

Empowering and Sustaining Government Tax Revenue through Tax Information on Social Media in Malaysia

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Abstract

Sustainable government tax revenue plays a significant role in many developing countries, especially in the current economic situation. In today's digital age, people increasingly turn to social networks for information and assistance, leading to essential considerations about how these platforms may influence behaviour. This study aims to create a conceptual framework for the effect of tax information on social media towards tax revenue in Malaysia. Three constructs of tax information via social media were considered: Tax Information Availability (TIA), Tax Informational Quality (TIQ) and Tax Informational Influence (TII). The proposed framework may aid future research by offering a systematic means of evaluating tax information on social media as a determinant of influencing tax revenue. The framework may also provide measures to sustain government revenue and determine how tax authorities can design targeted social media outreach programs to better comprehend taxpayer compliance behaviour. This study offers an appropriate mechanism of social media variables as a factor of tax revenue for further analysis and discussion.

Keywords: Social Media; Tax Revenue; Tax Information

1. Introduction

The challenges in maintaining government revenue through tax collection are crucial, especially during post Covid-19 pandemic. Researchers are proposing several methods to support the economy, particularly in developing nations, in response to the current global economic slowdown. According to the OECD report (Organisation for Economic Co-operation and Development (OECD), 2020), income tax accounts for more than 30% of all tax revenue collected. Given the difficulty of attaining tax revenue, this finding is encouraging. Social media sites have become indispensable tools for modern people to maintain relationships, share ideas, and publish their work. Many social media sites, such as WeChat, Facebook, Twitter, Instagram, etc., are available to users. Additionally, social media has become an essential platform for users to communicate and share information.

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In Malaysia, there are 30.8 million social media users in 2022, which accounts for 91.7% of the population, which is expected to rise (Statista, 2022). A study by Kim (2018) demonstrated that increased share counts on Facebook lead to higher perceptions of message influence on oneself and others and intentions for preventive behaviour. Nevertheless, research on the association between tax information on social media and its contribution towards tax revenue is insufficient, highlighting the necessity for additional investigation. Previous studies have mainly focused on the usefulness and disclosure of tax information shared on social media (for example, Alam et al., 2011; Araki & Claus, 2014; Chang & Kannan, 2008; King et al., 2014; Organisation for Economic Co-operation and Development (OECD), 2011); however, the attempt to investigate how much tax information on social media affecting tax revenue is still limited. Since social media has become more embroiled in one's life, this study aims to provide a theoretical framework for tax information on social media that may be utilised to examine its contribution towards sustaining tax revenue.

Based on a review of relevant literature, it is proposed that the gap in the literature is that the concept of tax information, especially in social media, is not well-defined in tax research. Hence, this study contributes to knowledge by introducing the role of social media as a new potential construct within the array of Tax Information (TI), Tax Informational Quality (TIQ) and Tax Informational Influence (TII) that may affect tax revenue. From a practical standpoint, the potential existence of a theoretical link between social media factors and tax revenue grants the study to aid the Inland Revenue Board of Malaysia (IRBM) in its search for innovative techniques to increase voluntary tax compliance. Section 2 of this paper discusses the literature review. Research methodologies are closely reviewed in Section 3. Then, Section 4 presents the findings, followed by a conclusion in Section 5.

2. Sustainable Government Tax revenue

2.1 Tax Information and Tax Revenue

Taxpayers are more inclined to act in accordance with tax information they read on social media, which is vital for evaluation and eventually impacts their decision to pay tax. Some researchers in a marketing and business discipline reported that electronic word of mouth (eWOM) affected customers' perceptions of their own purchase intention (Park et al., 2007; Prendergast et al., 2010). This eWOM concept describes the influence of social media towards purchase intention (Liu et al., 2016). Besides, consumers' exposure to eWOM information through social media substantially affected their buying decisions (Erkan & Evans, 2016). While previous studies may not specifically focus on how it may affect tax collection, the type of tax information shared on social media can significantly influence taxpayers' intention to pay tax.

2.2 Tax Informational Quality and Tax Revenue

The informational quality can be translated into four criteria: (1) intrinsic Informational Quality (IQ) (for example, accuracy, believability and objectivity); (2) contextual IQ (for example, value-added, relevancy and completeness); (3) representational IQ (for example understandability, clarity and conciseness) and (4) accessibility IQ (access and security) (Fisher et al., 2011). Nowadays, information quality on social media is crucial before making an important decision, as individuals prefer to rationally evaluate the information's trustworthiness, correctness, and credibility. This study postulated that taxpayer compliance to pay tax may improve when the quality of tax information shared by peers, such as families, relatives, friends, and colleagues, satisfies their needs, ultimately improving the tax revenue.

2.3 Tax Informational Influences and Tax Revenue

Another societal aspect of eWOM that has the potential to impact taxpayer behaviour is the influence of others. Being influenced by others' expertise and following their lead when searching for information on brands, products, stores, etc., is known as informational influence (Bearden et al., 1989). Chu & Kim (2011) claimed that social media users influenced by information are expected to show a more robust dedication to seeking advice and information from knowledgeable contacts when analysing a decision. Consequently, this will prompt them to ask their social network friends for additional opinions. Furthermore, an individual's desire to pay taxes could be influenced by the compliance of others (Frey & Torgler, 2007). Hence, the study considered tax informational influences a vital variable that should not be overlooked.

3. Methodology

This research follows the interpretivist paradigm. McKerchar (2010, p 75) argued that "interpretivism provides an understanding of social reality based on the subjective interpretation of the researcher". Drawing from the author's subjective literature review, the current study introduces a paradigm for understanding and assessing the relationship between tax information on social media and tax revenue. A thorough literature review was conducted utilising academic databases such as Scopus, Emerald, Taylor & Francis, and EbscoHost, using keywords such as "tax information, social media tax" or similar topics.

4. Findings

Based on looking for recurring patterns and similar themes, the study developed a research model as in Figure 1. This study adds 'attitude' by considering the Theory of Planned Behaviour (TPB) (Ajzen, 1991). TPB assumes that the attitude of having feelings of favour or disfavour to participate in a given behaviour is due to individuals' importance on TIA, TIQ and TII available to them. Accordingly, Figure 1 illustrates the research model.

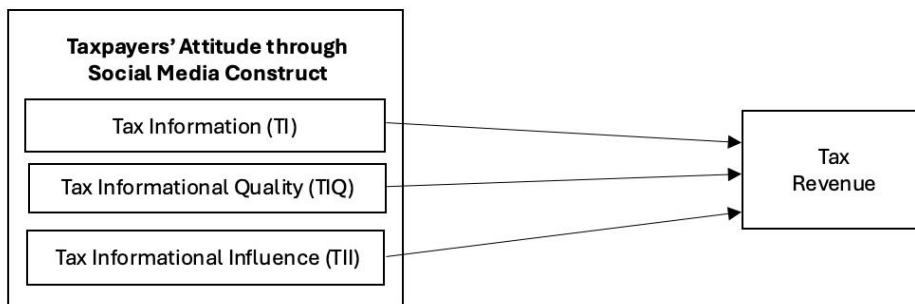


Figure 1: Proposed Hypothesised Research Model

5. Theoretical and Practical Contribution and Conclusion

Developing a theoretical framework implication entail using logic and evidence to enhance an existing theory. This research developed a conceptual framework based on existing literature, demonstrating that the three constructs of tax information are primarily influenced by the role of social media in the taxation environment. Due to the dearth of studies on social media and tax revenue, the current study adds to the body of knowledge by

attempting to introduce three new constructs of tax information within the ambit of the role played by social media. Besides, this study also attempts to support the notion that government revenue can be sustained; hence, the consideration of tax information on social media should be greatly considered.

Nevertheless, the expected findings have practical relevance as it assists IRBM's approach towards incorporating social media as a means to impact taxpayer compliance. By examining the link between social media and tax revenue, the study hopes to assist IRBM in its quest for novel ways to increase voluntary compliance, subsequently provide evidence in sustaining government tax revenue

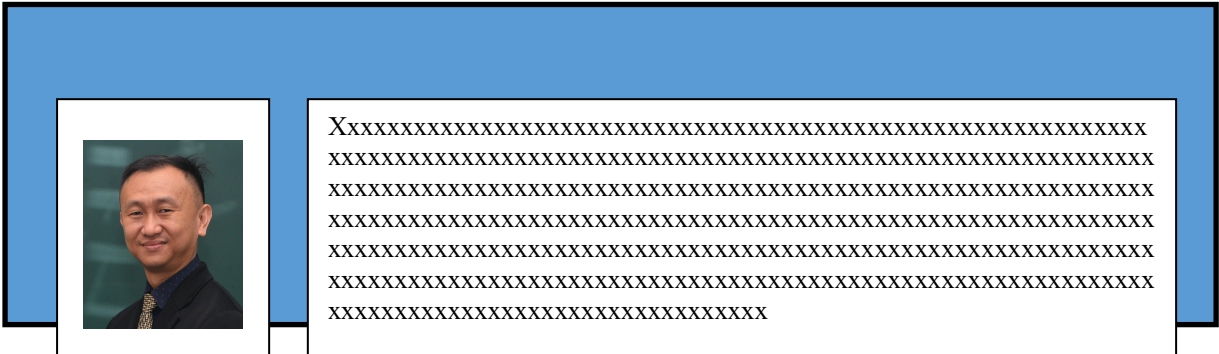
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A blue rectangular box with a black border. On the left side, there is a white-bordered square containing a portrait of a man with short dark hair, wearing a dark suit and a patterned tie. To the right of the portrait is a white-bordered rectangular area containing ten lines of placeholder text, each line consisting of 28 'X' characters.