between 1.048 and 1.232, all lower than 5. Therefore, it may be said that there was no multicollinearity among the independent variables.

4.1. Measurement model

The measuring model was examined in this study using convergent and discriminant validity. vergent validity pertains to the extent to which an indicator accurately describes and measures a variable, as well as its correlation with other measurements of the same variable (Hair et al., 2019). In this study, convergent validity was evaluated through the use of indicator loadings, composite reliability, and average variance extracted (AVE). As presented in Table 4, the indicator loadings and composite reliability exceed the recommended thresholds of.40 and.70, respectively (Hair et al., 2019), with all constructions having at least

Table 3
Multicollinearity Assessments Using Tolerance and VIF.

Variable	Collinearity Statistics	
	Tolerance	VIF
Tax knowledge	0.862	1.143
Tax services quality	0.812	1.134
Tax justice	0.881	1.252
Tax ethics	0.874	1.111
Tax sanctions	0.901	1.163
Tax complexity	0.805	1.136
Government spending	0.912	1.148
Detection of probability	0.933	1.155

Source: Compiled by the authors (2023)

Table 4
Convergent validity.

Latent construct	Items		Loading	CA	CR	AVE
VAT Compliance (VATC)	VATC1		0.744	0.860	0.896	0.682
	VATC2		0.591			
	VATC3		0.823			
	VATC4					
	VATC5					
Tax Knowledge (TK)	TK1		0.619	0.833	0.861	0.513
	TK2		0.853			
	TK3		0.745			
	TK4		0.810			
	TK5		0.673			
	TK6		0.642			
	TK7		0.771			
	TK8		0.690			
	TK9		0.707			
	TK10		0.706			
Tax Complexity (TCX)	TCX1		0.743	0.831	0.860	0.505
	TCX2		0.711			
	TCX3		0.700			
Probability of detection (PD)	PD1		0.792	0.766	0.788	0.527
	PD2		0.828			
	PD3		0.766			
Tax Sanctions (TS)	TS1		0.640	0.763	0.767	0.633
	TS2		0.859			
	TS3		0.814			
	TS4		0.700			
Tax Justice (TJ)	TJ1	0.792	0.609	0.789	0.818	0.550
	TJ2		0.738			
	TJ3		0.820			
Tax Ethics (TE)	TE1	0.828	0.593	0.847	0.883	0.520
	TE2		0.633			
	TE3		0.649			
	TE4		0.758			
	TE5		0.827			
	TE6		0.803			
Tax Services Quality (TSQ)	TSQ1	0.766	0.654	0.723	0.766	0.519
	TSQ2		0.734			
	TSQ3		0.859			
	TSQ4		0.791			
	TSQ5		0.820			
	TSQ6		0.852			
	TSQ7		0.839			
			0.810			
Government Spending (GS)	GS1		0.699	0.755	0.767	0.555
	GS2		0.743			
	GS3		0.711			
	GS4		0.694			

Source: Compiled by the authors (2023)

three elements. According to the findings, this study attained convergent validity.

In the second stage of the study, Fornell-Larcker's criteria (Hair et al., 2019) were utilized to evaluate discriminant validity. Discriminant validity refers to the degree to which indicators accurately assess distinct concepts or differentiate across variables (Hair et al., 2019). The AVE squared roots and variable correlation coefficients were compared to examine the discriminant validity of the latent constructs. As shown in Table 5, the AVE squared roots considerably exceeded both the values

of all cases and diagonal elements in the corresponding rows and columns, confirming the discriminant validity of the variables. In summary, the findings indicate that the measurement model is reliable and valid, making all structures appropriate for future investigation.

4.2. Structural model

PLS modeling was employed to analyze the structural model and determine the significance of the path coefficients using the bootstrapping approach, which involved 5000 re-samples. Four criteria are commonly utilized to assess the structural model: (R2) values, effect size (f2), predictive relevance (Q2) of the model, and path coefficient to test the research hypotheses. Table 5 displays the postulated correlations in the hypotheses, including the path coefficients (-values), t-values, and p-values. As shown in Table 6, the outcomes indicate that tax complexity has a significant negative impact on VAT compliance (= −0.262, t = 3.559, p 0.05), implying that as tax complexity grows, so does VAT compliance. The correlation between frequency of detection and VAT compliance was positive and significant (= 0.293, t = 4.469, p 0.05). This research implies that there will be a high degree of VAT compliance if there is a high level of detection. The findings also show that tax sanctions have a positive and substantial influence on VAT compliance (= −0.124; t = 2.679; p 0.05), implying that as tax sanctions grow, so will VAT compliance. Furthermore, the data show that tax justice has a positive and substantial impact on VAT compliance (= 0.163; t = 2.053; p 0.05), which is consistent with the positive connection expected. For H5, a favorable and substantial influence of tax ethics on VAT compliance is supported (= 0.315; t = 3.462; p 0.05). Similarly, as expected, H6 is supported by a positive and substantial impact of tax service quality on VAT compliance (= −0.152; t = 2.587; p 0.05). Finally, H7 is supported by government expenditure having a positive and substantial affect on VAT compliance (= 0.127; t = 2.365; p = 0.009). In summary, the findings show that tax complexity, likelihood of discovery, tax sanctions, tax justice, tax ethics, tax service quality, and government spending all have a direct impact on Jordanian Retail industry' VAT compliance. As a result, hypotheses H1, H2, H3, H4, H5, H6, and H7 are fully supported.

The exogenous variables were used to calculate the net, R2 value, and variation amount. According to Hair et al. (2019), the R2 number represents the extent to which the independent exogenous constructs

Tablee 6
Result of Hypotheses Testing (Direct Association).

Hypo Nu.	Relationships	Path coef	T –Values	P – Values	Supported
H1	TCX -> STC	-0.262	3.559	0.000 * **	Yes
H2	TA -> STC	0.293	4.469	0.000 * *	Yes
H3	TS -> STC	0.124	2.679	0.004 * **	Yes
H4	TJ -> STC	0.163	2.053	0.040 *	Yes
H5	TE -> STC	0.315	3.462	0.000 * **	Yes
H6	TSQ -> STC	0.152	2.587	0.010 *	Yes
H7	GS -> STC	0.127	2.365	0.009 * *	Yes

Source: Compiled by the authors (2023)

Table 5
Correlations among the Independent Variables.

	VATC	TCX	DP	TS	TJ	TE	TSQ	GS
VATC	1							
TCX	.406**	1						
DP	.395**	.178**	1					
TS	.055	.146**	.051	1				
TJ	.298**	.329**	.236**	.120*	1			
TE	.127*	.181**	.130*	.026	.252**	1		
TSQ	.599**	.433**	.267**	.044	.463**	.242**	1	
GS	.593**	.649**	.221**	.130*	.385**	.264**	.521**	1

Source: Compiled by the authors (2023)

can explain the variance in the dependent endogenous construct. The patriotism construct had an R2 value of.41, indicating that it successfully interpreted 41% of VAT compliance. Furthermore, with the moderating influence of tax knowledge, the R2 value climbed to 0.492. This demonstrates that tax complexity, chance of discovery, tax penalties, tax justice, tax ethics, tax service quality, and government spending contributed 49.2% of the variance in VAT compliance with the interaction between tax knowledge and (tax complexity, probability of detection, tax sanctions, tax justice, tax ethics, tax services quality and government spending) on VAT compliance. The effect size (f2) represents the change in R2 value when an exogenous variable is removed from the model. Tax complexity, with a medium f2 value of 0.301, tax sanctions with 0.316, tax justice with 0.311, tax ethics with 0.289, tax services quality with 0.278, and government spending with 0.298 all had medium f2 values, as suggested by Cohen (1988). Authors using PLS modeling are advised to use measures to assess the predictive relevance and quality of the model (Haier et al., 2019). Volckne et al. (2011) recommended using the blindfolding process to examine the predictive relevance of the structural model (Q2). If the cross-validated redundancy measure (Q2) is greater than 0, then the model's predictive relevance is established. Applying this rule, the Q2 value for the endogenous variable was found to be 0.314, indicating the model's predictive relevance.

Regarding the moderating effect of tax knowledge, the analysis of bootstrapping illustrated the hypothesized moderating effect of tax knowledge on the association a tax complexity, probability of detection, tax sanctions, tax justice, tax ethics, tax services quality and government spending and VAT compliance as presented in Table 7 presents the findings of the hypotheses testing. Specifically, tax knowledge moderating the relationships between tax complexity and VAT compliance (β = 0.069; t = 1.652; p = 0.051); probability of detection and VAT compliance (β = 0.147; t = 2.206; p = 0.028);Tax Sanctions and VAT compliance (β = 0.142; t = 2.398; p = 0.017); tax justice and VAT compliance (β = 0.087; t = 1.712; p = 0.044), tax ethics and VAT compliance (β = 0.021; t = 1.911; p = 0.028), tax services quality and VAT compliance (β = 0.130; t = 2.434; p = 0.015); and government spending and VAT compliance (β = 0.123; t = 2.003; p = 0.047). Therefore, in all the cases, tax knowledge are the explanation of the increasing in VAT compliance. Figures 1,2,3,4,5,6,7 indicates that the interactions pattern is in the line with *H8,H9,H10,H11,H12,H13 and H14*; that is, tax complexity, probability of detection, tax sanctions, tax justice, tax ethics, tax services quality and government spending are more effective on VAT compliance when tax knowledge is high..

5. Discussion

VAT compliance is not a new problem; it has always been a major

Tablee 7
Result of Hypotheses Testing (Contingent Effect).

Hypothesis No.	Relationships	Path coeff	T –Values	P – Values	Supported
H8	TK× TCX -> VATC	0.068	1.651	0.050 *	Yes
H9	TK×TA -> VATC	0.147	2.206	0.027 * *	Yes
H10	TK×TS -> VATC	0.142	2.398	0.016 * **	Yes
H11	TK×TJ -> VATC	0.087	1.712	0.044 *	Yes
H12	TK× TE -> VATC	0.020	1.910	0.029 * **	Yes
H13	TK×TSQ -> VATC	0.130	2.434	0.015 *	Yes
H14	TK×GS -> VATC	0.123	2.003	0.048 * *	Yes

Source: Compiled by the authors (2023)

issue for government all over the world, particularly in developing nations, in addition to the need to increase tax revenue collection efficiency in order to finance their budgets (Alshira'h, 2023; A. Alshirah et al., 2021; M. Alshirah et al., 2021; Alshirah et al., 2021; Alshirah, Lutfi, Alshirah, Ibrahim, and Mohammed, 2021). Non-economic as well as economic factors influence tax compliance. As a result, tax complexity, the likelihood of detection, tax penalties, tax justice, tax ethics, quality of tax services, and government spending were all looked at in this study to see how they affected Jordanian Retail industry' compliance with VAT. Owners and managers of Jordanian Retail industry were the focus of the current study. Regression analysis was used on the 770 valid observations. The proposed hypotheses were tested with PLS-SEM. According to the main effect's findings, Jordanian Retail industry' VAT compliance was negatively correlated with complexity. The findings that were obtained are in line with what has been written about the significance of complexity in VAT compliance (for instance, Woodward and Tan, 2015). According to the research of Cuccia and Carnes (2001), there is a negative correlation between tax complexity and taxpayers' willingness to comply with tax payments. Meanwhile, Feld and Schneider (2011) discovered a direct positive connection between tax complexity, tax non-compliance, and shadow economy. This current study results suggest that VAT compliance can be improved by reducing complexity, which aligns with previous studies conducted in developed countries regarding individual-level income tax compliance. In addition, Abdul-Jabbar and Pope (2008a) (2008b) demonstrated that Retail industry are adversely affected by tax complexities and frequent changes to tax laws. They said that increasing tax complexity will make it more expensive to comply with taxes, which will eventually lead to tax non-compliance. Charge intricacy was likewise proven to influence charge system proficiency and execution (Sklenar and Burgir, 2007), where in Africa, a critical negative association was found between charge intricacy and expense consistence (Oyewol et al., 2015).

As to impact of review and expense rebelliousness, the outcome was in the line with the forecast of prevention hypothesis (Alshirah et al., 2019; Alshirah et al., 2019; Alshirah et al., 2020; Alshirah et al., 2020; Alshirah et al., 2022; Alshirah et al., 2022; Alshirah et al., 2020; Alsqour and Alshirah, 2020; Allingham and Sandmo, 1972) that discovery likelihood increment charge consistence. This finding is likewise in accordance with an investigation of Ayuiba, Sad and Arifin (2016) that tracked down a positive and huge impact of review on charge consistence among Retail industry. In contrast, Alabede (2012) discovered that tax structure—which includes detection probability—had insignificant direct effect on individual taxpayers' tax compliance. In addition, he observed a significant negative influence of the tax structure on financial condition. Nevertheless, this study and a number of previous ones have demonstrated that a high perception of the audit system's detection probability may be crucial to increasing compliance (Lutfi and Alqudah, 2023).

Additionally, the purpose of the current research was to explore the effect of the tax penalty on VAT compliance among Jordanian SMEs (Retail industry). This finding lends credence to the deterrence theory's prediction (Alingham and Sandm, 1972) that the tax penalties increase tax's compliance. This consequence is consistent with earlier research on VAT compliance, which found a significant positive correlation between Retail industry' VAT compliance and tax penalties (Wodward and Taan, 2015; Webly et al., 2004). There is still a lack of research on the connection between VAT compliance and tax penalties in this instance. In addition, the outcome of the study is in line with prior research that has established a relationship between tax penalties and income tax compliance as a tax behavior. Various studies have indicated a noteworthy positive correlation between an individual's income tax compliance and their chances of being detected for non-compliance (Nge and Mutri, 2015; Engeda and Baesa, 2014; Arcaand and Grazisi; 2005, Snoow and Waren; 2003, Parik and Hyeun;). These findings suggest that individuals who perceive a higher risk of detection by tax authorities are more inclined to comply with income tax regulations.
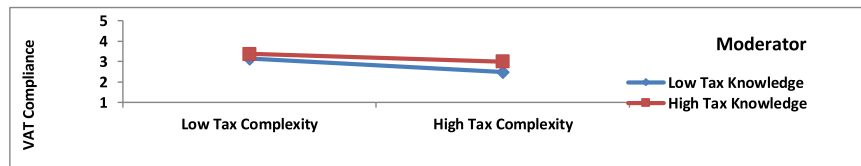
Fig. 2. The interaction term between tax knowledge and tax complexity on VAT compliance.
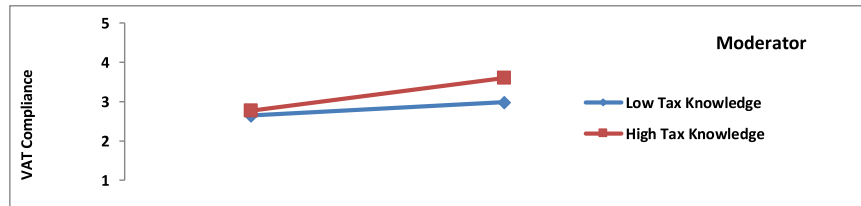Source: Compiled by the authors (2023)

Fig. 3. The interaction term between tax knowledge and probability of detection on VAT compliance.
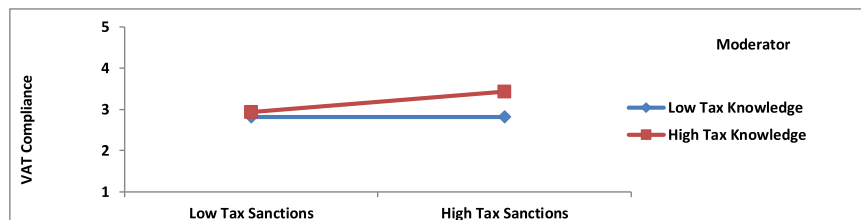Source: Compiled by the authors (2023)

Fig. 4. The interaction term between tax knowledge and tax sanctions on VAT compliance.
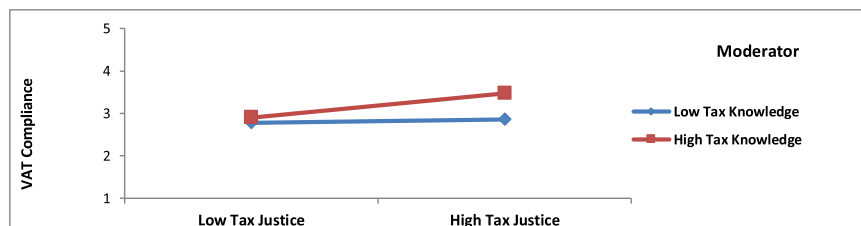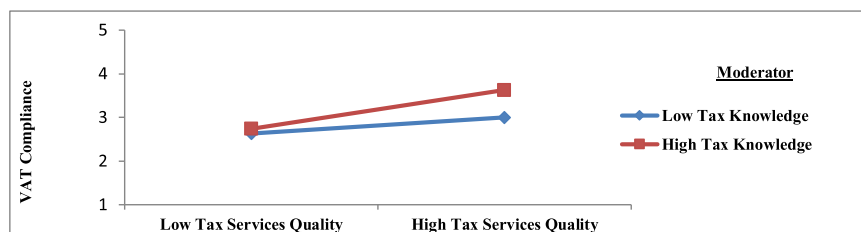Source: Compiled by the authors (2023)

Fig. 5. The interaction term between tax knowledge and tax justice on VAT compliance.
Source: Compiled by the authors (2023)

Fig. 6. The interaction term between tax knowledge and tax services quality on VAT compliance.
Source: Compiled by the authors (2023)

Such individuals may be motivated to avoid the potential consequences of non-compliance, such as audits, fines, and legal action. Furthermore, it highlights the importance of effective enforcement measures in promoting tax compliance. Tax authorities can use various tools such as audits, penalties, and public information campaigns to enhance taxpayers' perceptions of the likelihood of detection (Alqudah et al., 2023),

ultimately leading to increased compliance rates. Overall, these insights provide valuable implications for policymakers and tax authorities seeking to improve tax compliance rates, particularly among high-risk groups (Alrawad et al., 2023b). By understanding the factors that influence tax behavior, they can develop targeted interventions that encourage greater tax compliance among taxpayers.
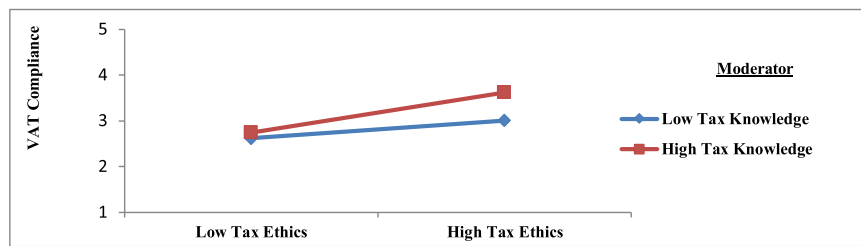
Fig. 7. The interaction term between tax knowledge and tax ethics on VAT compliance.
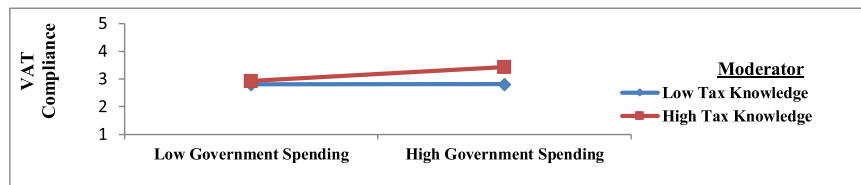Source: Compiled by the authors (2023)

Fig. 8. The interaction term between tax knowledge and government spending on VAT compliance.
Source: Compiled by the authors (2023)

The current study hypothesized that VAT compliance would be significantly correlated with tax justice (H4). This present work established a noteworthy and positive association between tax justice and compliance with VAT, supporting hypothesis H1. This outcome is in agreement with the socio-psychological approach proposed by Adam (1966), which asserts that taxpayers' actions are positively affected by the fairness of the tax system. Woodward and Taan's (2015) research on the Retail industry also found a significant positive correlation between tax justice and VAT compliance, which aligns with our findings. Nevertheless, additional research is required to investigate the relationship between tax justice and VAT compliance further. Thusly, finding is upheld by a few past investigations that related duty reasonableness and personal expense consistence as an assessment conduct and found a critical positive connection between charge decency and personal assessment consistence (Fochmann and Krol, 2016; 2012, Ros and Mcge; Ajaaz and Ahmaad; 2010). Etzioni (1986) contends that a crooked tax assessment framework will likely prompt duty resistance in excess of an expanded expense rate, showing that citizens don't consent to paying charges when they trust the assessments to be uncalled for, in any event, when the assessment rate isn't high. Alasfour et al. (2016) found that increasing tax compliance would result from elevating perceptions of the Jordanian tax system's equity and justice. Therefore, this finding indicates that tax ethics exert a substantial positive influence on VAT compliance, aligning with the first aim of the study. Additionally, it reveals that tax justice has a favorable effect on the VAT compliance of the retail industry in Jordan. To put it another way, owner-managers' higher standards of ethics ensure a strong preference for VAT compliance. According to Kolberg (1969)'s predictions, the finding is consistent with the sociopsychological approach. These findings are supported by previous research, and a number of researchers have discovered a significant positive correlation between tax ethics and Retail industry' compliance with VAT taxes (Wodward and Taan, 2015; Webly et al., 2004). However, there haven't been many studies done before on this topic. Overall, this outcome is in line with prior investigations on tax ethics and income tax compliance as a form of tax behavior (for instance, Lise, 2015; 2014 Louriro; 2013 Nabawesi et al., 2010; Torglr et al., 2007). According to Torgler and Murphy (2004), the findings of the current study also indicate that the ethics or values that individuals hold regarding the payment of taxes primarily determine the impact of tax ethics on VAT compliance. Despite the fact that charge rebelliousness is morally adequate in Jordan under certain conditions, and to be sure, in light of social contrasts (Alasfour et al., 2016). However, VAT compliance and tax ethics principles are positively correlated in Jordan (AL-Shawawrh and Al-Smiraat, 2016). The results of the fourth hypothesis test in this study reveal that service quality has a substantial and favorable impact on taxpayers' compliance with Motor Vehicle Tax payments in Banyumas District, thereby confirming the acceptance of H4 proposed in this research. As a result, adequate tax ethics for owner-managers of Retail industry may significantly and positively influence the decision to comply with VAT. The causal relationship demonstrates that the degree of tax compliance in paying Motor Vehicle Taxes increases with the quality of tax services. The results of this study are reinforced by a survey conducted by Adiputra and Wirama (2017), which revealed that service quality factors have an impact on taxpayer compliance. Furthermore, the findings of this research are consistent with previous studies by Sucandra and Supadmi (2016) and Pratiwi and Setiawan (2014), which also demonstrated that service quality had a positive and significant influence on tax compliance in the restaurant and advertisement sectors. When citizens receive excellent service, they tend to feel satisfied and content with the assistance provided by tax officials, making them more likely to fulfill their tax obligations promptly and dutifully as responsible citizens. In contrast to the preceding studies, Chusaeri et al.'s findings (2017) contradicts or contrasts, namely that taxpayer compliance with Samsat in Batu is not significantly influenced by service quality.

6. Implications

6.1. Theoretical implications

The current research seeks to bridge the gap in the empirical research that determined the effect of tax sanction, probability of detection, VAT complexity tax ethics, tax justice, tax services quality, government spending and moderating effect of tax knwoladege on the actual behaviour of paying VAT, which is so far very few, since studies that examined this relationship are almost non-existent. Therefore, the current research presents a theoretical model inspired by the socio-psychological theory and economic to empirically investigate the influence of the combining socio-psychological and economic perspective on VAT compliance and moderating effect of tax knowledge. Additionally, the present study contributes to existing literature dealing with the influence oftax sanction, probability of detection, VAT complexity tax ethics, tax justice, tax services quality, government spending and moderating effect of tax knwoladege on VAT compliance behaviour

among SMEs retail firms in developing countries such as Jordan.

6.2. Policy implications

This study's findings could guide governments in developing countries in terms of assisting VAT administrators in improving collection. When they better understand the factors that determine busniess VAT compliance among business owners, they would formulate and execute suitable policies to increase collection. Empirical evidence provided by this study will be very useful in this regard. It is crucial to understand the factors that determine VAT compliance before suitable policies can be formulated. Improving VAT collection is necessary since it was a very important source of revenue for early government administrations. Among current developing majority communities, VAT is still a very important tool in achieving social cohesion, wealth redistribution and poverty alleviation. Therefore, any research that contributes to improvement in VAT collection is highly needed; it can serve as a tool of public finance and a mechanism for poverty eradication and economic development.

Tax sanction, probability of detection, VAT complexity tax ethics, tax justice, tax services quality, government spending and moderating effect of tax knowledge, as explained in this study, should be emphasized by multilateral and domestic policy makers when they initiate and implement policies on VAT. Public spending and programs should be directed toward improving the tax sanction, probability of detection, VAT complexity tax ethics, tax justice, tax services quality, government spending and tax knowledge and mechanisms should be put in place to monitor the conditions of living and the conditions in which citizens conduct their daily businesses. Areas of dissatisfaction should be promptly addressed as it could have negative implications for VAT compliance.

7. Conclusion, limitations and future work

In Jordan, VAT makes a significant contribution to the government's revenue and occupies a prominent position in policy implementation decisions aimed at realizing the country's development plans. In light of this context, noncompliance with the VAT tax has resulted in government budget deficits and, ultimately, has impacted the country's growth and development. As a result, the government's plan to increase tax revenues and government competences includes a constant battle against VAT tax noncompliance in an effort to raise its compliance level. Comparable to this, regardless of studies from a few financial disciplines have digging into the duty consistence issue, the current review is one of a kind it could be said that it proposes a model to make sense of VAT compliance consistence in the Jordanian Retail industry setting. The study considered the moderating effect of tax knowledge on the relationship between socioeconomic factors and VAT tax compliance, expanding on Fischer's model. The review system has numerous ramifications to the assurance of the elements that impact such consistence among Retail industry that could serve a few partner gatherings. After confirming the validity of the model, the research would adopt a positivist methodology to collect data and gather insights into VAT tax compliance in the Retail industry. The results are expected to provide valuable information for policymakers, helping to enhance policy evaluation and implementation strategies that align with Jordan's Vision 2025. The study's findings are also anticipated to have practical implications for boosting tax compliance rates within the Retail industry. By identifying the factors that influence compliance behavior, policymakers can develop targeted interventions that encourage greater adherence to tax regulations. This, in turn, could help increase government revenue and promote economic growth (Khalil Abdo and Ibrahim, 2021). Furthermore, while the study focuses on specific factors that affect VAT tax compliance in the Retail industry, it is essential to acknowledge that other factors may also play a role. For instance, future studies could examine the impact of eliminating government subsidies

or reducing the cost of VAT tax compliance among Retail industry businesses. These additional insights could further inform policymaking efforts aimed at improving overall tax compliance rates across the country. In conclusion, this research has the potential to provide critical insights into VAT tax compliance in the Retail industry. By identifying key drivers of compliance behavior, policymakers can develop more effective policies and strategies that support Jordan's economic development goals.

Even though it yielded some intriguing results, this study, like empirical studies of this level, has constraints that may prevent generalizing its findings to the entire community. The retail sector in Jordan was chosen as the sample because it differs from the bigger enterprises in terms of resources and organizational structure. Therefore, this study suggests that further research create a model tailored for large-sized businesses. This study employed a cross-sectional research approach. The outcomes could be different if a similar study were done in a different setting and at a different period. As a result, results should only be cautiously generalized. The same study approach may be used in future studies with various VAT, such as customs and income. The conclusions of this study are particularly relevant to corporate VAT because its findings are not easily comparable due to the scarcity of studies on VAT that investigated the same determinants (Tax sanction, probability of detection, VAT complexity tax ethics, tax justice, tax services quality, government spending and moderating effect of tax knowledge).

Ethical approval

This research does not contain any studies with human participants or animals performed by any of the authors.

Conflict of interest

There is no conflict of interest to declare.

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