



Research Paper

## The Impact of Corruption in Encouraging the Crime of Income Tax Evasion among the Palestinian SMEs

Amjad Abdallah Alkhatib<sup>1</sup>, Ali Abu Maria<sup>2</sup>

<sup>1</sup>Palestine Ahliya University, Department of Accounting, Palestine, [amjad@paluniv.edu.ps](mailto:amjad@paluniv.edu.ps), (Corresponding author)

<sup>2</sup>Palestine Ahliya University, Department of Law, [alilaw@paluniv.edu.ps](mailto:alilaw@paluniv.edu.ps)

**Abstract** Across the developed and developing countries, tax evasion has remained a common challenge. The consequence is severe inefficiency in the revenue generation by the government, and fiscal deficits. Among the developing countries, Palestine largely relies on tax revenues and international aids in funding its growth plans. Current study focuses on assessing the extent to which tax corruption influence income tax evasion relying on theory of Social Influence. The method started with data collection using a questionnaire and proportionate sampling approach to retrieve data from participants. After the screening of the entire questionnaires returned, 184 were considered suitable for analysis. The Partial Least Square (PLS) software was deployed to analyse the data. Findings affirmed that corruption has an insignificant but positive effect on evasion of income tax. The implication of this finding is that the improving the efficiency of income tax administration can potentially ensure maximization of tax revenue collections by discouraging tax evasion.

**Key words:** Tax evasion, corruption, SMEs

Received 10 Feb, 2021; Revised: 23 Feb, 2021; Accepted 25 Feb, 2021 © The author(s) 2021.  
Published with open access at [www.questjournals.org](http://www.questjournals.org)

### I. INTRODUCTION

Basically, every government acquires its revenues from both sources that can be taxes and non-taxes which is directed to providing services and projects executions (Alm & Torgler, 2011). The implication is that revenue acquisition to support project implementation are majorly financed through tax revenue. Thus, taxes are vital component of the economies of countries around the world (Abuamria, 2019; Edwin, 2011). Importantly, the extent to which governments generate tax revenues is largely dependent on several factors (Torgler, 2005; Alshrouf, 2019). Specifically, adherence to tax laws by taxpayers has remain a major factor in maximising tax collection from taxpayers. Kirchler (2007) argued that tax evasion is associated with inability of government to maximise tax revenue generation. This make evasion a vital challenge confronting tax authorities across the world, the practice of which have been continually on increase and difficult to manage owing to the creative and dynamic approach deployed by taxpayers (Alleyne & Harris, 2017). Also Franzoni (2000) have considered tax evasion to be an important challenge as it remains rampant and decisive. The evasion of taxes is thus considered as a dishonest act of engaging in abating tax responsibilities by (Alm, Martinez-Vazquez, & McClellan, 2016).

In line with most developing countries, Palestine's economic growth and development is largely dependent on tax revenues alongside international aids (Alkhatib & Abdul-Jabbar, 2017). However the effectiveness of Palestine's tax administration is threatened by high rate of tax evasion (Alkhatib, Abdul-jabbar, & Marimuthu, 2018; Rahhal, 2017). In 2018 it was acknowledged by the "Coalition for Integrity and Accountability in Palestine" that annually about 0.5 billion USD is lost to tax evasion practices. Similar value of between 0.5 billion to 0.6 billion USD as estimated by Jaber (2018). In reinstating the high rate of tax evasion among income tax payers, the Finance Minister affirmed that 80% of the population account for only 10% of retrieved income tax (Bishara, 2015).

While SMEs constitute 99% of business taxpayers in Palestine, their contribution to the total revenues is only about 30%. This strongly threatens the revenue generation capacity of Palestine especially among the SMEs (Fallah, 2014), due to the widespread incidence of tax evasion practices by several SMEs (Sabri, 2010). In consideration of the severe economic implications of the current tax evasion rate, it becomes pertinent to analyse the crucial economic factors motivating the increasing tax evasion practices to guide formulation of needed policies for maximisation tax revenues by the government.

## II. LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT

### 2.1. Corruption and Tax Evasion

Corruption refers to a transaction involving an agent who pays a sum of money in exchange for an unlawful act by a public officer (Andreoni *et al.*, 1998). According to McClellan (2013), corruption has the potentiality of reducing the government's revenue as a result of lower tax collections. This is because a taxpayer may easily evade tax by bribing the tax officials and pay less tax, and as a consequence, the potential revenue accruing to government remains uncollected and lost. This in turn cripples the government more especially in cash-strapped developing countries which is the primary responsibility of providing public goods and services, such as security, health, and education. However, globally, corruption is a big challenge, whose roots need to be fully understood by stakeholders especially policy makers (Carvalho, Santos, Martins, Franco & Mazzon, 2016).

Chander and Wilde (1992) developed a tax evasion theoretical model incorporating corruption. In line with the study of Graetz, Reinganum and Wilde (1986), the authors adopted a game-theoretic approach to tax evasion. Hence, it was established that the presence of corruption leads to increased tax evasion. Torgler (2003a) claimed overcoming the corruption issues will restrict taxpayer's compliance behaviour. Uslaner (2010) stated the corruption will deter taxpayer to pay taxes.

Empirical studies reported inconsistent findings on the relationship of corruption on tax evasion with most of the studies reporting positive relationship. Bilotkach (2006) found that corruption of the tax authority has a significant relationship on the tax evasion in Ukraine. Picur and Riahi-Belkaoui (2006) in their study found a positive relationship between corruption and tax evasion. In the same vein, McGee and Maranjyan (2006) found that a significant number of respondents engage in tax evasion for corruption reasons.

Uslaner (2010) argued that the key determinant of the perception of government's effectiveness is the level of corruption in the country. Taxpayers make decisions on tax compliance based on their perception on whether money paid as tax will be judiciously utilised for the provision of public goods or took by the corrupt tax collectors (Uslaner, 2010). Thus, if their perception is that tax will not be fully used for the public good, they prefer not to pay. This logically makes corruption a key determinant that has a positive relationship with tax evasion. Hence, corruption is established to be a significant determinant of tax evasion (Torgler, 2005; Torgler & Schneider, 2007; Alm *et al.*, 2016).

However, Rahmani and Fallahi (2012) posit that where the costs of evading tax go beyond the costs of the tax payment, then a rational taxpayer will rather decide to comply with the provisions of the tax law than to opt for a higher cost of bribing the tax officials. In this kind of scenario compliance increases and evasion goes low. Thus, where corruption in a country is less, then tax evasion is expected to be low and compliance to be high (Rahmani & Fallahi, 2012). The taxpayers' perception on the level of corruption in government seriously affects tax evasion (Ayuba, Saad & Ariffin, 2016b).

Some studies showed otherwise negative relationship between corruption and tax evasion. Akdede (2006) found that bribery has a negative relationship on tax evasion. This finding implies that when the size of bribery is huge, taxpayers would choose to pay taxes voluntarily over corruption. Imam and Jacobs (2014) found an insignificant relationship between corruption and total tax revenue. More specifically, the study found an insignificant relationship between corruption and income tax evasion.

In sum, above mentioned studies indicated that corruption encourages tax evasion (Torgler, 2003a; Uslaner, 2010; Alm *et al.*, 2016; Ayuba *et al.*, 2016b; Rosid, Evans & Tran-Nam, 2018). Although the findings of the relationship between corruption and tax evasion are inconsistent as shown in the previous literature review, most studies reported a positive and significant relationship of corruption on tax evasion. Therefore, more studies are required to determine the relationship between corruption and tax evasion since corruption is important factor of tax evasion. Thus, expand the knowledge pertaining to corruption and tax evasion, present study advances the following hypothesis a:

**H1:** *There is a positive relationship between corruption and tax evasion.*

### 2.2. Corruption

Definitely, corruption and tax evasion negatively affect the performance of large sectors of the state, whether private or public, and their budgets, resources, expenditures and projects, in a way that is reflected in the standard of living and service for individuals. There are many forms of corruption that are considered direct causes of tax evasion, so what is the law that deals with these crimes? What is meant by corruption? And what are the most important forms of corruption that contribute to tax evasion?

The first anti-corruption law in Palestine was the Illicit Gain Law No. (1) in 2005, and it did not enumerate acts that constitute images of corruption and its forms. In the first article, it was satisfied with defining graft as "Every money obtained by a person subject to the provisions of this law for himself or for others due to the exploitation of the position or capacity, or as a result of behavior contrary to a legal text, public morals, or by any illegal method, even if it does not constitute a crime and is considered an illegal gain. It also includes every increase in wealth that occurs after assuming the service or establishing the capacity is subject to

this law or on his wife or his minor children when it is not commensurate with their resources and inability to prove a legitimate source for them. And falls under the rule of illicit gain is all money obtained by any natural or legal person through collusion with any person subject to this law to exploit his position or capacity”.

Then it was later called the Anti-Corruption Law and was amended according to Decree Law No. (7) in 2010, where the number of forms and images of corruption was made and many amendments were made to it, and recently it has been amended again according to Decree Law No. (37) of 2018. Accordingly, corruption in general has been defined in Article 1 of the Decree Law Amending Law No. (37) of 2018 by enumerating and defining its forms and forms, saying: “Corruption is considered for the purposes of implementing the provisions of this decision in the Crimes Law set forth below.

Corruption has also taken many descriptions and definitions, as it includes within the term corruption in its broad sense all the forms and processes which are harmful to the public interest, whether the abuse of power and the abuse of influence, or the private situation that the person occupies in public life, or all kinds of overt, hidden, monetary and in-kind bribery, whether in relation to the completion of deals and transactions between individuals and the state, or within the state system between its people and employees, or between individuals themselves outside the state system (Abu Maria, 2020).

The International Transparency Organization defines corruption as the misuse of the authority entrusted to the individual to achieve personal interests. The United Nations also described corruption as the misuse of public power to obtain personal gain while harming the public interest (Abu Maria, 2020). The International Monetary Fund has, however, set a definition of administrative corruption, stating that it is the misuse of the public office in order to obtain a private gain, and it is achieved when the official employee accepts a bribe or asks for it or extort it.

The Palestinian legislator is blamed for not naming the crime of tax evasion, which is considered a crime of abstinence among the various forms of corruption despite the seriousness of its impact on public finances, and despite the directives of the United Nations Convention against Corruption of 2004 for the party states to take measures to prevent the private sector from contributing to the spread of corruption crimes, as Article 12 stipulates the following: Each state party shall take measures, in accordance with the basic principles of its domestic law, to prevent the involvement of the private sector in corruption and to strengthen accounting and auditing standards in the private sector. Each country shall not allow the deduction of expenditures that represent bribes from the tax base because bribes are among the elements of the criminal acts in accordance with articles 15 and 16 of this agreement, as well as, when necessary, all other expenses incurred in promoting corruption misconducts.

The most important forms of corruption that contribute to tax evasion, some of them are direct financial ones, such as bribes that the taxpayer pays in exchange for receiving an illegal service that facilitates the process of paying taxes. It can be defined as “an employee’s trafficking in the work of his position by agreeing with the person in need to accept a benefit or gift in order to perform an action or refrain from doing work. It is the same definition that was mentioned by the Palestinian Court of Cassation stating that the concept of bribery is that a public employee is making use of his job by receiving, accepting, or requesting a return for performing an act of his job or abstaining from it (Abu Maria, 2020).

According to Abu Maria (2020), some corruption crimes are not financial but administrative, such as the crime of intermediation, patronage and nepotism that the Palestinian legislator considered as one of the forms of corruption contributing significantly to the spread of the phenomenon of tax evasion due to the presence of kinship or acquaintance, friendship, partisan fellowship, or ethnic or religious affiliation combines between the competent employee and the taxpayer or between the intermediary and both parties pay the competent employee to help the taxpayer to escape paying.

### **III. RESEARCH FRAMEWORK**

The “Social Influence Theory” is an appropriate foundation for the model of this study which comprises of corruption as determinant of tax evasion. The theory basically focused on individual’s emotions, behaviours or opinions as influenced by peers (Sussman & Gifford, 2013). The theory is associated with the “Social Learning Theory” which have been initiated by Bandura’s (1977) when he asserted that individual’s surrounding environment influences them. Crisp and Turner (2007) emphasized that social influence arises when individual’s feelings, thoughts, and behaviour are changed as a result of interference of another individual.

### **IV. METHODOLOGY**

The study retrieved relevant data at the level of businesses which depicts the unit of analysis for this study. A total of 500 SMEs registered with “the Federation of Palestinian Chambers of Commerce, Industry, and Agriculture” were sampled. The sampling techniques involves a proportionate random sampling, with questionnaires distributed across the sampled respondents which were SMEs owners or managers. The

Questionnaire was disseminated within two months and 184 were found to be analysable after screening thus achieving a 37% response rate.

The entire factors and items were entirely adapted from existing scales or measurements. Tax evasion in the current study is defined as under-reporting income and/or over-stating expenses of business operations. This is in line with the studies that define evasion as a reduction of income or over-stating expenses (Abdul-Jabbar, 2009; Sapiei *et al.*, 2014). The current study measured the enterprise's tax evasion by adapting 15 items from Gilligan and Richardson (2005), which originated from a study by Roberts (1994). Gilligan and Richardson's (2005) study consists of 15 items measuring tax evasion among individuals. A 5-point Likert scale was used in the current study as presented in Table 4.1, whereby '1' means "strongly disagree" and '5' means "strongly agree". Higher scores indicate high tax evasion. Reverse coding was used for item five (5) in the current study in order to increase internal validity (Efebera *et al.*, 2004), but this was not the case in the original study by Gilligan and Richardson (2005).

**Table 4.1**  
*Measurement for Tax Evasion*

---

Items	
1.	It is acceptable not reporting selling or trading goods or services with a friend or neighbour in an enterprise tax return.
2.	Reporting an enterprise income fully, but not including a small amount of extra outside income.
3.	It is acceptable to be paid cash for a job and then not reporting it in an enterprise tax return.
4.	It is acceptable an enterprise not reporting some earnings from interest or investment that the tax administration would not be able to find out.
5.	It is unacceptable to add a little bit more than you actually spend when reporting an enterprise expenses (reverse coding).
6.	Since a lot of high earning enterprise taxpayers pay no taxes at all, if an enterprise underpays a little, it is not a big deal.
7.	It is acceptable an enterprise extending education expenses to include some expenses that are not really education expenses.
8.	Tax rates are just too high, so it is not really cheating when an enterprise pay less tax than it is supposed to.
9.	It is acceptable when an enterprise is not really sure whether or not it deserves tax deduction, than it makes sense to take chance and take a deduction anyway.
10.	With what things cost these days, it is acceptable to cut a few corners on an enterprise tax return just to help pay the bills.
11.	It is acceptable to hold back a little bit on enterprise taxes since the government spends too much anyway.
12.	When an enterprise deserves deduction that the tax administration will not let it take, it makes sense to take it to some other place where they will not catch it.
13.	It is acceptable to under-report a certain amount of an enterprise income since it does not really hurt anyone.
14.	It is acceptable to cut corners a little on the taxes of an enterprise because chances of getting caught are very low.
15.	It is all right to occasionally under-report certain income or claim an undeserved deduction if an enterprise is generally loyal and law-abiding.

---

Source: Adapted from Gilligan and Richardson (2005)

Also, corruption involves extra payments to the public officials for illegal corruption transaction (Collins, Uhlenbruck & Rodriguez, 2009). It is controversial to measure corruption due to its deviant nature. Previous studies provided several approaches to measure corruption. For instance, Olken and Barron (2009) and Sequeira (2009) measured corruption based on a direct observation and Bird *et al.* (2008) used a perception survey. It is observed that it is easier to measure corruption by asking the respondents about their perceptions towards corruption rather than using direct observations of corruption acts (Olken & Pande, 2012).

The current study measured corruption between taxpayers and tax officials based on the perceptions of the SMEs taxpayers. In line with Martin, Cullen, Johnson and Parboteeah (2007), the current study defined corruption as SMEs perceptions about giving bribes to the government officials such as tax authority staff to get things done illegally e.g. reducing their tax liability.

The current study measured corruption using six (6) items adapted from Martin *et al.* (2007), which is derived originally from the study of Inglehart, Basanez, Diez-Medrano, Halman and Luijkx (2000). The original instrument by Martin *et al.* (2007) measured corruption among firms using six (6) items. Table 4.2 presents the six (6) items measuring corruption. The items are based on a 5-point Likert scale; '1' means "strongly disagree" and '5' means "strongly agree". Higher scores illustrate a strong corruption.

**Table 4.2**  
Measurement for Corruption

Items	
1.	It is common that an enterprise pays some irregular additional payments to get things done.
2.	An enterprise needs to make extra, unofficial payments to public officials to get connected to public services.
3.	An enterprise needs to make extra, unofficial payments to public officials to get licenses and permits.
4.	An enterprise needs to make extra, unofficial payments to public officials to deal with taxes and tax collection.
5.	An enterprise needs to make extra, unofficial payments to public officials to gain government contracts.
6.	An enterprise needs to make extra, unofficial payments to public officials when dealing with customs/imports.

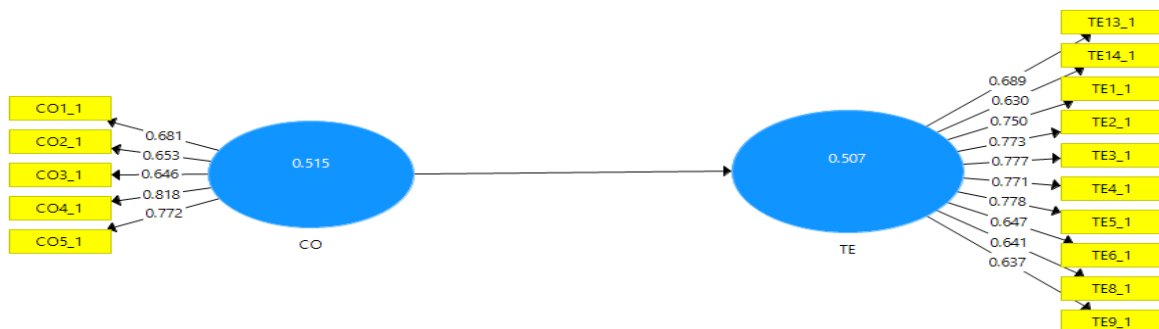
Source: Adapted from Martin *et al.* (2007)

### V. PLS DATA ANALYSIS AND RESULTS

The Smart PLS 3 was deployed to evaluate the model of this study using the Partial Least Squares (PLS) technique. Initial stage involved measurement model assessment, whereby the relationship between each construct and respective indicators was examined following Anderson and Gerbing (1988) two stage technique. Subsequently, evaluation of structural model followed to assess the relationships between construct (Hair et al. 2017).

#### 5.1. Assessment of Measurement Model

The two-stage technique in assessing measurement model involved discriminant with convergent validity. Convergent validity concerns the evaluation of indicators loadings, composite reliability and “average variance extracted” (AVE). Table 5.1 presents the outcome of the assessment, result shows that “the item loadings all exceeded the 0.50 minimum threshold. Similarly, AVE values as well exceeded the threshold of 0.50, while composite reliability were all shown to exceed the 0.70 threshold (Hair et al., 2017). Nevertheless, specific items were deleted because of their low indicator loadings, these includes items number 7, 10, 11, 12, and 15 for tax evasion, and 6 for corruption. Consequently, the result indicates the study have a reliable convergent validity. Therefore, according to above-mentioned criteria can be seen PLS-SEM Algorithm (measurement model) AVE and Factors loading of items in Fig. 1.



**Fig. 1.** PLS-SEM Algorithm (measurement model) AVE and Factors loading of items

*Table 5.1.1.* Convergent validity

Variables	Items	Loading	CR	AVE
Tax Evasion	TE1	0.750	0.911	0.507
	TE2	0.773		
	TE3	0.777		
	TE4	0.771		
	TE5	0.778		
	TE6	0.647		
	TE8	0.641		
	TE9	0.637		
	TE13	0.689		
	TE14	0.630		
Corruption	CO1	0.681	0.840	0.515
	CO2	0.653		
	CO3	0.646		
	CO4	0.818		
	CO5	0.772		

Establishment of the convergent validity justified the advancement of the study to assess the discriminant validity relying on the approach by Hair et al. (2017). The tests of discriminant validity involved



comparison of the square root of AVE with that of the correlation values of latent variables. The finding shown in Table 5.2 indicates that, for all square roots of the AVE's, the values are greater than compared to diagonal values in each columns and rows. This also confirm the existence of discriminant validity. It is concluded based on the convergent and discriminant validity results that the measurement model for this study is satisfactory.

Table 5.1.2. Discriminant Validity Analysis

Variables	TE	CO
Tax Evasion (TE)	<b>0.712</b>	
Corruption (CO)	0.143	<b>0.717</b>

5.2. Assessment of Structural Model

The joint contribution of independent factors to the variations in the income tax evasion depicted as R-square (R<sup>2</sup>) (Hair et al., 2017). Thus, the R<sup>2</sup> value indicates the contribution of the corruption factor on variation in the income tax evasion. The PLS algorithm analysis indicates an R<sup>2</sup> value of 0.020 which indicates that 2% of the variation in tax evasion is explained by corruption. The results of R<sup>2</sup> can be seen in Fig. 2.

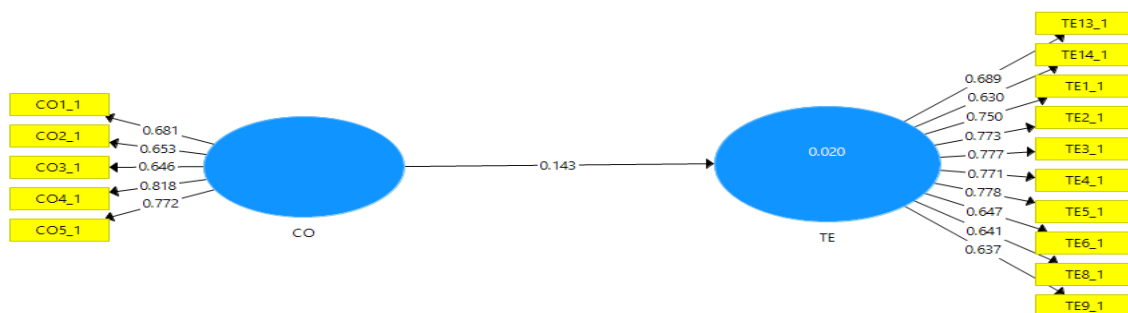


Fig. 2. Values of R<sup>2</sup>

To assess significance of the path coefficients (β), the bootstrapping technique was followed using 5,000 re-sampling with 184 cases and one-tailed test. The outcome shows the path estimate and t-values with respect to the hypothesized relationships in this study. As presented in Table 5.2.1, the result of the structural model analysis showed an insignificant link between corruption and income tax evasion. It is thus concluded that H<sub>1</sub> is not supported (β = 0.143; t = 0.836; p = 0.202).

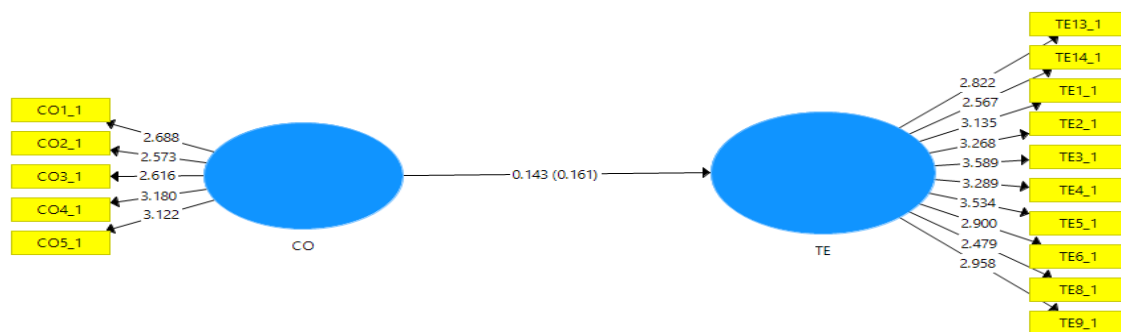


Fig. 3. PLS-SEM Bootstrapping (structural model) Beta and t-values

Table 5.2.1. Results of Hypotheses Testing

Hypothesis: Path	Path Coefficient	T-Statistics	P-Value	Decision
H <sub>1</sub> : Corruption -> Tax Evasion	0.143	0.836	0.202	Not Supported

Note: Significant at \*\*p < 0.01, \*p < 0.05.

VI. DISCUSSION

The main objective set to be achieved by the study is to assess how tax corruption influences tax evasion by SMEs owners/managers. The view of taxpayers concerning tax system fairness critically influences their tax evasion choices (Kostritsa & Sittler, 2017). The present study describes corruption as offering a bribe to tax

collectors to lessen the tax liability. Hypothesis 1 ( $H_1$ ) proposed a positive relationship of corruption on tax evasion. The finding shows that giving a bribe to tax authorities is not significant in increasing tax evasion by SMEs. The finding is inconsistent with several earlier corporate tax evasion literature (Torgler, 2005; Torgler & Schneider, 2007; Uslander, 2010; Alm *et al.*, 2016). This outcome corresponds with the result of Imam and Jacobs (2014).

Many studies have reported a negative and significant relationship of bribery on the tax evasion due to the efforts of the present government which established a priority to fight corruption and limit the bribery. Consequently, the view of the taxpayers towards tax evasion might have changed. Hence, the current findings in the study finds strong justification in the willingness and commitment of government towards implementing policies to curtail corruption and enhance efficiency of the public service (Palestinian Council of Ministers, 2017). Several anti-corruption policies were adopted by the Palestinian Council of Ministers, such as the corrupt and compromised government officials are charged and adequately prosecuted. Also, the appointed were properly scrutinised to make sure that they are uncorrupted. Accordingly, the tax authority in the country has recently issued orders to its offices across the country to begin tax recovery operations and ensure zero-tolerance for tax evasion. Hence, the above scenarios may explain why bribery showed an insignificant impact on tax evasion in the perceptions of the Palestinian SMEs.

## VII. CONCLUSION, LIMITATIONS AND FUTURE RESEARCH

Taxation essentially provides a major of source of revenues for governments around the country to finance their developmental projects. However, tax evasion challenges continue to undermine the government's potential to maximise its revenue generation from taxes. As its major revenue source, the Palestinian government are dependant heavily upon taxation. Current study focuses mainly on SMEs taxpayers, as an integral component of Palestinian taxpayers. Therefore, SMEs are considered a major source of revenue generation, although the system is grossly inefficient due to high tax evasion rate. Accordingly, approaches to curtail SMEs tax evasion will definitely support the need for more revenue generation by government. Generally, the finding in this study revealed an insignificant association between corruption and income tax evasion. Therefore, this study contributes to extant literature on major determinants of tax evasion. Although, this study suffers some limitations, connected to the use of questionnaires, as it may not be the correct answers of the taxpayer's actual behaviour. Consequently, a mixed method approach is needed. Future studies may also consider broadening the model by including other unproven factors from the socio-psychological factors such as, patriotism and trust in the government.

## REFERENCES

- [1]. Abuamria, F. (2019). The Effect of Deterrence Factors on Discourage Shadow Economy Level and Tax Evasion. *International Journal of Academic Research in Accounting, Finance and Management Sciences*, 9(1), 62–67.
- [2]. Abu Maria, A. (2020). Crime of intermediation, favoritism and nepotism according to decision Law No. 37 of 2018 amending the Anti-Corruption Law. *Journal of International Law and Business, Hassan I University*, 29 (8), 59-65.
- [3]. Akdede, S. (2006). Corruption and tax evasion. *Dogus University Journal*, 7(2), 141–149.
- [4]. Al Zeer, I., Alkhatib, A. A., & Alshrouf, M. (2019). Determinants of Organisational Commitment of Universities' Employees. *International Journal of Academic Research in Accounting, Finance and Management Sciences*, 9(1), 136–141.
- [5]. Alabede, J. O. (2012). *An investigation of factors influencing taxpayers' compliance behaviour: Evidence from Nigeria*. (Unpublished doctoral dissertation). Universiti Utara Malaysia, Sintok, Malaysia.
- [6]. AlAdham, M., Abukhadijeh, M. A., & Qasem, M. F. (2016). Tax evasion and tax awareness evidence from Jordan. *International Business Research*, 9(12), 65–75.
- [7]. Alkhatib, A. A., & Abdul-Jabbar, H. (2017). An Economic Framework for Tax Evasion in Palestine. *American-Eurasian Journal of Scientific Research*, 12(6), 300–304.
- [8]. Alkhatib, A. A., Abdul-jabbar, H., & Marimuthu, M. (2018). The effects of deterrence factors on income tax evasion among Palestinian SMEs. *International Journal of Academic Research in Accounting, Finance and Management Sciences*, 8(4), 144–152.
- [9]. Alleyne, P., & Harris, T. (2017). Antecedents of taxpayers' intentions to engage in tax evasion: Evidence from Barbados. *Journal of Financial Reporting and Accounting*, 15(1), 2–21.
- [10]. Alm, J., Jackson, B. R., & McKee, M. (1992). Estimating the determinants of taxpayers compliance with experimental data. *National Tax Journal*, 45(1), 107–114.
- [11]. Alm, J., Bloomquist, K. M., & Mckee, M. (2016). *When you know your neighbour pays taxes: Information, peer effects, and tax compliance*. (Working Paper, No. 1619). Tulane University, USA.
- [12]. Alm, James, Martinez-Vazquez, J., & McClellan, C. (2016). Corruption and firm tax evasion. *Journal of Economic Behaviour & Organization*, 124(3), 146–163.
- [13]. Alm, James, & Torgler, B. (2006). Culture differences and tax morale in the United States and in Europe. *Journal of Economic Psychology*, 27(2), 224–246.
- [14]. Alm, James, & Torgler, B. (2011). Do ethics matter? Tax compliance and morality. *Journal of Business Ethics*, 101(4), 635–651.
- [15]. Alshrouf, M. (2019). The effect of tax audit using the computer on tax non-compliance in Palestine. *International Journal of Academic Research in Business and Social Sciences*, 9(3), 296–304.
- [16]. Anderson, J. C., & Gerbing, D. W. (1988). Structural equation modeling in practice: A review and recommended two-step approach. *Psychological Bulletin*, 103(3), 411–423.
- [17]. Andreoni, J., Erard, B., & Feinstein, J. (1998). Tax compliance. *Journal of Economic Literature*, 36(2), 818–860.
- [18]. Andriani, L. (2015). Tax morale and prosocial behaviour: Evidence from a Palestinian survey. *Cambridge Journal of Economics*, 40(3), 821–841.

- [19]. Bandura, A. (1977). *Social learning theory*. New York, USA: General Learning Press.
- [20]. Beck, L., & Ajzen, I. (1991). Predicting dishonest actions using the theory of planned behavior. *Journal of Research in Personality*, 25(3), 285–301.
- [21]. Belay, S. A., & Viswanadham, P. (2016). Tax fairness perceptions and compliance behavior: Evidence from the metropolitan cities of the Amhara regional state of Ethiopia. *International Journal of Science and Research*, 5(4), 1173–1183.
- [22]. Bilotkach, V. (2006). A tax evasion–bribery game: Experimental evidence from Ukraine. *European Journal of Comparative Economics*, 3(1), 31–49.
- [23]. Bishara, S. (2015, June 9). The percentage of tax evasion in Palestine up to 70% (in Arabic). *Aliqtisadi*. Retrieved from [http://www.aliqtisadi.ps/ar\\_page.php?id=35c736\\_y3524406\\_Y35c736](http://www.aliqtisadi.ps/ar_page.php?id=35c736_y3524406_Y35c736)
- [24]. Bobek, D. D., & Hatfield, R. C. (2003). An investigation of the theory of planned behavior and the role of moral obligation in tax compliance. *Behavioral Research in Accounting*, 15(1), 13–38.
- [25]. Braithwaite, V. (2001). *The community hopes, fears and actions survey: Goals and measures*. (Working Paper No. 2). Centre for Tax System Integrity, The Australian National University, Canberra, Australia.
- [26]. Carvalho, H. C., Santos, J. R. dos, Martins, M. R., Franco, E., & Mazzon, J. A. (2016). *Going with the flow: Corruption in tax agencies*. Paper presented at the 34th International Conference of the System Dynamics Society, Brazil.
- [27]. Çevik, S., & Yeniçeri, H. (2013). The relationship between social norms and tax compliance: The moderating role of the effectiveness of tax administration. *International Journal of Economic Sciences*, 2(3), 166–180.
- [28]. Chan, C. W., Troutman, C. S., & O'Bryan, D. (2000). An expanded model of taxpayer compliance: Empirical evidence from the United States and Hong Kong. *Journal of International Accounting, Auditing and Taxation*, 9(2), 83–103.
- [29]. Coalition for Accountability and Integrity. (2018, April 23). USD 500 million losses of tax evasion in Palestine (in Arabic). *Life Press*. Retrieved from <http://www.hayatweb.com/breaking/143106>
- [30]. Crisp, R. J., & Turner, R. N. (2007). *Essential social psychology*. London, United Kingdom: SAGE Publication.
- [31]. Cummings, R. G., Martinez-Vazquez, J., McKee, M., & Torgler, B. (2009). Tax morale affects tax compliance: Evidence from surveys and an artefactual field experiment. *Journal of Economic Behavior and Organization*, 70(3), 447–457.
- [32]. Edwin, E. (2011). Historical and legal background of taxation in Nigerian. *Principles of Taxation*, 2(1), 222–225.
- [33]. Efebera, H. D., Hayes, C., Hunton, J. E., & O'Neil, C. (2004). Tax compliance intentions of low-income individual taxpayers. *Advances in Accounting Behavioral Research*, 7, 1–25.
- [34]. Faizal, S. M., & Palil, M. R. (2015). Study on fairness and individual tax compliance in Malaysia: Preliminary findings. *International Journal of Business, Economics and Law*, 8(1), 74–79.
- [35]. Fallah, B. (2014). *The pros and cons of formalizing informal MSES in the Palestinian economy*. (Working Paper, No. 893). The Economic Research Forum, Palestine.
- [36]. Farrar, J., Kaplan, S. E., & Thorne, L. (2017). The effect of interactional fairness and detection on Taxpayers' compliance intentions. *Journal of Business Ethics*, 147(707), 1–14.
- [37]. Fischbacher, U., Gächter, S., & Fehr, E. (2001). Are people conditionally cooperative? Evidence from a public goods experiment. *Economics Letters*, 71(3), 397–404.
- [38]. Fischer, C., Wartick, M., & Mark, M. (1992). Detection probability and taxpayer compliance: A review of the literature. *Journal of Accounting Literature*, 11(1), 1–46.
- [39]. Franzoni, L. A. (2000). Tax evasion and tax compliance. *The Economics of Public and Tax Law*, 4(1), 52–94.
- [40]. Frey, B. S., & Torgler, B. (2007). Tax morale and conditional cooperation. *Journal of Comparative Economics*, 35(1), 136–159.
- [41]. Gilligan, G., & Richardson, G. (2005). Perceptions of tax fairness and tax compliance in Australia and Hong Kong: A preliminary study. *Journal of Financial Crime*, 12(4), 331–343.
- [42]. Hair, J. F., Hult, G. T. M., Ringle, C., & Sarstedt, M. (2017). *A primer on partial least squares structural equation modeling (PLS-SEM)* (2nd ed.). New York, USA: SAGE Publications.
- [43]. Hair, J. F., Ringle, C. M., & Sarstedt, M. (2011). PLS-SEM: Indeed, a silver bullet. *Journal of Marketing Theory and Practice*, 19(2), 139–152.
- [44]. Hanno, D. M., & Violette, G. R. (1996). An analysis of moral and social influences on taxpayer behavior. *Behavioral Research in Accounting*, 8(1), 57–75.
- [45]. Henseler, J., Ringle, C. M., & Sinkovics, R. R. (2009). The use of partial least squares path modeling in international marketing. *Advances in International Marketing*, 20(1), 277–319.
- [46]. Hite, P. A. (1988). The effect of peer reporting behavior on taxpayer compliance. *The Journal of the American Taxation Association*, 10(2), 47–64.
- [47]. Imam, P. A., & Jacobs, D. (2014). Effect of corruption on tax revenues in the Middle East. *Review of Middle East Economics and Finance*, 10(1), 1–24.
- [48]. Jaber, F. (2018, February 1). The Palestinian budget loses USA 600 million annually due to tax evasion (in Arabic). *Ramallah News*. Retrieved from <https://ramallah.news/post/98914/-التهرب-الضريبي-يكبد-الجزيرة-القطرية-خسائر-بقيمة-600-مليون-دولار-سنويا>
- [49]. Jackson, B. R., & Milliron, V. C. (1986). Tax compliance research: Findings, problems, and prospects. *Journal of Accounting Literature*, 5(1), 125–165.
- [50]. Kirchler, E. (2007). *The economic psychology of tax behaviour*. Cambridge, United Kingdom: Cambridge University Press.
- [51]. Kirchler, E., Hoelzl, E., & Wahl, I. (2008). Enforced versus voluntary tax compliance: The “slippery slope” framework. *Journal of Economic Psychology*, 29(2), 210–225.
- [52]. Kostritsa, M., & Sittler, I. (2017). The impact of social norms, trust, and fairness on voluntary tax compliance in Austria. *Management*, 12(4), 333–353.
- [53]. Martin, K. D., Cullen, J. B., Johnson, J. L., & Parboteeah, K. P. (2007). Deciding to bribe: A cross-level analysis of firm and home country influences on bribery activity. *Academy of Management Journal*, 50(6), 1401–1422.
- [54]. McClellan, C. (2013). *The consequences of poor tax administration: Collections, growth, and evasion*. (Unpublished doctoral dissertation). Georgia State University, Georgia, USA.
- [55]. McGee, R. W., & Maranjyan, T. B. (2006). *Tax evasion in Armenia: An empirical study*. Presented at the Fourth Annual Armenian International Policy Research Group Conference, Washington, USA.
- [56]. Palil, M., Zain, N., & Faizal, S. (2012). Political affiliation and tax compliance in Malaysia. *Humanities and Social Sciences Review*, 1(4), 395–402.
- [57]. Picur, R. D., & Riahi-Belkaoui, A. (2006). The impact of bureaucracy, corruption and tax compliance. *Review of Accounting and*



- Finance*, 5(2), 174–180.
- [58]. Porcano, T. M. (1984). Distributive justice and tax policy. *The Accounting Review*, 59(4), 619–636.
- [59]. Porcano, T. M. (1988). Correlates of tax evasion. *Journal of Economic Psychology*, 9(1), 47–67.
- [60]. Puspitasari, E., & Meiranto, W. (2014). Motivational postures in tax compliance decisions: An experimental studies. *International Journal of Business, Economics and Law*, 5(1), 100–110.
- [61]. Rahhal, A. I. (2017). Effectiveness of Palestinian income tax rates in facing tax evasion. *Global Journal of Engineering Science and Research Management*, 4(1), 8–14.
- [62]. Richardson, G. (2006). Determinants of tax evasion : A cross-country investigation. *Journal of International Accounting, Auditing and Taxation*, 15(2), 150–169.
- [63]. Saad, N. (2009). Fairness perceptions and compliance behaviour: The case of salaried taxpayers in Malaysia after implementation of the self- assessment system. *EJournal of Tax Research*, 8(1), 32–63.
- [64]. Sabri, N. R. (2010). *MSMEs in Palestine; challenges and potential* (Palestine Economic Policy Research Institute). Ramallah, Palestine. Retrieved from <http://www.palestineconomy.ps/files/server/20152501091809-1.pdf>
- [65]. Sussman, R., & Gifford, R. (2013). Be the change you want to see: Modeling food composting in public places. *Environment and Behavior*, 45(3), 323–343.
- [66]. Torgler, B. (2003a). Tax morale in transition countries. *Post-Communist Economies*, 15(3), 357–381.
- [67]. Torgler, B. (2003b). To evade taxes or not to evade: That is the question. *The Journal of Socio-Economics*, 32(3), 283–302.
- [68]. Torgler, Benno. (2005). Tax morale in Latin America. *Public Choice*, 122(1/2), 133–157.
- [69]. Torgler, Benno, & Schneider, F. (2007). *Shadow economy, tax morale, governance and institutional quality: A panel analysis*. (Working Paper, No. 0701). Department of Economics, Johannes Kepler University of Linz, Austria.
- [70]. Traxler, C. (2010). Social norms and conditional cooperative taxpayers. *European Journal of Political Economy*, 26(1), 89–103.
- [71]. Uslaner, E. M. (2010). Tax evasion, corruption, and the social contract in transition. In *Developing alternative frameworks for explaining tax compliance*. London, United Kingdom: Routledge.
- [72]. Wenzel, M. (2002). Tax compliance and the psychology of justice: Mapping the field. In *Taxing Democracy: Understanding tax avoidance and tax evasion*. Hants, United Kingdom: Ashgate.
- [73]. Wenzel, M. (2006). A letter from the tax office: Compliance effects of informational and interpersonal justice. *Social Justice Research*, 19(3), 345–364.