

**A CONCEPTUAL FRAMEWORK FOR TAX NON-COMPLIANCE STUDIES
IN A MUSLIM COUNTRY:
A PROPOSED FRAMEWORK FOR THE CASE OF YEMEN**

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ABSTRACT

The problem of tax noncompliance is widely described as a serious global phenomenon, especially in developing and least developing countries. Literatures indicate a number of factors that could possibly influence tax noncompliance behaviour but there is no single theory that can explain the phenomenon of tax noncompliance behaviour. Thus, researchers suggested that theories from sociology, psychology and economy could be useful in explaining tax behaviour. Perception and attitude of taxpayers are among the factors contributing towards compliance behaviour. In this regard, empirical evidence indicates that taxpayers act according to their belief and attitudes. Nevertheless, the specific attitude/view of Muslims towards tax has not been considered. Consequently, the purpose of this paper is to discuss the theoretical link between the influence of Islamic religious perspective and tax noncompliance behaviour. Furthermore, tax service quality, public governance quality and tax system structure, which are perceived as relevant to developing and least developing countries, were taken into consideration in the proposed framework. The paper concluded by urging future researchers to consider the relevancy of the Muslim-majority community in the future tax noncompliance studies.

Keywords: tax noncompliance, Islamic religious perspective, public governance quality, tax service quality, tax system structure.

1.0 INTRODUCTION

Tax noncompliance is one of the several phenomena that has affected the global economy, and thus has attracted the awareness of researchers in the area (Ross & McGee, 2012). It is considered an important phenomenon that affects both developed and developing economies (Hindriks & Weber, 2008). Mas'ud, Aliyu and Gambo (2014) argued that the level of tax noncompliance in developing countries is much more than that of developed countries.

Previously, many studies conducted about tax compliance focused on the classic model of tax compliance, which views the phenomenon mainly from the economic perspective (Gupta & McGee, 2010) and to some extent, the social (Jackson & Millron, 1986; Fischer, Wartick & Mark, 1992) and legal (Klepper, Mazur & Nagin, 1991) perspectives as well. The lack of empirical research focused on other aspects of the issue can be attributed to the fact that social effects are extremely difficult to identify (Galbiati & Zanella, 2008). Crowe (1944) as in Ross and Mc Gee (2012) proposed a

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comprehensive study on the ethics of tax noncompliance from philosophical and religious aspects. Crowe (1944) found that over the centuries, there are three ethical aspects namely never ethical, always ethical or ethical under certain facts and circumstances.

Internationally, many studies have been conducted to examine the issue of tax noncompliance including studies those from South America, North America, Asia, Europe, Australia and New Zealand (McGee, 2006; McGee, Benk, Ross & Kılıçaslan, 2011; McGee, Petrides & Ross, 2012; Gaventa & McGee, 2010). Although the existence of tax noncompliance in the Middle East region is reported, unfortunately studies in this region are very rare (Transparency International's Quarterly Newsletter TIQN, 2005; Aljaaidi, Manaf, & Karlinsky, 2011; Central Organization for Audit and Control COAC, 2014).

The Middle East region is one of the important areas that have contributed to the growth of the global economy (Carapico, 1998) and is considered to be the centre of Muslim countries (Obaid, 2008). It is therefore important to determine the public views of Muslim countries toward the international economic problems, particularly tax noncompliance.

This paper aims to provide a conceptual framework of tax noncompliance for a Muslim majority country. This purpose is achieved by incorporating the relevant variables in the model of tax noncompliance. The next section provides the theories that can explain the behaviour of taxpayers. The third section presents the literature review of the relevant variables of tax noncompliance in a Muslim country. Section four begins with highlighting the issue of tax noncompliance in Yemen and proposing a conceptual framework of the problem of tax noncompliance in Yemen as a Muslim country. Finally, this paper ends with the fifth section, which contains concluding remarks of the whole paper.

2.0 THEORETICAL CONCEPTS OF TAX COMPLIANCE AND NONCOMPLIANCE

Tax compliance and noncompliance studies are multi-disciplines in nature, therefore, accountants, sociologists, psychologists and economists are all interested in the study of tax compliance and noncompliance. Scholars have concluded that many factors influence tax compliance, so, there is no single theory that can entirely explain the phenomenon of tax noncompliance behaviour (Alm, 1999). Accordingly, it has been suggested that theories from sociology, psychology and economy could be useful in explaining tax compliance behaviour (Alm, 1999; Jackson & Millron, 1986). For a better understanding, the present paper used variables from diverse sources.

According to Jackson and Millron (1986) and Alm (1999), tax noncompliance behaviour can be explained by social and psychological approach. To this end, a number of theories are considered to be relevant to explain the behaviour of tax noncompliance, specifically, social influence theory and social exchange theory. The theory of social influence argues that the individual behaviour is intentionally or unintentionally influenced by others in the environment, and the behaviour is explained

by relationship to the continuous common interaction between cognitive and behavioural environmental influences. Moreover, the outcomes of the behaviour play significant role in influencing people's attitudes (Bandura, 1977). As for the social exchange theory, it suggests that human relationships are formed by the use of a subjective cost benefit analysis and the comparison of alternatives. Blau (1964) indicated that the process of social exchange theory is the essential social model of reciprocity. It structures many of the main assumptions of rational choice theory. Furthermore, social exchange theory suggests that social behaviour is a consequence of an exchange practice. The purpose of this exchange is to maximize benefits and minimize costs. According to this theory, people consider the likely benefits and risks of social relationships (Cherry, 2010).

Additionally, the behaviour of human is always to act rationally by comparing costs and benefits of any activity (Alm, 1999; Allingham & Sandmo, 1972; Becker 1968; Brooks, 1998). Based on this viewpoint, the economic approach considers the behaviour of tax noncompliance. Thus, deterrence theory is suggested to understand the economic effect of the phenomenon. According to this theory, people don't commit crimes because they are afraid of getting caught, instead of being motivated by some deep ethical sense. Consequently, they are most likely to be deterred from committing a crime if the punishment is fast, certain and strict (Becker, 1968). Allingham and Sandmo (1972) stated that the decision of taxpayers to evade or not to evade taxes is a rational choice in regards of risk and uncertainty. In other words, the decision is made by examining the expected cost and benefit.

3.0 THE RELEVANT DETERMINANTS OF TAX NONCOMPLIANCE IN A MUSLIM COUNTRY

According to the literature, tax service quality, public governance quality and tax system structure are considered to be relevant to understand tax compliance behaviour in developing countries such as many Muslim countries (Manaf, Hasseldine, & Hodges, 2005; Egwaikhide, 2010; Al-ttaffi, Manaf, Aljaidi and McGee 2011; Alabede, 2012). Many studies emphasized the model of Fischer *et al.* (1992) and these include Palil and Mustapha (2011), Borrego, Lopes and Ferreira (2013) and Richardson (2013). Specifically, Mas'ud *et al.* (2014) argued that the importance of Fischer's model lies in its provision of insight into the importance of tax system structure, particularly tax rate and penalties. In general, most taxpayers in developing countries on intending to evade tax, they firstly look at two things: tax rate and penalties, and then decide whether to comply or not (Umar, Kasim & Martin, 2012). Therefore, tax rate and penalties are proposed to be included in the model of tax noncompliance. Moreover, the Islamic religious perspective is proposed to be incorporated in the model as a moderator variable of the relationship between tax system structure and tax noncompliance behaviour.

3.1 Islamic Religious Perspective

Generally speaking, there is lack of research about the influence of Islamic religious perspectives on tax noncompliance. In the present study, Islamic religious perspective is proposed as a moderator. According to Torgler and Schaffner (2007), tax noncompliance cannot be explained by the basic model. This idea was supported by

Slemrod (2009). They argued that the relationship between tax noncompliance and its determinants is inconsistent. Meanwhile, Kirchler (2007) indicated that the association could possibly be moderated by certain variables. In relation to this, Baron and Kenny (1986) argued that moderators are introduced when the relationship between variables is inconsistent.

Religion provides guidance to each individual through his/her believed values. The influence of religion occurs in the society even though individuals are not totally committed to their religion (Ali, 2013). Religion provides an essential basis for social integration. Therefore, understanding the Islamic religious viewpoints of the taxpayers in Muslim countries is of great importance and is an important factor that could likely influence taxpayers behaviour (Al-Ttaffi *et al.*, 2011).

Islamic teachings are clear in many issues in terms of Halal and Haram, where there are explicit texts in the form of Quranic statements or Hadith of the Prophet (peace be upon him). However, in some issues, especially contemporary ones such as tax, there are no explicit texts clarifying whether it is Halal or Haram, because taxes did not exist at the time of the Prophet (peace be upon him). In such a case, Islam gave an opportunity for researchers to conduct their due diligence, and as such, Muslim scholars strive to provide Islamic provisions for these cases. Generally, there are several opinions about taxes, with some scholars viewing tax itself as forbidden, and others believing in its legitimacy and the government's right to impose taxes on its citizens.

In Saudi Arabia, the government imposes tax only on foreign individuals, while Saudi citizens are not subject to any tax on their personal income. In terms of business establishments, all businesses in Saudi Arabia are also subjected to tax even if they pay Zakat (The Saudi Department of Zakah & Income Tax, 2015). Al-Ayyan (2007) argued that companies pay Zakat and also tax because Zakat is spent on specific individuals (asnaf) mentioned in the Qur'an, while tax is funded to cover the expenses of the services provided by the government to all businesses operating in Saudi Arabia. Nevertheless, the Standing Committee for Scientific Research and Fatwa STSR (1994) issued a fatwa to clarify the Islamic perception about tax for all Muslims, whether inside or outside Saudi Arabia. The Fatwa stated that the collection of taxes and work in tax authorities are all forbidden (Haram), and it is not permissible for the government to impose tax on its citizens. Furthermore, noncompliance of tax could be viewed as permissible if it is imposed on Muslims, and therefore, taxpayers find any opportunity to do so without committing any forbidden act of Shariah, such as lying.

A prominent Saudi scholar, Al-Jibreen (2012) believes that tax is an issue of diligence. He stated that tax is obligatory to be paid in two cases: if tax exists instead of Zakat, and if it is in excess of Zakat but needed to finance some essential interests. In contrast, the collection of taxes is considered forbidden in cases when the government takes from citizens and disposes of the tax unfairly. Hassan (2010) cited a number of Islamic scholar perceptions, such as Al-Albani¹, to support the notion that tax is forbidden, but some may be permissible in the following exceptional cases:

- When only the rich are taxed, and tax collected are distributed fairly.

¹ Ali Hassan was a student of the Islamic researcher Al-Albani during the period 1989 – 1999.

- When there is a deficit in the state budget.
- Tax cannot be legally sustained, but it can be exceptionally imposed when necessary.
- When tax money is not spent on anything contrary to Islam.

Mawdudi (2005) supported this viewpoint by stressing that the need for these funds must be real and not presumptive, and there should be an absence of other sources in the country to cover it. The imposition of tax does not mean that they replace Zakat, as the latter is worship, and must be paid in all cases whether or not it's needed, while tax should be imposed only when needed (Abu-Zahra, 1998; Saltoot, 2000).

In Qatar, the Fatwa Center (2012) cited a number of researches stating that if tax is imposed fairly, it is not permissible to evade it, whereas if unfairly, the noncompliance is permissible and legal. Al-Omari (2009) elaborated on the views of the four Islamic schools (Mazhab) about taxes and they are as follows:

- a) Hanafis: They allow the imposition of tax on the people if there is a need for it and such tax are referred to as episodes.
- b) Maaliki: They support the entitlement of the government to impose taxes for special circumstances.
- c) Shaafa'i: They acknowledge the legitimacy of tax on the rich if it's for public interest.
- d) Hanbalis: They authorize tax and they consider it as the money spent for Jihad.

In the same line of study, Nabulsi¹ (2005) explained his Islamic viewpoint in this issue. He believed that tax is considered one of the government's financial resources to cover their expenses, so they are permissible. Consequently, the citizens have to comply to pay their taxes. Moreover, Peerzade (2005) proposed an alternative Islamic approach instead of tax system. He explained that the Zakat system is the best alternative system in the Muslim countries. Generally, the financial system and levy of zakat requires considerable guidance according to the rules of Shariah, such as the condition of Nisab to impose Zakat, deduction of expense items and avoidance of the double or multiple assessment of the same base in one stipulated period.

In this regard, McGee (1997) emphasized that Muslims have a moral responsibility to pay Zakat for the support of the poor and for the legitimate functions of government. Thus, evading one's duty to pay Zakat is classified as an immoral act. As for tax, it is described as voluntary. In exceptional cases, tax may be imposed by the government if the amount raised by zakat is insufficient to cover all the legitimate costs of government. Furthermore, imposing any payment on the citizen that creates an artificial rise in the prices, such as indirect tax, is strictly forbidden. Therefore, it is not always prohibited for a Muslim to evade taxes and regulations that have the same effect as taxes.

In summary, the Islamic perceptions on tax could be summarized as following:

- 1) Totally permissible (Halal): therefore, noncompliance is absolutely forbidden.
- 2) Totally forbidden (Haram): consequently, noncompliance is permissible when the opportunity is found to do so without committing any forbidden act.

¹ Professor at the College of Education & Shariah, Damascus University, Syria. His view about tax has been taken from his personal website.

- 3) Permissible under circumstances and conditions: accordingly, tax noncompliance is permissible when the conditions are not met.

Finally, it can be stated that the religious attitudes towards tax could have an impact on the behaviour of taxpayers, where people who believe that tax is forbidden will have a negative behaviour towards paying tax, while those who have positive perception toward tax will be more committed to the payment of the due tax. However, the few studies conducted about the tax system to be implemented as a national revenue collection system in Islamic countries focused on imposing Zakat instead of tax.

3.2 Tax Service Quality

Hidayat, Handayani and Otok (2014) suggested that tax collection does not work smoothly, so aside from the active role of tax officers, there must be awareness of the taxpayers. They explained that since tax service quality has a direct impact on the level of taxpayers' satisfaction, and on taxpayers' behaviour, it is important to increase satisfaction of taxpayers through increased quality of service to taxpayers. Chen, Huang and Wang (2011) concluded in their study that service quality has a significantly negative impact on non compliance behaviour. Generally a lot of developed countries such as the USA, the UK, France, Sweden and Denmark are increasingly becoming aware of the necessity to accord the taxpayers the status of customers. They applied the concept of New Public Management on taxpayers by giving more consideration to their tax service requirements and taking care of them as clients (Kirchler, 2007). Additionally, Stuart and Tax (1996) explained that tax service quality must integrate elements such as the physical evidence of the service environment, the action of the participants and the processes required to facilitate service delivery.

In a related study, Chen and Kao (2009) explained that there is interaction between the tax officers and the taxpayers, and such interaction will influence the perception of taxpayers about the quality of the tax service, which have been received from the tax authority. Parasuraman, Zeithmal and Berry (1985) added two more factors that can influence the perception of the customer about the quality of service and they are the physical environment quality and the outcome quality, which represents the actual service delivered to the customer. Generally, Jackson and Millron (1986) stated that the approach in which taxpayers are treated in the provision of tax service has an impact on their behaviour - therefore, there is a common perception about tax offices. Many taxpayers believe that tax officers are not as they should be which influences the compliance of taxpayers. Job and Honaker (2003) indicated that the satisfaction of the USA taxpayers is very low because the service quality of IRS is deteriorating. Moreover, Torgler and Schaffner (2007) suggested that tax authority can improve the compliance of taxpayers by cooperating with them. They argued that the tax authority must consider itself as a service institution that provides quality service and treats the taxpayers as partners. In the context of Nigeria, Alabede (2012) tested tax service quality and noted that Nigerian taxpayers had a low perception about the quality of tax services offered by the tax authority. His study confirmed that the relationship between perceived tax service quality and taxpayers behaviour is positively strong. Thus, it can be stated that improved quality of tax service provided by the tax authority will improve taxpayer's compliance behaviour.

3.3 Public Governance Quality

In general, most of the researchers concluded that public governance quality is positively correlated to compliance (McGee, Benk, Yıldırım & Kayıkçı, 2011). Philips and Sandall (2009) explained the link between public governance quality and tax compliance. They argued that the citizens support the government to do its duties through payment of tax, and in turn, taxpayers remain interested in the way the government uses such mandatory funds. In other words, government behaviour may have either a positive or a negative influence on the compliance behaviour of the taxpayers.

In relation to the above studies, Ser (2013) proposed that if the individuals perceive the government is fair, then they will have more confidence towards the government, and so they will comply with tax payment. Besancon (2003) suggested that the government exists for the purpose of offering the common and political goods to the citizens and that the quality of public governance is achieved when the government provides high quality provision to the individuals. This view was supported by Rotberg (2005), who argued that public governance can be attained when the government supplies common and political goods to the citizens. Furthermore, it was stated that the public governance should be capable of providing satisfaction and material prosperity to the citizens. Generally, public governance is judged as "good" when the government uses and manages the resources of the country to respond to requirements of the citizens. These requirements vary in importance, as some of them are more important than others, so the government should have their priorities straight.

3.4 Tax System Structure

It is commonly recognized that one of the major causes behind the phenomenon of tax noncompliance in many developing countries is tax system structure (Twum, 2014). Jackson and Milliron (1986) conducted a broad review of the tax noncompliance literature and identified 14 key factors that have been studied by researchers on the area. Fischer *et al.* (1992) categorized the factors of Jackson and Milliron model to four groups: demographic, noncompliance opportunity, attitudes and perceptions and tax system structure. Based on this model proposed by Fischer *et al.* (1992), derived from Jackson and Milliron (1986), tax system structure contains four elements: tax rates, penalties, complexity of the tax system and probability of detection.

Additionally, and Jacobs (2007) explained tax noncompliance using three groups of factors: factors related to the tax system, factors related to tax administration and factors related to culture. They indicated that a complex tax system can facilitate fraud and the taxpayer might choose to do dishonest behaviour simply to get things done. Also, tax rate plays a key role to increase or decrease the incentive of taxpayers to comply or not comply with tax. Penalties are very important factor as well that can influence the behaviour of taxpayers.

Many studies emphasized on the model of Fischer *et al.* (1992) and these include Palil and Mustapha (2011), Borrego *et al.* (2013) and Richardson (2013). According to Mas'ud *et al.* (2014), the importance of Fischer's model lies in its insight into the importance of tax rate and penalties on tax noncompliance under the tax system structures. In general, most taxpayers in developing countries, who are intending to

evade tax payment, firstly look at two things: tax rate and penalties, and then decide whether to comply or not (Umar *et al.*, 2012).

3.4.1 Tax Rate

In general, it is believed that a high tax rate is the main cause of tax noncompliance (Mwangi, 2014). Peter (2008) carried out a study to examine the relationship between tax rates and labour regulations with tax compliance. He concluded that high taxes and extreme regulation are two very general reasons of tax noncompliance. Meanwhile, Derwent (2000) studied taxpayers behaviour in five countries (USA, South Africa, Nigeria, Kenya and Gambia), and concluded that tax rate is considered as a major challenge of tax compliance. Lin and Yang (2001) found a negative relationship between the tax rate and the compliance of taxes, and this finding was confirmed by Mc Gee (2006) and Ser (2013). In the same line of study, Peter (2008) examined the relationship between tax rates and labour regulations with tax compliance. He concluded that high taxes and excessive regulation, especially of labour as the most costly input, are two very common explanations of tax noncompliance.

3.4.2 Penalties

It is the nature of human beings not to do what is required from them without motivation. This motivation is possible to be one of two options, either incentive to encourage them to do their duties, or a penalty in case they did not do their duties. In some cases, both motivations are needed, where sometimes if the first option is not available or has no pressure, then the second alternative will be needed (Doran, 2009). Blank (2014) stated that tax penalties stem from tax noncompliance. In other words, noncompliance with the tax law can lead to tax penalties. Witte and Woodbury (1985) clarified that penalties has a significant positive relationship with tax compliance, and this result was supported by Twum (2014). A study carried out by Sanders, Reckers and Iyer (2008) to examine the relationship between accountability and penalties with tax compliance supported the hypothesis that the relationship is positively significant. Doran (2009) argued that tax penalties always motivate taxpayers to comply with tax laws, especially, when those penalties are more costly than compliance. On the other hand, Crane and Nourzad (1986) found that there is a negative relationship between penalties and tax compliance. Other studies found no significant relationship between penalty rate and compliance (e.g., Pommerehne & Weck-Hannemann, 1996; Kamdar, 1997; Kuria, Ngumi & Rugami, 2013).

4.0 TAX NONCOMPLIANCE IN YEMEN AND THE PROPOSED CONCEPTUAL FRAMEWORK

The current paper focuses on Yemen, as a Muslim country, located in the Middle East region. Many Muslim countries are suffering from the problem of tax noncompliance as Muslim taxpayers have different attitudes towards payment of tax (Obaid, 2008). The Islamic perception about tax is likely considered to be an essential factor on the phenomenon of tax noncompliance. One of the most prominent economic and financial problems is tax noncompliance, which has been recorded in high amounts during the last few decades (TIQN, 2005).

More specifically, during the period from 2000 to 2010, the tax authority in Yemen has regulated many new tax laws and reforms to overcome the weaknesses in the tax system in order to eliminate tax noncompliance (Aljamaree & Algaylee, 2011; Helhel, & Ahmed, 2014). Despite these attempts by the tax authority, the phenomenon of tax noncompliance still exists. During the period from 2004 to 2013, it was noted that the volume of tax noncompliance showed a steady increase, reaching the amount of USD164 million in 2004, only to increase further in 2009 to USD2 billion, in 2012 to USD2.5 billion and in 2013 to USD3 billion (Ministry of Planning & International Cooperation MPIC, 2009; COCA, 2012; Al-Saadi, 2014; COCA, 2014).

According to the Yemeni news agency (2012), Yemen's Cabinet approved a budget for year 2013, with a deficit of 690 billion Yemeni Reals (USD3.2 billion). Therefore, when comparing the amount of tax noncompliance for the year 2013 (USD3 billion) with the deficit in the budget for the same year (USD3.2 billion), it could be noted that the phenomenon of tax noncompliance in Yemen was an obstacle to the government to cover the deficit in their budgets, and thus the government remains in need of international and regional aids, as this would lead to the collapse of the state in the event of an interruption of such assistance. Moreover, the average ratio of tax revenues amounted to only 6.4% of GDP during the same period, at which time, a ratio of 17% in economies existed in similar economies such as Egypt and Syria, and more than 20% of GDP in Morocco, Tunisia, Lebanon and Jordan (Imam & Jacobs, 2007).

As the population of Yemen is totally Muslim, the measurement of the Islamic viewpoints of the taxpayers in Yemen is of great importance as an essential factor that influence taxpayers' behaviour that can be examined to overcome the phenomenon of tax noncompliance (Obaid, 2008).

In theoretical aspect, the literature identified the basic model of tax noncompliance. Jackson and Millron (1986) claimed that some variables may be appropriate to explain the tax noncompliance although they fail to provide adequate understanding of the causes of tax noncompliance. Torgler and Schaffner (2007) suggested that tax noncompliance cannot be explained by the basic model – a contention supported by Slemrod (2009). They argued that the relationship between tax noncompliance and its determinants is inconsistent. Kirchler (2007) indicated that the association could possibly be moderated by certain variables. According to Baron and Kenny (1986), moderators are introduced when the relationship between variables is inconsistent, as in this case. More importantly, the effect of religion on individual behaviour has been investigated in the literature, and based on the results obtained, religion is expected to influence certain behaviours, such as tax noncompliance (Ali, 2013).

Although researchers examined the moderating effect of some variables on the relationship between tax compliance and its determinants (Wenzel, 2004; Murphy, 2007), the Islamic perspective of taxpayers have not been tested so far. However, Al-taffi *et al.*, (2011) investigated the Islamic perspective as an independent variable, and suggested further studies to examine its moderating role. Thus, the current study attempts to provide a model that integrates Islamic religious perspective as a moderator.

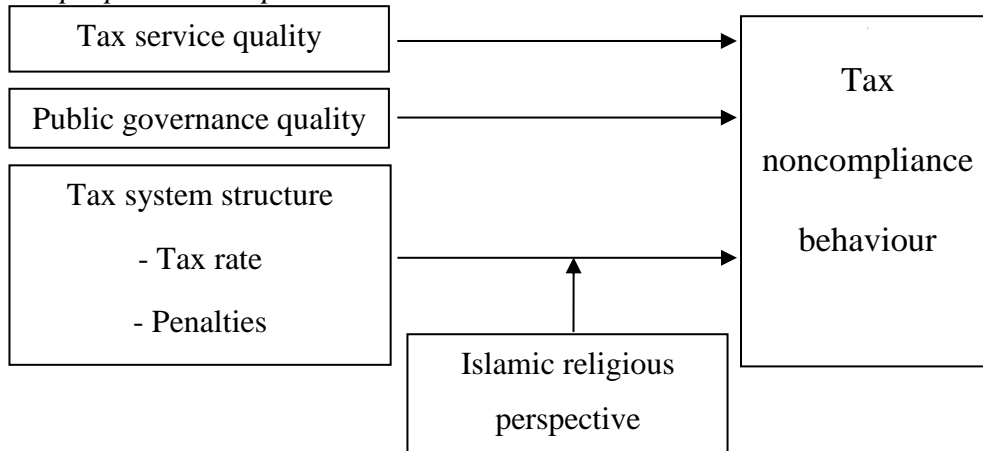
The current study proposes a conceptual framework to explain the phenomenon of tax noncompliance in Yemen. The proposed framework contains 6 constructs. In detail, the model contains one dependent variable, which is tax noncompliance and four independent variables, which are tax service quality, public governance quality, tax rate and penalties. Moreover, Islamic religious perspective is integrated as a moderator in the model. Yemen, as a least developing country, suffers from the problem of tax noncompliance. To have an effective treatment with the problem, the proposed solution should satisfy the contextual needs of the country and as such, the present model has been adjusted to Yemeni context.

Since many Yemeni citizens believe that the quality of tax service is very poor (Al-Yasani, 2005), the variable is included in the proposed model of tax noncompliance to be tested. Alabede (2012) said that the tax noncompliance behaviour may perhaps be an indication that the taxpayers are not satisfied with the quality of public governance. The political change in Yemen has resulted in an unstable situation in the whole country. This situation limited the accountability of the people in charge. Accordingly, the quality of public governance became low (Al-Rabea, 2014). The case of Yemen justifies the use of this variable in the model of tax noncompliance. Umar *et al.* (2012) indicated that most taxpayers in developing countries when they intend to evade tax, they mainly consider two things: tax rate and penalties. Similarly, Yemeni taxpayers are believed to take these two elements into consideration. Generally, the literature suggested that tax service quality, public governance quality and tax system structure are considered to be relevant to understand tax noncompliance behaviour in developing countries, such as Yemen (Manaf *et al.*, 2005; Egwaikhide, 2010; Al-taffi *et al.*, 2011).

This study focuses on the individuals' income tax in Yemen. According to Al-Rabea (2014), majority of Yemeni people are living below the poverty line. The Arab Centre for Studies and Economic Media (2015) described the political situation in Yemen as the reason behind the deterioration of the humanitarian and living conditions, which resulted in a condition in which more than 80% of Yemeni citizens are living under the poverty line. Therefore, majority of Yemeni individuals are not rich and yet their funds are subjected to Zakat. Contrastingly, people who have capital subject to Zakat do not pay Zakat to the government, as they do not trust the government, but instead they are distributing their own zakat to people who deserve it - "asnaf" (Al-Yasani, 2005). Thus, the current study does not include the law of Zakat to be tested in the model of tax noncompliance.

Based on the above discussion, the following conceptual framework is proposed.

Figure 1
A proposed conceptual Framework



5.0 CONCLUDING REMARKS

It is worth highlighting the numerous factors that influence the behaviour of tax compliance as it is possible to conduct the proper orientation of taxpayers' perspective towards tax compliance through the factors that reduce tax noncompliance. One of the most important factors, which could influence tax compliance behaviour is the attitudes of taxpayers.

This paper provided a framework of tax noncompliance behaviour to be applicable in a Muslim majority country. The researches of tax noncompliance come from multi discipline studies; therefore, there is no single theory that is capable of entirely explaining the phenomenon of tax noncompliance behaviour. Accordingly, it has been suggested that theories from sociology, psychology and economy could be useful in explaining tax compliance behaviour. Normally, religious attitudes are expected to have the priority among all other social attitudes and consequently, in Muslim countries, Islamic perspective towards tax is anticipated to be one of the factors that influence the behaviour of taxpayers.

As most of Muslim countries are classified as developing and least developing countries, so other appropriate factors to these countries were incorporated in the framework, namely tax service quality, public governance quality and tax system structure. In specific context, the Yemeni case is concentrated on in this paper and suggested to be further investigated in future research. Furthermore, although the relationship between Zakat law and tax noncompliance is important to be highlighted, it was not included in the model of tax noncompliance based on specific circumstances in Yemen. Hence, further studies are recommended to examine the effect of Zakat law on tax noncompliance, especially in corporate tax.

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