

# The Moderating Effects of Government Supports towards VAT Compliance Among SMES in UAE: A Conceptual Framework

Safiah Sidek ,

safiahsidek@utem.edu.my

Ruwaida Mohammed Ahmed Abdurraqeab

<sup>1</sup>Institute of Technology Management and Entrepreneurship, Research Group SICOMM, Universiti Teknikal Malaysia Melaka, Durian Tunggal Melaka

## Article Info

Page Number: 84 - 102

Publication Issue:

Vol 71 No. 3 (2022)

## Abstract

**Purpose** – Value Added Tax has been implemented in the UAE for broadening the tax base and increase government revenue. However, the government of UAE is still struggling to ensure that the SMEs comply with the taxation. The purpose of this paper is to propose a conceptual framework to analyse the moderating effects of government supports on the compliance with Value Added Tax imposed on Small Medium Enterprises in the UAE. **Design/method/approach** – The proposed conceptual framework is framed within the three theoretical positions of economic, psychological, and equity theories to compliance. In addition, findings from reviewing relevant literature in the implementation of tax are also drawn for the development of the conceptual framework.

**Findings** – The proposed conceptual framework can be used to empirically test the direct relationship of the organization's characteristics and its efficacy on VAT compliance. Additionally, the moderation effect of government supports on the SMEs' VAT compliance is also proposed. There are five sub-construct for government supports, four sub-constructs for organizational characteristics, four sub-constructs for efficacy and three sub-constructs for VAT compliance. The government supports is expected to be able to moderate the relationship between organizational characteristics and efficacy with VAT compliance of the SMEs.

**Practical Implications** – The proposed link between SME VAT compliance and the SME characteristics and efficacy in terms of VAT and government support call for government and SMEs actions toward simplifying the VAT process, overcoming the VAT implementation barriers, and strengthening the SMEs characteristics for effective VAT compliance.

**Originality/value** – This paper helps arrive at a VAT governance framework that optimises compliance as fundamental to the fulfilment of the long-anticipated role of VAT as a delicate income source for global economies. To empirically support the proposed model, the paper aspires to build on the secondary data.

**Keywords:** Value added Tax, Government Supports, Efficacy, Compliance, SMEs, UAE.

## Article History

Article Received: 12 January 2022

Revised: 25 February 2022

Accepted: 20 April 2022

Publication: 27 May 2022

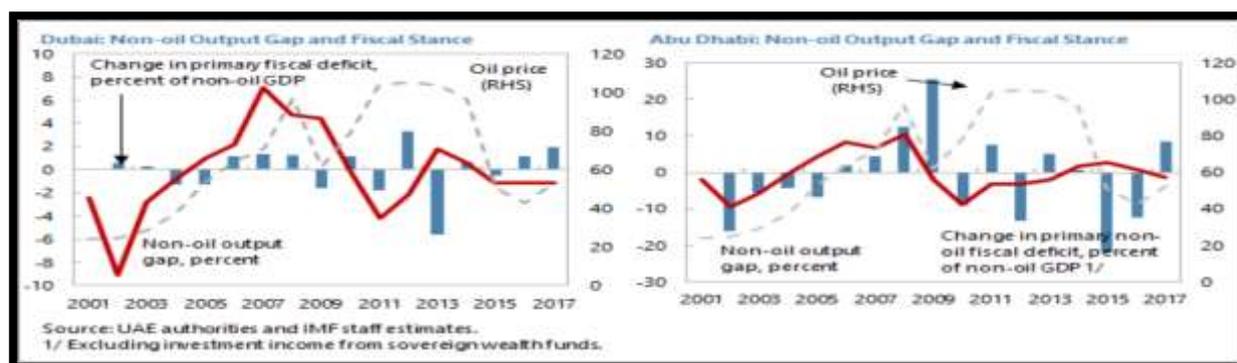
## 1. Introduction

Governments all over the world require revenue to carry out their services and provide public goods to the citizen. The volatile and dwindling oil prices have forced the oil-rich countries to look inward and diversify their revenue sources away from non-oil sectors (Saderuddin & Barghathi, 2018). Accordingly, Value Added Tax (VAT) is introduced to complement the existing sources of revenue to the governments (Alhamadi, 2020; Bannaga, 2017; Barbone, Bird, & Vázquez-Caro, 2012; Deb, 2018; Gupta & Nagadevara, 2007; Kamleitner, Korunka, & Kirchler, 2012; Kasim, Hanafi, & Suki, 2020; Vishnuhadevi, 2021; Zafarullah, 2018a, 2018b).

Value Added Tax (VAT) has been defined as an indirect levy charged on the goods and services consumed within a particular economy (Emran & Stiglitz, 2005; Smith, 2019; Webley et al., 2019). Usually paid to the government by tax revenue agencies, VAT is collected mainly from customers through businesses. Since its introduction in France in 1954, VAT has been implemented in both developed and developing economies of the world; these include Canada, Brazil, South Africa, Spain and China, and about 150 other countries (Bannaga, 2017). It is also recently introduced in United Arab Emirates (UAE) on 1<sup>st</sup> January 2018 (Alhamadi, 2020; Saderuddin & Barghathi, 2018). The adoption of VAT policy in various countries followed diverse reasons depending on economic status. In developed countries, VAT has been introduced to conform to international agreement requirements of duties and tariffs reduction. In developing economies, VAT policies have often been seen as a strategy of broadening the tax base and increasing government revenue (Ramli et al., 2015).

In a further elaboration on the reasons for VAT implementation, it must be added that it plays a very important role in government revenue generation (Alkhodre et al., 2019; Webley et al., 2019). By implementing VAT on the sale of all goods and services, including goods sold online, alternative revenue streams are revealed to help in government spending (Pagiola et al., 2003). In addition, VAT remains a critical tool for the regulation of consumer spending by extracting excess income in the economic system, and the government can control spending and the general fiscal make-up of the country (Gelardi, 2013). According to Alkhodre et al. (2019) and Gelardi, (2013), VAT provides additional income to reduce government deficits and fund critical social amenities like subsidised healthcare, education, and critical social interventions.

The adduced factors including international pressures, challenges of lack of diversification and diminished income prompted the initiation of VAT for all enterprises in the UAE (Zafarullah, 2018a). There was evidence of the diminishing income before the implementation of VAT in the UAE. The UAE government investment had negative growth, reaching -26% in 2015. Non-oil output was largely unsteady with fiscal deficits recorded on non-oil GDP in both Dubai and Abu Dhabi (Figure 1). The introduction of VAT was in time to support the fiscal deficits and diversify the government revenue sources (Malagila et al., 2020; Ainsworth & Alwohaibi, 2016).



**Figure 1: UAE non-oil Output Gap and Fiscal Stance 2014-2017 (IMF, 2019)**

In the UAE, although the VAT imposed stands at a manageable figure of 5%, this implies an additional cost to the business. As observed by Gurrib (2017), 5% is much lower than what other countries charge. Before its introduction, concerns were raised on the impact of VAT on income distribution and household expenditure (Ahmed & Brosio, 2008). Nonetheless, since its introduction in 2018, Zafarullah (2018a) and Malagila et al. (2020) assert that the policy is in line to transforming the revenue generation framework into a more sustainable one. The original introduction of VAT was projected to take place in two phases; compliance of companies with revenue exceeding Dh 375 thousand took place first, followed by the compliance of companies with revenue between, Dh 187 and Dh 375 thousand (Zafarullah, 2018a).

The introduction of VAT has generally been successful (Malagila et al., 2020). With a target income of Dh 12 billion in 2018, this was exceeded by over 125% with Dh 27 billion coming in as taxes and 8-month surplus VAT collection (Abbas, 2019). According to Mansoor (2019), this pushed overall revenue to 456 billion for 2018, with VAT accounting for 5.5% of total revenue. Despite these chalked successes, compliance is not fully overcome and has been considered essential to create a sustainable revenue stream through VAT (Abbas, 2019). With a keen emphasis on SMEs, compliance remains critical as over 90% of the 296,000 businesses that registered for VAT in the first year of implementation were SMEs (Nagraj, 2019; Gurrib, 2017).

Ultimately, although the government stands to gain enhanced income from VAT from SMEs in the UAE, the risk of VAT evasion and corruption is a major challenge observed before the implementation of the UAE VAT Policy (Gurrib, 2017). Despite the use of advanced technology systems that permit auto-compliance (Nagraj, 2019), the majority of businesses lack satisfaction with government information provision (Gurrib, 2017). Sensitising all business owners about the components of the VAT law is one of the avenues to create sufficient excitement in the SME sector and lead to positive VAT mannerisms (Zafarullah, 2018a). Nonetheless, the challenge of compliance remains as business owners may feel that the government is killing innovation in this sector and seek ways of avoidance (Gurrib, 2017). Despite this, there is no comprehensive study that proposes a VAT compliance framework for UAE SMEs. Thus, the need for proposing a VAT compliance framework which will go a long way in facilitating VAT administration in UAE.

Accordingly, this paper proposes a conceptual framework that incorporates the impact of organizational characteristics and efficacy on VAT compliance, moderated by government supports.

This conceptual paper is framed within the economic, psychological and equity theory of compliance. This paper is organized based on the following structure: the first section introduces the paper and set the motivation for the research. The following section discussed the implementation of VAT in the UAE and its link with SMEs. The proposed framework, including its components – SMEs characteristics, SME VAT implementation efficacy, government support, and the dependent variable, VAT compliance, are discussed. The paper concludes by specifying the theoretical and practical implications of the framework as well as its limitations and the need for further studies.

## **2. SMEs and the Implementation of VAT in the UAE**

After the UAE Ministry of Finance hosted a taxation briefing session for advisors, the message became clear to the Arab region regarding the initiation of VAT within the country (Ernst & Young, 2017). As such, businesses were informed to prepare appropriately. Focusing on businesses with more than Dh 375,000 revenue; this implies that the policy targets medium to large enterprises in the country. Other Gulf Cooperation Council (GCC) member states have also committed to implementing VAT (Ernst & Young, 2017). By implementing VAT as a coherent system VAT on imports, exports and the general movement of goods within the GCC are controlled to prevent double taxation (Sbia et al., 2012).

Although VAT is an income source for the government from the business community, Jensen (2018) asserts that it is not an express expense, but rather a collection point that is passed down through the supply chain to the ultimate consumer. Building on this analogy, products add value as they progress through the processing channel, and the governments gain revenue by obtaining tax from the product along the value addition continuum (Ainsworth & Alwohaibi, 2016). Despite voluntary sign-up for businesses that make between Dh 187 and Dh 375 thousand (Zafarullah, 2018a), failure to comply yet attracts heavy penalties from the UAE government. In this regard, it is not only in the interest of the government but SMEs to understand the working of the VAT law to avoid unnecessary penalties.

VAT compliance in the UAE may be argued as an outcome based on a multiplicity of factors. According to Jensen (2018), the new introduction of VAT and its administration will depend on the information available to the public. Thacker (2008) adds that tax calculation is a technical aspect of the business, and SME owners may experience a challenge in remitting the correct amounts and thus attract hefty fines from the government. Others have highlighted the fundamental role of government support, policies, capacity and overall efficiency in the implementation of taxes (Santhariah et al., 2018; Zafarullah, 2018a). Given these multiplicities of factors alongside other characteristics, behavioural and situational elements, compliance remains a key aspect of VAT success and sustainability (Gurrib, 2017).

In Dubai, SMEs are defined based on the number of employees and turnover; using these criteria, SMEs are divided into micro, small and medium enterprises (Dubai SME, 2019). SMEs are also grouped into the areas of trading, manufacturing and services. Generally, micro SMEs are defined as organisations with five or fewer employees and approximately 2-3 million AED in sales. Small enterprises have between 6 and 50 employees with about 20 to 50 million AED in revenue (Dubai SME, 2019).

The SME sector in Dubai forms the largest component of the business sector (Nagraj, 2019; Gurrib, 2017). Consequently, it is the highest potential income earner for the government in VAT remissions (Nagraj, 2019). The studies done in this regard by Mears (2016) states that the SME sector is one of the biggest employment sectors in the country, which comprises near to 90% of the enterprise in the national economy. In Dubai alone, the SMEs account for 99% of businesses, support 52% of the workforce and account for 47% of the Emirate's GDP as of 2019 (Dubai SMEs, 2019). In the UAE as a whole, this sector supports overall 43% of employment of a diversified workforce, helping the country maintain a diversified cultural workforce base (Mears, 2016).

SMEs no doubt has a large economic impact in the country and are a potentially significant source of government revenue. Jensen (2018) claims that the government, therefore, considers the SME sector as a major economic driver in the country presently and in the future. The SME sector has potential for growth into major economic entities operating large balance sheets and employing even greater numbers of citizens. In this regard, the compliance of this sector to the new taxation requirements is critical to the future of the country. Although the government is keen to ensure complete compliance, and non-cooperating industries risk heavy fines and other punitive actions, the state should realise the potential effects of such moves on the general economy of the country (Schilirò, 2015).

SMEs, however, have their characteristics and tax operationalisation or implementation efficacy/barriers that induce compliance or non-compliance. According to Al-Hilu et al. (2016), government taxes often increase the cost of production for companies and drastically reduce their profit margins by directly affecting revenue. In this regard, the SME operators may devise ways of evading VAT, thus, denying the government planned revenue. Nonetheless, SME tax evasion and non-compliance risk severe penalties multiple times the taxation amount and possible grounding of their enterprises (Ainsworth & Alwohaibi, 2017). Even though business collect VAT from consumers, on behalf of the government, evidence indicate VAT has a significant impact on business revenue and overall profitability of the enterprise (Al-Hilu et al., 2016; Ainsworth & Alwohaibi, 2016).

Without proper management of compliance, resorting to the use of fines and penalties as a routine practice has devastating effects on the national economy (Ainsworth & Alwohaibi, 2016). Ainsworth & Alwohaibi (2017) add that the country risks losing income from this sector emanating from ignorance of the taxation process. Thacker (2008) support this observation that several business enterprises may suffer the consequences of non-compliance based on ignorance. According to Gurrib (2017) and Jensen (2018), businesses may find the payment of penalties and fines unsustainable, which may eventually lead to the closure of their businesses. Such outcomes deny government income and inflict widespread economic challenges through the loss of jobs. In this regard, the government should ensure that it provides sufficient incentives for the SMEs to comply with the new tax requirements to avoid the danger of costly taxations that will adversely affect the businesses.

### **3. Theoretical Underpinning**

Theoretically, the proposed framework in this paper aligns with the economic, psychological and equity theory. The economic theory is also referred to as deterrence theory and is based on incentives (Chege, 2010). This theory is based on the view of the taxpayers as amoral utility maximisers who are driven by economic motives, which include profit optimization and reduced tax detection

likelihood. To determine compliance, it is essential to evaluate the different alternatives and scenarios available to determine whether they require to comply or evade taxes. The possibility of detection and resulting repercussions play a critical role in determining their decision, with the decision determined by the alternative that has the highest returns after taxes after risk adjustment, a process defined by Trivedi et al., (2005, p.2) as “*playing the audit lottery*”. Trivedi et al. (2005) assert that for taxpayers to consider paying taxes consistently, there have to be strong deterrence mechanisms in place such as legal penalties and prosecution that would increase the risk associated with the utility maximization function, thereby discouraging the taxpayer from making the most natural decision they would make, which is to evade taxes. The theory hypothesizes that taxpayers do not look beyond economics when making tax compliance decisions. This indicates that the subjective attitude towards risk would weigh heavily on the compliance decision of a taxpayer (Chetty et al., 2014).

Psychology theories to VAT compliance posit that psychological factors are greater influencers in compliance decisions than other factors, thereby focusing on the morals and ethics of the taxpayer (Webley & Ashby, 2010). The theories argue that detection risk, penalties or audits is not determinants in compliance, with the taxpayer intrinsically driven by personal character. Therefore, compliance is enhanced by investing in changing the attitudes of individuals towards the tax system (Atawodi & Ojeka, 2012).

This theory sees the problem of taxpayer`s compliance in payment of VAT as a behavioural issue and in two forms; (1) the willingness of the taxpayer to pay to tax authorities without the application of external forces is one of the forms, and (2) The act of applying force on taxpayers to ensure their payment of taxes (Fagbemi & Abogun, 2015). In measuring tax compliance, the government, through tax authorities must ensure that all individuals have registered for VAT. There should be a kind of routine checks around the country to all enterprises, both small and large. The ministry could go round to register taxpayers instead of expecting taxpayers to come and register themselves. That way, all enterprises would be legally registered for VAT. Thus, measuring their compliance would be easier.

According to Devos (2012), the human aspect is critical to compliance where perceptions, norms as well as attitudes towards compliance, regardless of whether such attitudes are influenced by real or perceived sanctions. Taxpayers make rational sources based on their value system. The theories opine that low compliance would indicate weakness in the morals and ethics in a society, where individuals are not motivated by the dream of a prosperous society and therefore feel no sense of obligation to support public goods.

Devos (2012) revealed a strong relationship between compliance behaviour and the use of tax professionals by individual taxpayers, which include both evaders and non-evaders. Tax professionals who work as intermediaries in the tax process influence directly the compliance level, but work closely with taxpayers, thereby influencing their ethical behaviour. Webley et al. (2002), in an advanced discussion of compliance, observed that compliance is based on social norms and values. This observation was later affirmed by Iyer et al. (2010)

Nyamwanza et al. (2014) analysis on the attitudes and practices of SMEs towards tax compliance corroborates assertions made in that a lack of understanding remains a significant challenge. The role of information in creating compliance is critical to the psychological theory of compliance,

particularly for owner-managers, who make the decisions at organizations. Ultimately a knowledge gap exists on the use of the psychology theory to compliance to explain where respondents feel that the tax system was inappropriate, even without full knowledge.

In addition to the psychological theories to VAT compliance, other streams of theories that have gained dominance here include the prospect Theory to VAT Compliance (Thomas, 2013) and the Equity Theory to VAT Compliance (Loo et al., 2010). In agreement with equity theory and other relevant studies, it is apparent that taxpayers' thoughts and mindsets about the complex nature of tax systems are due to their unwillingness to obey compliance policies (Loo et al., 2010). Taxpayers' perception of tax and its advantages is found to have a good connection with compliance of tax. In essence, perceptions of taxpayers have a significant effect on tax compliance.

Equity theory indicates that taxpayers show compliance to laws when they realize that the determinants of the laws are fair and not biased (McKerchar & Evans, 2009). In cases where individuals sense unfairness and injustice, they modify their contributions until fairness and justice are restored. Building on the theory of equity, tax compliance among SMEs can be enhanced when the inequities or unfairness in the trade correlation existing between taxpayers and the government are resolved. Ademe & Simret (2020) claim that the perceptivity of equity on systems of tax has a high possibility of favouring tax compliance behaviour compared to the perceptivity of inequity.

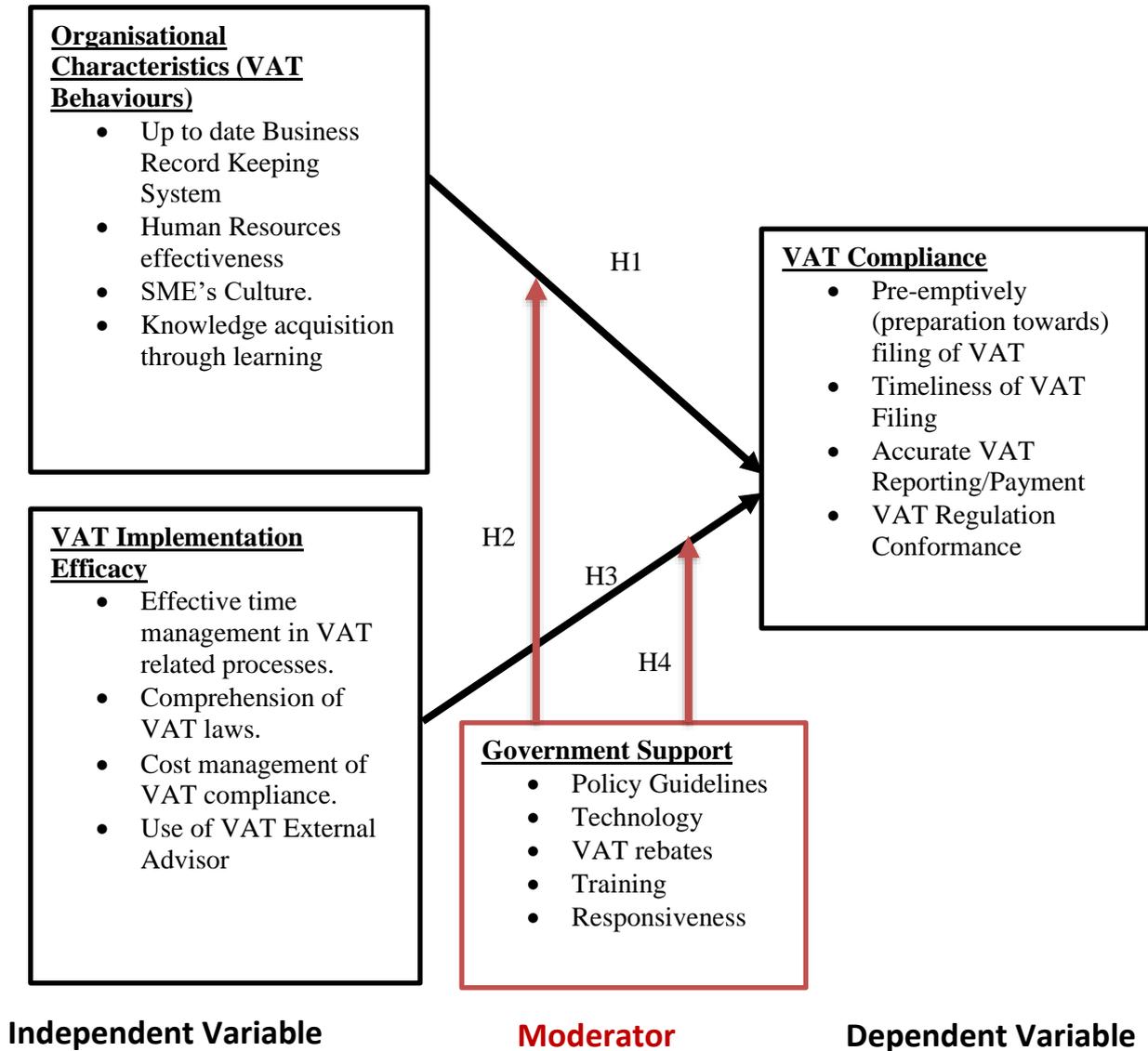
Individuals are likely not to regard their association with the government in a space where the two parties are the only participants. Similarly, SMEs may not consider their fellow taxpayers before regarding their connection with the government. Individuals may also think about the treatments meted out to them by the government and compare it to how other individuals are treated by the government. These perceptions will negatively affect how the individual thinks about the government and their fellow individuals. When a government offers special treatment to some individuals in the state, it affects the relationship existing between the government and its citizens.

#### **4. A Framework of SMEs VAT Compliance**

Based on the prevalent theories and relevant theories, the previous section allows the authors to draw a set of propositions. The conceptual framework containing these propositions is in Figure 2. The theoretical stand of the framework linked VAT compliance to the taxpayers' behaviour, the deterrence possibility and the equity and fairness of the VAT administration. The taxpayers' behaviour relates to the organisational characteristics which are considered as an independent construct in the framework and have been reported in other literature as a determinant of compliance (Kim et al., 2016; Muda et al., 2016; Vo, 2011; Keskin, 2006). The second independent variable of the framework, VAT implementation efficacy, relates to the deterrence theory which may suggest higher compliance if the implementation is efficacious (Jayakumar, 2012; Ching et al., 2017; Zafarullah, 2018b).

In the framework, a single dependent variable is considered - VAT Compliance (Webley et al., 2019; Giesecke et al., 2012; Atawodi & Ojeka, 2012; Devos, 2012). In addition, a single moderator variable of government support (Doh & Kim, 2014; Ewers et al., 2017; Sung et al., 2017). The government support is related to equity theory. The support given to SMEs by the government in VAT administration renders the exercise fairer and more equitable to the VAT payers which may induce

higher compliance. Literature support for the various inter-relationships is presented in the subsections in support of the framework.



*Figure 2: Conceptual Framework*

In alignment with the theoretical underpinnings of the study, it is important to add that the research model emulates the equity theory to VAT compliance. The model does not align with the extremes of economic or psychological theories, which independently explain that compliance is only a result of rational behaviour or psychological thoughts. The factors within the model, including the constructs of organisational characteristics, VAT implementation efficacy, and government support, cover a combination of psychological and economic variables and how these variables explain VAT compliance.

#### **4.1 VAT compliance**

VAT compliance is adopted as an ultimate dependent variable within the framework of reference. By predicting VAT compliance, the study will ensure that there is a seamless administration of VAT from the products and services along the production spectrum. This will not only help achieve the UAE Government's revenue ambition but will be equally essential to present the associated costs of non-compliance (Bobek et al., 2007; Akinboade, 2014). Ainsworth & Alwohaibi (2016) argue that the various players in the revenue administration cycle should play their various parts to ensure sustained revenue for the government. Through effective VAT compliance, the government is more able to enhance the quality of services to the citizens (Saad, 2012). In this regard, citizens can expect better quality of roads, efficient supply of water and proper disposal of garbage and sewerage management.

To measure the dimension of VAT compliance, four main variables are considered based on existing scales and their dominance in the available pool of literature. These include Pre-emptively (preparation towards) filing of VAT (Faridy, 2013; Glenn & Forlemu, 1993; Schmidt et al., 2007), Timeliness of VAT Filing (Highfield et al., 2017; Highfield et al., 2018), the accuracy of VAT reporting and payment (Bergman & Nevarez, 2006; Rodarte, 2015; Robinson & Saviano, 2011), and VAT regulation conformance (Popa & Paunescu, 2013; Spengel et al., 2016). The determinants of VAT compliance are discussed in the following subsections.

#### **4.2 Organizational Characteristics**

Organisational characteristics have been highlighted as SME's unique features that make them different from large corporations; thus, affecting their orientation in diverse ways (Muda et al., 2016; Vo, 2011). As part of the present study, literature is provided in support of key characteristics in relation to VAT operationalisation; these include record keeping, human resources, culture, knowledge sharing, and learning orientation (Keskin, 2006).

SMEs engaged in small scale services and businesses, therefore, have relatively small purchases of intermediate inputs as well face elastic demand from purchasers, whom themselves cannot claim back the VAT that they pay. It is a matter of importance to understand the unique characteristics of these businesses and how it influences their VAT compliance behaviour. According to Ghasia et al. (2017), SMEs are often not able to keep detailed and complete books of account. Mansor et al., (2016) and Aladejebi & Oladimeji (2019) add that the books kept are often incomplete, inaccurate, and often not readied on time. Others, including Mansor et al. (2016) stress that these businesses barely keep the purchases and sales invoices within their organisation; they also lack long term coverage of bookkeeping records. These bookkeeping constraints restrict compliance in diverse ways as they impede the smooth, on-time reporting, and auditing of the SME VAT accounts (Aladejebi & Oladimeji, 2019).

The nature of human resources in SMEs also play a fundamental role in how organisational characteristics influence compliance. Even though SMEs demonstrate a high level of commitment (Fauziati, & Kassim, 2018), work overload is often experienced, which restrict employees from paying adequate attention to the VAT regulations and compliance. Moreover, most of the workers in SMEs perform roles that do not essentially fit their qualifications (Fauziati, & Kassim, 2018). It is

not unusual to find an employee with no form of accounting experience or knowledge filing for VAT returns. Moreover, the attitude and overall HR abilities of SMEs play different roles in SME compliance behaviour (Uzor, 2017; Tehseen et al., 2019).

Culture is a set of attitudes, beliefs, behaviours and customs. These cultural cues are ingrained in the members of the business, team or group and then accepted as the norm (Dabić et al., 2019). Beliefs about the role of the business and how the business activities fall into this understanding of culture are typically dictated by how employees interact within their own cultural boundaries (Minh & Hjortsø, 2015). SME culture will determine what kind of customers it attracts, the service it delivers, and its growth, as well as how it complies with VAT regulations. Building on the innovative culture from Halim et al. (2019), SME culture has become a managerial instrument to enhance performance and can become a definitive factor to assure compliance or non-compliance behaviour.

The final variable under knowledge acquisition through learning represents the practice of transferring information among stakeholders in the organization (Fauziate et al. 2016). The organization needs to share information related to the VAT policies with the stakeholders. Further, it needs to share the information with the VAT experts and policymakers in the case of the need to come out of any kinds of concerns that arise later (Fauziate et al., 2016). It is always advisable to discuss the information among the people concerned so that proper coordination and control is possible in VAT reporting and recording (Newman et al., 2018; Brettel & Rottenberger, 2013; Mullen & Lyles, 1993). It is thus hypothesized that:

**H1.** *Organisational Characteristic has a significant relationship with VAT compliance among SMEs*

### **4.3 Efficacy**

VAT implementation barriers are the factors that negatively affect the smooth implementation of the tax. Overcoming these barriers represent the VAT implementation efficacy of the SME. The implementation of a value-added tax will demand that businesses either improve their VAT-compliant software or they buy new VAT-compliant software (Tyagi et al., 2019); however, a software change may present serious consequences to the SME. Thus, businesses will have an increased cost for purchasing the system and teaching workers how to operate the software. Ultimately, SMEs would not be in support of the implementation for fear of incurring extra costs in their businesses (Alhussain, 2020; Jayakumar 2012; Prasad 2014).

The effective enforcement of VAT regulation by the relevant authorities warrants that dominant challenges faced by the SMEs in compliance are overcome (Tyagi et al., 2019). The first of these barriers is the issue of time consumption, which often results from the lack of automation (Ainsworth & Alwohaibi, 2016; Thacker, 2008), the complexity of the VAT (Ainsworth & Alwohaibi, 2016; Thacker, 2008), and the general perception of time-consuming nature of the VAT filing process (Thacker, 2008). Overcoming the time constraint in an effective time management environment is essential to successfully predict compliance.

In addition to time, the actual cost of filing VAT also poses a serious challenge to SMEs. This is true in both strategic and operational aspects or costs of compliance (Anderson, 2007; Gurrub, 2017;

Biabani & Ramazami, 2011). The technicalities of VAT costs and group compliance behaviour have also been observed as influencing the overall compliance of SMEs. Ultimately, the financial standing of the SME must be positive for the business to be able to file returns successfully (Biabani & Ramazami, 2011).

Aside from the time and cost challenges, low comprehensives or acceptance of VAR regulations have been observed as one of the key challenges of VAT mainly in developing and less developed global regions (Kumar & Sarkar, 2016). This challenge is not essentially a mere lack of awareness but a lack of increase in awareness even after training and development of SME owners on the VAT regulations. Thus, a complete denial or rejection of the VAT policy is essential to their lives in any way or form (Kumar & Sarkar, 2016). In certain cases, negative behaviours are exhibited deliberately in non-compliance (Mohamed-Zabri et al., 2016).

One last group of barriers that impede VAT compliance is the inability to use external auditors by SMEs. This challenge is often caused by the perceived impact of external auditors on organizational costs, living costs, and overall inflation (Obeng, 2018). The lack of willingness to engage an advisor has also been observed as influencing compliance behaviour, as well as the existence and ability to hire an IT expert to develop an internal VAT system (Ainsworth & Alwohaibi, 2016). Finally, SMEs often build on the available public knowledge as a replacement of VAT advisors (Jensen, 2018). Building on these streams of literature, it is hypothesized as follows:

*H2: VAT implementation efficacy has a significant positive relationship on VAT compliance among SMEs*

#### **4.4 Government Support as a moderator**

The need for external support to moderate VAT compliance has been highlighted by Al-Hilu et al. (2016). Al-Hilu et al. (2016) add that the government can institute both positive incentives and punitive measures to spur adoption. Ultimately, incentives may be positive or negative in nature. To add to these arguments, Hansford (2018) argues that some business owners could also create fraudulent invoices and thereby present lower taxes than their expected obligations, to take advantage of the provided incentives. The effective implementation of incentives, therefore, warrant that the government remain on the lookout for rogue business owners who seek to use such techniques to evade tax and penalise them accordingly.

In a further elaboration, Rashid et al., (2018) add that some business owners may fail to take advantage of set incentives due to a lack of sufficient information. In the context of the present investigation, this scenario is likely to play out because the VAT exercise is a new phenomenon in the UAE and, in the initial stages. At such a stage, many small and medium enterprises are likely to misunderstand the tax regime that leads them to non-compliance even with rebates incentives. In fact, Al-Hilu et al., (2016) claim that the government should exercise leniency and provide sufficient window periods to ensure that business owners completely understand the working of the system as well as incentives available (Zafarullah, 2018b).

To measure government support and incentives, four main sub-dimensions are considered. These include policy guidelines (Ainsworth & Alwohaibi 2016; Whitehouse & Nurmi, 2016), the role of

technology (Pappadá & Zylberberg, 2017) VAT rebates (Braakmann et al., 2020), training (Tamrie et al., 2019), and government responsiveness (Philips et al. 2014; Rashid et al., 2018; Alam, 2018).

The government must play an intervening authority between the VAT office and the compliant SMEs within a closed tax system (Al-Hilu et al., 2016). As a moderator, the government has a dynamic, structured, and interactive role to play as a neutral party in the success of the VAT system (Ewers et al., 2017; Ernst & Young, 2017; Devos, 2012). Ultimately, the government plays a great part in determining the rate of tax compliance. Although the state is the chief originator of taxation, it also ensures that it implements the laws in a way that creates positive public acceptance and, therefore, leads to the optimum collection of revenue through this avenue.

According to Jensen (2018), the government should create sufficient information through credible channels of communication and initiate proper activation mechanisms at strategic periods. Furthermore, the state should encourage the utilization of simple technology to widen its taxation net to businesspersons who wish to submit their tax returns remotely. The provision of key policy guidelines in all areas is also essential to motivate SMEs to comply (Whitehouse & Nurmi, 2016). Jensen (2018) also emphasize the need for needed infrastructure and the removal of hidden costs.

According to Lourdunathan & Xavier (2017), potential tax customers consider the value of time for their compliance rates, and they will resist taxation regimes that exert pressure and consumes unnecessary time. The implementing agency should also ensure that the system puts minimal cost demands of the client, and it is facilitated with the help of technology mechanisms (Pappadá & Zylberberg, 2017). In this regard, they should discourage systems that require external consultants and extra gadgets in the implementation process (Gurrib, 2017). The system should also be simple and easy to apply for both large businesses and small and medium firms.

In addition, the government may provide specific incentives for smaller enterprises as they form the bulk of tax collection units in the VAT sector, support a critical aspect of the social economy, and are the hardest hit in the events of economic crisis (Braakmann et al., 2020). Rebates must be in the form of optimizing government revenue whilst providing room to reduce the burdens of the SMEs. In addition, training through education, awareness creation, cost awareness, trust and enlightenment has been considered an essential aspect of government support in encouraging compliance (Tamrie et al., 2019; Kircher, 2007).

In one final area of the construct, timeliness of government response to VAT queries (Guzel et al., 2019), proper communication (Rashid et al., 2018), transparency in dealing with SMEs (Philips et al. 2014; Rashid et al. 2018), good customer service from VAT regulators (Lind et al., 2016), and generally positive response attitude (Lind et al., 2016), have been considered as essential to the moderating role of the government in ensuring VAT compliance among SMEs.

Given the two main antecedents within the framework, it is important that the government's role moderate both roles of SME characteristics and VAT implementation efficacy in VAT compliance. The literature support in this direction, therefore, leads to the final sets of hypotheses as follows:

**H3:** *Government Supports significantly moderate the impact of VAT organizational characteristics on VAT compliance among SMEs*

**H4:** *Government Supports significantly moderate the impact of VAT implementation efficacy on VAT compliance among SMEs*

## 5. Conclusion

VAT compliance is necessary to achieve governments' objective of the improved revenue base. Thus, it is important to predict it, though it is hard to establish (Kamleitner et al., 2012). Several measures are taken to improve VAT compliance. Drawing from the deterrence, psychological and equity theories, this research conceptually proposed a framework for VAT compliance among SMEs in UAE. The framework postulated that the SMEs characteristics may influence their VAT compliance. The framework argued that the SMEs to decision to comply or not with VAT depends on their psychological consideration of the situation and their economic position. Due to their smaller nature, SMEs faces circumstances such as bookkeeping constraints, semi-skill employees with inadequate accounting knowledge, culture and beliefs have a bearing on the ability to comply with VAT requirement. It also argued that the ability of the SMEs to automate, possess the necessary tax knowledge and overcome time constraints and the cost of filing VAT affect their compliance level. The government as the implementer of VAT have a significant role to play in encouraging compliance through supports to the SMEs in form of incentives, rebates, policy guidelines and training to create awareness. The support may likely moderate the relationship that exists between the VAT compliance with the other determinants. From the proposed framework both theoretical and practical implications can be discerned. The limitation of the framework as well as the need for further studies can be identified.

### 5.1 Theoretical implications

The proposed framework features the impact of SMEs organisational characteristics, VAT implementation efficacy and government support on VAT compliance. This relationship is viewed from economic, psychological, and equity perspectives. Complying with the VAT payment depends on the decision of the SMEs informed by their perception and their economic standing. The relationship between the SMEs characteristics including their belief, culture and perception; and VAT compliance are shaped by the psychological and economic theory perspectives. In the SME context, chances for evasion are high and resources are often scarce for field auditing (Kamleitner et al., 2012). SMEs that have higher economic incentives to evade tax may likely not fully comply with the VAT. However, where the risk of VAT evasion outweighs the benefit of the evasion may likely improve VAT compliance. Therefore, perception of deterrence by the government may likely reduce VAT evasion and therefore increase VAT compliance (Ahmed & Braithwaite, 2005). Thus, the psychological and deterrence theoretical perspectives offer significant insight for understanding the VAT compliance behaviour of SMEs.

Another important theory that underpins the proposed framework is the equity theory. The equity theory deals with the perceived fairness of the VAT administration. The perception of the SMEs on judicious administration of the VAT may likely influence their willingness to comply with the VAT. An equitable administration of the VAT may likely improve the capacity of the SMEs to overcome the challenges related to the VAT administration. Similarly, the support given by the government to

facilitate their VAT payment may be perceived by the SMEs as an act of fairness and equity thereby improving their VAT compliance. The framework utilised the theory in understanding the link between the SMEs VAT efficacy, government support and VAT compliance.

## **5.2 Practical implications**

The general issue of tax compliance has been an issue of concern to governments and researchers worldwide. VAT, as a part of the general tax, has also received considerable attention among SMEs. The proposed framework underpins the SMEs VAT compliance to deterrence, psychological and equity perspectives suggesting that VAT compliance can be improved at the SMEs level and the government level.

The framework implies that the level of VAT compliance can be improved by improving the SMEs inherent characteristics. By improving the bookkeeping, human resources, knowledge sharing, culture, and learning orientation capabilities of SMEs, their capacity to comply with VAT may improve significantly. The possible SME VAT non-compliance has been attributed to book-keeping constraints which hinder smooth, on-time reporting, and auditing VAT accounts (Aladejebi & Oladimeji, 2019), employees' lack of adequate attention to VAT regulations (Fauziati & Kassim, 2018), poor human resources attitude towards VAT (Tehseen et al., 2019), and poor knowledge of VAT accounting by some employees (Fauziati et al., 2016). Overcoming these SME characteristics may improve VAT compliance. By implication, to improve SME VAT compliance, their characteristics should be improved.

Besides the SME characteristics, the framework proposed SME VAT implementation efficacy as a factor that influences VAT compliance. Certain barriers were identified to impede VAT compliance by SMEs. These include the cost of implementing VAT in the form of purchasing VAT-compliant software and training employees to operate them (Tyagi, et al., 2019); automation difficulties; the complexity and time-consuming nature of the VAT filling process (Ainsworth & Alwohaibi, 2016); the cost of VAT filling (Gurrib, 2017); poor SME financial position (Biabani & Ramzami, 2011); low acceptance of VAT regulation (Kumar & Sarkar, 2016); and the SMEs' inability to use external auditors (Obeng, 2018). Overcoming these barriers improves the compliance capacity of SMEs. By implication, SME compliance can be improved by overcoming these challenges. Government should simplify the VAT process. Such simplification of the VAT process, which is in line with this framework, will greatly reduce the time and cost of VAT filling. Similarly, since the framework also considers the psychological underpinning, SMEs should also make structural changes where perception affects VAT compliance.

The framework amplifies the role of government support on SME VAT compliance. The framework proposed the moderation influence of government support towards VAT compliance. The paper argues that government support can be in form of both positive incentives or punitive measures which may have economic and psychological implications to the SME, in addition to the fairness consideration. Economically, SMEs are more likely to comply with VAT if the government incentive could lead to a reduction in VAT cost, or if the economic cost of the risk of VAT evasion outweigh its potential perceived benefit. Psychologically, SMEs will be inclined to pay their VAT if they perceive their opportunity to evade VAT is slim due to the potential government punishment. By

implication, this framework suggests that government can improve VAT compliance by strengthening its support to SMEs. The government support affects how the SMEs respond to their characteristics and the barriers that hinder their VAT compliance.

### 5.3 Limitations and Future Studies

This paper proposed a framework conceptualised from the economic (deterrence), psychological, and equity theories to understand SME VAT compliance behaviour. The framework conceptualises that SME VAT compliance is determined by their characteristics and their ability to overcome the VAT implementation barriers moderated by government support. The paper is not without some limitations. Firstly, the paper is not backed by empirical data but deductions from past literature and theories. The framework, therefore, needs to be validated by empirical data to either support or refute it. Secondly, the framework is limited to three key issues affecting VAT compliance particularly within the context of developing countries. Other papers should explore additional determinants of VAT compliance especially within the context of SMEs.

### Acknowledgements

We would like to acknowledge Institute of Technology and Entrepreneurship (IPTK ) and University Teknikal Malaysia Melaka (UTeM) for the providing the assistance to publish this paper.

### References

- [1]. Abbas, W. (2019). UAE's VAT collections exceeds expectations by a wide margin in 2018. Retrieved from: <https://www.khaleejtimes.com/business/vat-in-uae/uaes-vat-collection-exceeds-expectations>
- [2]. Ademe, H. & Simret, D. (2020). Determinants of Tax Compliance Behaviour in Ethiopia: Evidence from South Gondar Zone. *Research Journal of Finance and Accounting*, 11(5).
- [3]. Ahmed, E., & Braithwaite, V. (2005). Understanding small business taxpayers: Issues of deterrence, tax morale, fairness, and work practice. *International Small Business Journal*, 23(5), 539–568. <https://doi.org/10.1177/0266242605055911>
- [4]. Ahmed, E., & Brosio, G. (2008). The Distributional Impact of a VAT in the UAE.
- [5]. Ainsworth, R., & Alwohaibi, M. (2016). GCC VAT: The Intra-Gulf trade problem. *SSRN Electronic Journal*. <http://dx.doi.org/10.2139/ssrn.2916252>
- [6]. Akinboade, O. A. (2014). Determinants of tax compliance behaviour of small and medium enterprises in Cameroon's Littoral and Central Provinces. *Academic Review of Economics & Administrative Sciences*, 7(1).
- [7]. Aladejebi, O., & Oladimeji, J. A. (2019). The impact of record keeping on the performance of selected small and medium enterprises in Lagos metropolis. *Journal of Small Business and Entrepreneurship Development*, 7(1), 28-40.
- [8]. Alam, B. P. (2018). The Effect of Government Support Programs and Compliance Costs on Goods and Services Tax Compliance among Malaysian Batik Manufacturers. *International Journal of Academic Research in Business and Social Sciences*, 8(12).
- [9]. Alhamadi, A. (2020). *The impacts of the introduction of Value-Added Tax in the UAE*. Abu Dhabi University. <https://doi.org/10.13140/RG.2.2.19441.71522>
- [10]. Al-Hilu, K., Sohail Azad, A., Chazi, A., & Khallaf, A. (2016). Investors' behavior in an emerging, tax-free market. *Emerging Markets Finance and Trade*, 53(7), 1573-88. <http://dx.doi.org/10.1080/1540496x.2016.1178110>
- [11]. Alhussain, M. (2020). The impact of value-added tax (VAT) implementation on Saudi banks. *Journal of Accounting and Taxation*, 12(1), 12-27.

- [12]. Alkhodre, A., Jan, S., Khusro, S., Ali, T., Alsaawy, Y., & Yasar, M. (2019). A Blockchain-based Value Added Tax (VAT) System: Saudi Arabia as a Use-Case.
- [13]. Anderson, J. E. (2005). Casino taxation in the United States. *National Tax Journal*, 303-324.
- [14]. Atawodi, O. W., & Ojeka, S. A. (2012). Factors that affect tax compliance among small and medium enterprises (SMEs) in North Central Nigeria. *International Journal of Business and Management*, 7(12), 87-96.
- [15]. Bannaga, E. (2017). *Implications of Introducing the Value-Added Tax ( VAT ) to the UAE*. Middlesex University - Dubai.
- [16]. Barbone, L., Bird, R. M., & Vázquez-Caro, J. (2012). *The cost of VAT: A review of the literature* (No. CASE Network Reports, No. 106). Warsaw.
- [17]. Bergman, M., & Nevarez, A. (2006). Do audits enhance compliance? An empirical assessment of VAT enforcement. *National tax journal*, 817-832.
- [18]. Biabani, S., & Ramezani, A. (2011). An investigation of the factors effective on the compliance behavior of the tax payers in the VAT system: A case study of Qazvin tax affairs general department. *African Journal of Business Management*, 5(26), 10760-10768.
- [19]. Bobek, D. D., Roberts, R. W., & Sweeney, J. T. (2007). The social norms of tax compliance: Evidence from Australia, Singapore, and the United States. *Journal of Business Ethics*, 74(1), 49-64.
- [20]. Braakmann, N., Gao, B., & Maioli, S. (2020). VAT rebates as trade policy: Evidence from China. *China Economic Review*, 101536.
- [21]. Brettel, M., & Rottenberger, J. D. (2013). Examining the link between entrepreneurial orientation and learning processes in small and medium-sized enterprises. *Journal of Small Business Management*, 51(4), 471-490.
- [22]. Chege, J. M. (2010). *The impact of using electronic tax register on value added tax compliance in Kenya: a case study of classified hotels in Nairobi* (Doctoral dissertation).
- [23]. Chetty, R., Mobarak, M., & Singhal, M. (2014). Increasing tax compliance through social recognition. *Policy Brief*.
- [24]. Ching, Y. M., Kasipillai, J., & Sarker, A. (2017). GST compliance and challenges for SMEs in ,Malaysia. *eJTR* 457 ,15
- [25]. Dabić, M., Lažnjak, J., Smallbone, D., & Švarc, J. (2019). Intellectual capital, organisational climate, innovation culture, and SME performance: Evidence from Croatia. *Journal of Small Business and Enterprise Development*.
- [26]. Deb, R. (2018). Tax reforms & GST: A systematic literature review. *Journal of Commerce & Accounting Research*, 7(1), 40–53.
- [27]. Devos, K. (2012). The impact of tax professionals upon the compliance behavior of Australian individual taxpayers. *Revenue Law Journal*, 22(1), 31.
- [28]. Doh, S., & Kim, B. (2014). Government support for SME innovations in the regional industries: The case of government financial support program in South Korea. *Research Policy*, 43(9), 1557-1569.
- [29]. Dubai SME (2019). The state of Small & Medium Enterprises (SMEs) in Dubai. Dubai SME, Dubai – UAE. Retrieved from: <http://sme.ae/StudiesAndResearchDocument/SME%20REPORT%202019.pdf>
- [30]. Emran, M. S., & Stiglitz, J. E. (2005). On selective indirect tax reform in developing countries. *Journal of Public Economics*, 89(4), 599-623.
- [31]. Ernst & Young. (2017). *UAE Ministry of Finance presents key information in relation to proposed VAT regime*. Retrieved: <http://taxinsights.ey.com/archive/archive-news/uae-ministry-of-finance-presents-key-information.aspx>
- [32]. Ewers, M., Ashi, S., & Shockley, B. (2017). Public awareness and perceptions of taxation in a changing Gulf economy.
- [33]. Fagbemi, T.O. & Abogun (2015). Factors influencing voluntary tax compliance of small and medium scale enterprises in Kwara state, Nigeria. Retrieved from [www.ibrarian.net](http://www.ibrarian.net)
- [34]. Faridy, N. (2013). VAT Compliance Costs and VAT Evasion of Small and Medium Enterprises (SMEs) Sectors in Bangladesh: Is there a Link. In 25th Annual Australasian Tax Teachers Association Conference, Auckland, New Zealand (pp. 23-25).
- [35]. Fauziati, P., & Kassim, A. A. M. (2018). The effect of business characteristics on tax compliance costs. *Advanced Science Letters*, 24(6), 4377-4379.

- [36]. Gelardi, A. M. G. (2013). Value Added Tax and Consumer Spending: A Graphical Descriptive Analysis. *Asian Journal of Finance & Accounting*, 5(1), 1-20.
- [37]. Ghasia, B. A., Wamukoya, J., & Otiye, J. (2017). Managing business records in small and medium enterprises at Vigaeni ward in Mtwara-Mikindani municipality, Tanzania. *International Journal of Management Research and Reviews*, 7(10), 974-986.
- [38]. Giesecke, J., & Tran, N. H. (2012). A general framework for measuring VAT compliance rates. *Applied Economics*, 44(15), 1867-1889.
- [39]. Glenn, J. P. & Forlemu, E. N. , (1993). *Enhancing voluntary compliance by reducing compliance costs: A taxpayer service approach* (No. 11). International Tax Program, Harvard Uni.
- [40]. Gupta, M., & Nagadevara, V. (2007). Audit Selection Strategy for Improving Tax Compliance – Application of Data Mining Techniques. In *Foundations of Risk-Based Audits. Proceedings of the eleventh International Conference on e-Governance* (pp. 378–387). Hyderabad, India.
- [41]. Gurrub, I. (2017). An assessment of the potential VAT revenue collection for the United Arab Emirates. *Macroeconomics and Finance in Emerging Market Economies*, 10(3), 306-321.
- [42]. Halim, H. A., Ahmad, N. H., & Ramayah, T. (2019). Sustaining the Innovation Culture in SMEs: The Importance of Organisational Culture, Organisational Learning and Market Orientation. *Asian Journal of Business Research*, 9(2), 14.
- [43]. Highfield, R., Evans, C., & Walpole, M. (2018). The development and testing of a diagnostic tool for assessing VAT compliance costs: pilot study findings. *eJTR*, 16, 620.
- [44]. Highfield, R., Walpole, M., & Evans, C. (2017). A proposal for the development and testing of a diagnostic tool for assessing VAT compliance costs'. *International VAT Monitor*, 28(3), 228-239.
- [45]. IMF (2019). United Arab Emirates. 2018 Article IV consultation – Press release: Staff report; and statement by the executive director for the United Arab Emirates. Retrieved from: <https://www.imf.org/en/Publications/CR/Issues/2019/02/01/United-Arab-Emirates-2018-Article-IV-Consultation-Press-Release-Staff-Report-and-Statement-46571>
- [46]. Iyer, G. S., Reckers, P.M.J., & Sanders, D.L. (2010). Increasing Tax Compliance in Washington State: A Field Experiment. *National Tax Journal*, 63 (1), 7-32.
- [47]. Jayakumar, A. (2012). A Study on impact of value added tax (VAT) implementation in India. *World*, 2(5).
- [48]. Jensen, S. (2018). Policy implications of the UAE's economic diversification strategy: Prioritising national objectives. *Economic Diversification in the Gulf Region*, 2, 67-88. [http://dx.doi.org/10.1007/978-981-10-5786-1\\_4](http://dx.doi.org/10.1007/978-981-10-5786-1_4)
- [49]. Kamleitner, B., Korunka, C., & Kirchler, E. (2012). Tax compliance of small business owners A review. *International Journal of Entrepreneurial Behaviour*, 18(3), 330–351. <https://doi.org/10.1108/13552551211227710>
- [50]. Kasim, M. A., Hanafi, S. R. M., & Suki, N. M. (2020). What shapes Muslim business operators ' attitudes towards value-added tax ? Evidence from the United Arab Emirates added tax. *Journal of Islamic Marketing*. <https://doi.org/10.1108/JIMA-07-2019-0154>
- [51]. Keskin, H. (2006). Market orientation, learning orientation, and innovation capabilities in SMEs. *European Journal of innovation management*
- [52]. Kim, K. Y., Eisenberger, R., & Baik, K. (2016). Perceived organizational support and affective organizational commitment: Moderating influence of perceived organizational competence. *Journal of Organizational Behavior*, 37(4), 558-583.
- [53]. Loo, E. C., McKerchar, M., & Hansford, A. (2010). Findings on the impact of self assessment on the compliance behaviour of individual taxpayers in Malaysia: A case study approach. *Journal of Australian Taxation*, 13(1/2), 1-22.
- [54]. Lourdunathan, F., & Xavier, P. (2017). A study on implementation of goods and services tax (GST) in India: Prospectus and challenges. *International Journal of Applied Research*, 3(1), 626-629.
- [55]. Malagila, J. K., Bhavani, G., & Amponsah, C. T. (2020). The perceived association between audit rotation and audit quality: Evidence from the UAE. *Journal of Accounting in Emerging Economies*.
- [56]. Mansoor Z. (2019). VAT contributed 5.5% to UAE's revenue in 2018. Retrieved from: <https://gulfbusiness.com/vat-contributed-5-5-to-uaes-revenues-in-2018/>

- [57]. Mansor, M., Tayib, M., & Ferdjani, M. A. (2016). Compliance costs of VAT for SMES in Algeria. *Journal of Global Business and Social Entrepreneurship (GBSE)*, 2(3), 90-107.
- [58]. McKerchar, M. & C. Evans (2009). Sustaining growth in developing economies through improved taxpayer compliance: Challenges for policy makers and revenue authorities. *eJournal of Tax Research*, 7, 171-201
- [59]. Mears, P. (2016). United Arab Emirates 2018 Vat Tax: The Effects on Expats in Country.
- [60]. Minh, T. T., & Hjortsø, C. H., (2015), How institutions influence SME innovation and networking practices: The case of Vietnamese agribusiness, *Journal of Small Business Management*, 53(1), 209–228.
- [61]. Mohamed-Zabri, S., Ahmad, K., & Tham, G. H. (2016). Understanding of goods and services tax (GST) and spending behavior among Malaysian consumers.
- [62]. Muda, S., & Rahman, M. R. C. A. (2016). Human capital in SMEs life cycle perspective. *Procedia Economics and Finance*, 35(2016), 683-689
- [63]. Mullen, T. P., & Lyles, M.A., (1993). Toward improving management development's contribution to organizational learning. *Human Resource Planning*, 16(2), 35-49.
- [64]. Nagraj, A. (2019). First year of VAT in the UAE: FTA reveals the key details of implementation. Retrieved from: <https://gulfbusiness.com/first-year-vat-uae-fta-reveals-key-details-implementation/>
- [65]. Newman, W., Mwandambira, N., Charity, M., & Ongayi, W. (2018). Literature review on the impact of tax knowledge on tax compliance among small medium enterprises in a developing country. *International Journal of Entrepreneurship*, 22(4), 1-15.
- [66]. Nyamwanza, T., Mavhiki, S., Mapetere, D., & Nyamwanza, L. (2014). An analysis of SMEs' attitudes and practices toward tax compliance in Zimbabwe. *SAGE Open*, 4(3), 2158244014542776.
- [67]. Obeng, G. (2018). Value Added Tax and Vat Flat Rate Scheme in Ghana, Any Cascading Implications. *Asian Development Policy Review*, 6(4), 213-225.
- [68]. Pagiola, S., Martin-Hurtado, R., Shyamsundar, P., Mani, M., & Silva, P. (2003). *Generating public sector resources to finance sustainable development: revenue and incentive effects*. The World Bank.
- [69]. Pappadá, F., & Zylberberg, Y. (2017). Austerity and tax compliance. *European Economic Review*, 100, 506-524.
- [70]. Philips, M., Moos, M., & Nieman G. (2014). The impact of government support initiatives on the growth of female businesses in Tshwane South Africa, *Mediterranean Journal of Social Sciences*, 5(15)
- [71]. Popa, A., & Paunescu, M. I. R. E. L. A. (2013). „Difficulties faced by SMES romanian accounting professionals inside accounting-taxation relationship”. In *Proceedings of International Conference—Accounting and Management Information Systems (AMIS)* (pp. 771-782).
- [72]. Prasad, P. (2014). An assessment of implementation of VAT in West Bengal. *Business Spectrum*, 4(2), ISSN-2249-4804
- [73]. Ramli, R., Palil, M. R., Hassan, N. S. A., & Mustapha, A. F. (2015). Compliance costs of Goods and Services Tax (GST) among small and medium enterprises. *Jurnal Pengurusan (UKM Journal of Management)*, 45.
- [74]. Robinson, P., & Saviano, J. (2011). *Facilitating Better VAT Compliance. The VAT Reader: What a Federal Consumption Tax Would Mean for America*. Washington DC: Tax Analysts.
- [75]. Rodarte S, F. (2015). Electronic invoicing in the VAT reporting process of small and medium size companies in Finland.
- [76]. Saad, N. (2012). Tax non-compliance behaviour: Taxpayers view. *Procedia-Social and Behavioral Sciences*, 65, 344-351
- [77]. Saderuddin, A., & Barghathi, Y. (2018). The impacts of introduction of VAT on the audit profession and economy in the UAE : Auditors ' perspective. *Journal of Accounting and Management Information Systems*, 17(3), 406–439.
- [78]. Santhariah, A., Tran-Nam, B., Boccabella, D., & Rametse, N. (2018). The Implementation of the Goods and Services Tax in Malaysia: Potential Issues Perceived by Business Taxpayers. *J. Australasian Tax Tchrs. Ass'n*, 13, 351.
- [79]. Sbia, R., Shahbaz, M., & Hamdi, H. (2012). A contribution of foreign direct investment, clean energy, trade openness, carbon emissions and economic growth to energy demand in UAE. *Economic Modelling*, 36, 191-197.

- [80]. Schilirò, D. (2015). Innovation in small and medium enterprises in the United Arab Emirates. *Int'l J. Soc. Sci. Stud.*, 3, 148.
- [81]. Schmidt, R. A., Bennison, D., Bainbridge, S., & Hallsworth, A. (2007). Legislation and SMEs retailers: Compliance costs and consequences. *International Journal of Retail & Distribution Management*, 35, 256-270.
- [82]. Smith (2019). *Investigating the role of VAT in the changing landscape of Educational Services: A case study of a digital educational services provider*. A Thesis submitted to the University of Cape Town (UCT), South Africa.
- [83]. Spengel, C., Heckemeyer, J. H., Bräutigam, R., Nicolay, K., Klar, O., & Stutzenberger, K. (2016). The effects of tax reforms to address the debt-equity bias on the cost of capital and on effective tax rates (No. 65). Taxation Papers.
- [84]. Sung, M. J., Awasthi, R., & Lee, H. C. (2017). Can Tax Incentives for Electronic Payments Curtail the Shadow Economy? Korea's Attempt to Reduce Underreporting in Retail Businesses.
- [85]. Tamrie A. W., Gebretsadik K., G., & Gezae H. A. (2019). *Perceptions of Value Added Tax Filing and Invoicing Compliance in Ethiopia: The Case of Three Federal Branch Offices in Addis Ababa*.
- [86]. Tehseen, S., Ahmed, F. U., Qureshi, Z. H., Uddin, M. J., & Ramayah, T. (2019). Entrepreneurial competencies and SMEs' growth: the mediating role of network competence. *Asia-Pacific Journal of Business Administration*.
- [87]. Thacker, S. (2008). Taxation in the Gulf: Introduction of a Value Added Tax (July 1, 2009). *Michigan State Journal of International Law*, 17(3), 721.
- [88]. Thomas, K. D. (2013). Presumptive Collection: A Prospect Theory Approach to Increasing Small Business Tax Compliance. *Tax L. Rev.*, 67(2011), 111.
- [89]. Trivedi, V. U., Shehata, M., & Mestelman, S. (2005). Attitudes. *Incentives, and Tax*.
- [90]. Tyagi, A., Rai, K., Gupta, P., & Sardana, S. (2019). Issues and Challenges of GST. *Asia-Pacific Journal of Management, Research & Innovation*, 6(1&2), 19-26.
- [91]. Uzor, E. (2017). Enhancing Tax Collection Efficiency and Compliance in Nigeria: The role of behavioural economics. Africa at LSE.
- [92]. Vishnuhadevi, S. (2021). Administrative and Compliance Costs of Value Added Tax (VAT): A Review S. *Review of Development and Change*, 26(2), 179-206.
- [93]. Vo, L. C. (2011). Corporate social responsibility and SMEs: a literature review and agenda for .future research ,Problems and Perspectives in Management, (9, Iss. 4) 89-97.
- [94]. Webley, P., Adams, C., & Elffers, H. (2002). *VAT compliance in the United Kingdom*. Working Paper 41, December 2002, 1-36.
- [95]. Whitehouse, J., & Nurmi, T. (2016). GCC VAT: Initial Steps towards Implementation. *Int'l Tax Rev.*, 27, 78.
- [96]. Zafarullah, M. (2018a). Impact of VAT on UAE economy. *Asian Development Policy Review*, 6(1), 41-49. <https://doi.org/10.18488/journal.107.2018.61.41.49>
- [97]. Zafarullah, M. (2018b). VAT and accounting issues and solutions in UAE. *International Journal of Social and Administrative Sciences*, 3(1), 35-41. <https://doi.org/10.18488/journal.136.2018.31.35.41>