



## RESEARCH ARTICLE

# An Empirical Analysis of Tax Evasion Strategies: A Comparative Study of the Effectiveness Of Different Tax Planning Techniques In Avoiding Tax Obligations

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ARTICLE INFO	ABSTRACT
Received: Apr 29, 2024 Accepted: Jul 10, 2024 <b>Keywords</b> Tax Planning Tax Obligations Evasion Income Deduction	Tax evasion is the illegal act of deliberately devaluing one's taxable income or artificially overestimating expenditures to decrease one's tax burden. It is an illegitimate determination to minor one's tax obligation. The research aims to analyze different tax evasion tactics, with a particular focus on how well various tax planning strategies perform to avoid paying taxes. This study investigates the relationship between tax equity perception, tax conformity, penalty severity, tax morale, tax knowledge, tax complexity, tax conformity commitment, and tax evasion strategy utilizing Partial Least Squares Structural Equation Modeling (PLS-SEM). A systematic questionnaire with a Likert scale rating was used to collect data from 400 populations. The measurement model assessed the validity and reliability of latent constructs, while the structural model analyzed the relationship between constructs based on the proposed hypotheses. The structural model revealed that tax equity perception is positively connected to the tax conformity commitment between distinct taxpayers in China. ( $\beta = 0.52, p < 0.05$ ), providing well support for hypothesis 1. The result shows there are no significant changes in avoiding tax obligations of various tax planning techniques. The findings show that although some tax planning strategies like income shifting and offshore accounts are highly effective at reducing tax obligations. Finally in this study, we investigate the way different tax planning strategies work to lower tax obligations for both individuals and businesses.
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## INTRODUCTION

Tax evasion, the prohibited act of intentionally understating taxable income or artificially overestimating fees, poses a significant project for tax government around the sector [1]. This repetition has no longer accessible effects in large income losses for governments but additionally undermines the fairness and integrity of the tax systems [2]. Tax evasion modifies the tax burden onto compliant taxpayers, which can erode public consideration within the tax device and decrease voluntary compliance. Consequently, understanding and mitigating tax evasion is essential for making that every taxpayer contributes their honest share to public value range and for maintaining the social expenditure among the country and its residents [3]. Tax evasion is a multifaceted problem that includes various processes. Common techniques consist of underreporting income, inflating deductions, and concealing property through offshore accounts. These techniques no longer simplest avoid taxation nevertheless additionally distort economic facts, complicating financial coverage-making and aid allocation [4]. Furthermore, the detection and prevention of tax evasion involve huge sources, innovative implementation, and incessant efforts from tax authorities. Innovations in

evasion strategies and the complexity of modern financial structures make enforcement increasingly difficult [5].

### **Tactics of Tax Evasion**

Tax evasion strategies are numerous and may be exceedingly sophisticated. Underreporting income involves maintaining a lot less profits than have become simply earned, a method that is common for self-employed people and small agencies in which currency transactions are common [6]. Inflating deductions include claiming better costs than the acquired, often via fictional industrial corporation payments or generous contributions. Offshore bills and shell businesses are used to cover earnings and belongings in authorities with favorable tax crime laws or severe privacy protections, making it hard for the tax government to indicate and tax those finances. The unethical nature of tax evasion extends past economic implications. It creates an uneven playing field, disadvantaging honest taxpayers and businesses that comply with tax regulations [7]. The ensuing revenue shortfall can lead to underfunding of vital public services, including healthcare, education, and infrastructure, thereby affecting the broader society. Additionally, tax evasion undermines social interconnection and agreement within government institutions, as humans perceive that the wealthy and well-connected can prevent their responsibilities with impunity [8].

### **The Landscape of Tax Planning**

Tax planning, in contrast, includes the strategic use of legal mechanisms to reduce tax liabilities. While tax planning is lawful, it regularly skirts the edge of legality, elevating concerns about its capability to facilitate tax avoidance. Various tax planning techniques, which include earnings moving and using offshore accounts, were employed by people and businesses to reduce their tax obligations [9]. These techniques exploit gaps and uncertainties in tax encryption, allowing taxpayers to legally reduce their tax burden. While tax planning is frequent as a part of economic management, it can sometimes aggravate the route into violent tax prevention, which positions a challenge for tax authorities to maintain an independent tax system.

### **Effectiveness of Tax Planning Strategies**

The effectiveness of tax planning methods is a substance of much consideration. Some approaches, like income transporting, include moving profits to objects in decrease-tax authorities, while others might achieve particular tax deductions or credits [10]. Offshore accounts, for example, can protect income from domestic taxation, and manufacture it durable for the government to track and tax properly. While these techniques can significantly decrease tax responsibilities, their standard impact on tax incomes and equality is less clear.

### **Limitations in Studying Tax Evasion and Planning**

A key limitation in analyzing tax evasion and tax planning is the availability and accuracy of information [11]. Tax filings, which form the premise of most analyses, cannot completely capture the extent of evasion or the nuances of various planning strategies. Additionally, the continuously evolving nature of tax laws and regulations can complicate efforts to evaluate the long-term effectiveness of tax planning techniques. Data privacy concerns and the reluctance of individuals to disclose their financial practices add some other layer of complexity to this research. The research aims to analyze different tax evasion tactics, with a particular focus on how well various tax planning strategies perform to avoid paying taxes.

## **2. RELATED WORK**

The purpose of the study [12] was to investigate the relationship between observed tax audit aggression and greater quality internal tax management structures and reduced tax planning difficulty. According to predictions, they discovered utilizing questionnaire responses on corporate

tax functions from about 200 businesses across many nations, that businesses have anticipated a rise in tax audit aggressiveness that hasn't reduced internal or external resources dedicated to tax planning. Furthermore, the findings demonstrated a positive correlation between the requirement for extensive enhancements in internal processes and human capital and the quality of the tax control framework, indicating that the framework influences the firms' assessments of their tax capabilities and propels organizational modifications.

The collected data was analyzed using the ordinary least square with permanent impact and random influence models in the study [13]. These analyses suggested that tax evasion decreased with increasing economic freedom. The findings of the research were intended to provide governments, tax agencies, and academics with important new information about public measures that might significantly lower tax evasion.

The primary goal of the study [14] was to investigate how manufacturing industry executives may comprehend the factors that contribute to tax evasion in their organizations to avoid penalties from Nigerian taxing authorities in Lagos State. High rates of tax evasion might cause tax revenues to decrease to a stage where the Nigerian government's capacity to fund fiscal measures was threatened, which makes this scientific problem decision-relevant. To avoid paying taxes, manufacturing enterprises knowingly neglect to file the necessary tax return documents, as demonstrated by the findings of an empirical investigation of the factors driving tax evasion. The findings could assist Lagos' tax officials raise the total tax compliance rate by educating other tax-evading industries.

The authors obtained specific participant information from seventy research that study [15] on individual tax evasion behavior using experiments in the laboratory. Then, they applied meta-analysis to determine the properties of numerous community strategies, investigational plans, and personal parameters on tax evasion resolutions. Their findings demonstrated that common enforcement variables with varying degrees of success on the extensive and intense margins, including audits and penalties. A single tax system, tax rates, and tax amnesties were among the other fiscal variables that they discovered had clear negative effects on tax compliance. Additionally, certain aspects of the experimental setup, including those subjects, were initiated to inform them that their income or taxes were disseminated to the participants to a real communal manner, having an important effect on tax compliance.

The objective of the study [16] was to provide the findings of a meta-analysis on the relationship between the service and trust paradigm-based determinant factors and tax evasion. The 102 findings from 33 different publications published between 1978 and 2017 were combined in this study. The findings of the heterogeneity analysis, which adopted to consider the national culture as one possible modulating factor, indicated that the cultural element reflected in Hofstede's cultural dimension played a significant role as the moderating variable between tax evasion and service. In certain respects, decision-makers should find this discovery fascinating. Beginning with the tax authorities, they should greatly raise the caliber of their services to lower non-compliance rates.

The economics of tax evasion could be examined in the study [17], with a focus on the primary reasons behind it as well as potential economic disincentives, with a particular emphasis on measures that have previously been implemented in Brazil. It showed, for example, that taxpayers execute financial decisions, whether to comply or to enhance their well-being. They cannot create economic instruments that could effectively prevent or mitigate tax evasion without first comprehending the financial reasons for obtaining the material.

Examining how corporate TP affects TD was the goal of the study [18]. The integration of each item of revenue and expenditure using the tax expenditures collection and the specific ETR. 286 non-financial listed firms on Bursa Malaysia from the 2010–2012 period were analyzed using a firm-level

panel data set. The collected data were subjected to multivariate statistical analysis. The aggregating mention of tax costs in the financial statement, which was a public source for data, essentially gave an empirical knowledge of TD. According to the findings, TP has a strong favorable impact on TD. It implied that lower corporation TD and TP were connected. Furthermore, high-TP firms try to address the responsibility issue by expanding a variety of TD.

Analyzing the reasons for tax avoidance and evasion in Harare, the nation's main metropolis, was the aim of the study [19, 24,25]. Due to the composite nature of the dependent factor, it employed the logit model for regression evaluation. According to the study, higher income and educational levels were associated with a decrease in tax avoidance and evasion, whereas higher tax rates were associated with higher rates of tax evasion. It suggested raising people's salaries, educating more people, and launching extensive tax campaigns to raise awareness of the need for the country to pay its fair share of taxes to enable the Zimbabwean government to combat tax evasion.

Analyzing national cultures in Germany and the US, and examining the process by which national cultures impact the perception of tax evasion were the goals of the study [20]. The numerous forms of tax evasion, tax audits, and methods used in criminal investigations in the US and Germany were all examined in their work. It demonstrated significant deficiencies in the theoretical and applied knowledge of tax evasion and offered recommendations for improving tax auditing practices in Germany and the US.

The purpose of the study [21] was to investigate the connection between students' tax evasion intentions, tax morale, and temperamental traits. It suggested that pleasantness, openness to experience, conscientiousness, extraversion, and neuroticism were significant determinants of someone's tax morale and intent to evade taxes, based on the five-factor framework of personality evaluations. The research continues to claim that there is an adverse association between tax morale and the intention to evade taxes. To gather information for the study, a survey approach was chosen and questionnaires were created. Through the use of PLS-SEM, both hypotheses were evaluated structurally. Based on the study's findings, morale improved and three personality traits conscientiousness, conviviality, and openness to new things have a favorable and substantial statistical connection.

Domestic tax evasion has been associated with decreased morale in taxation. They [22] discovered confirmation of cross-border equities movements intended to avoid paying taxes in nations with poor tax compliance rates. They demonstrated that people in low-tax morality nations recirculate using tax havens to evade taxes, using FPEI movements into 21 OECD countries from 138 source countries and an indicator of tax morale from the WVS. As an outcome, they can profit from varying taxes levied on international and local investors. Their findings maintain strong support to several tax morale metrics and different subsamples.

Study [23] examined the particular analytical accounting approaches applied in Nigeria for discovering instances of tax evasion. A self-contained, informal survey was utilized in the study to collect expert opinions on the kind of forensic accounting instruments used or the mix of tools employed for completing and calculating tax evasion penalties. For analyzing data, descriptive statistics such as mean, standard deviation, and percentages were used. According to the research, all 13 of the recognized forensic accounting procedures were applied, albeit with differing perspectives. The results demonstrated that there exists disagreement on the precise instruments to be used in the identification of tax evasion even though there was no documentation regarding them in the official reports.

## 2.1 Hypotheses development

**Hypothesis (H1): Tax equity perception** is positively connected to the **tax conformity commitment** between distinct taxpayers in China. **(TEP) → (TCC)**

**Hypothesis (H2): Penalty severity** is positively connected to the **tax conformity commitment** between distinct taxpayers in China. **(PS) → (TCC)**

**Hypothesis (H3): Tax morale** is positively connected to the **tax conformity commitment** between distinct taxpayers in China. **(TM) → (TCC)**

**Hypothesis (H4): Tax knowledge** is positively connected to the **tax conformity commitment** between distinct taxpayers in China. **(TK) → (TCC)**

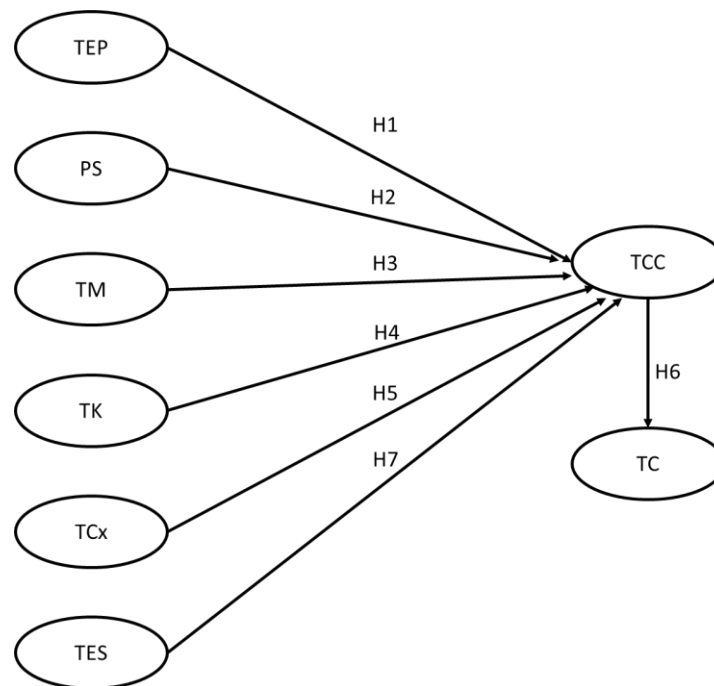
**Hypothesis (H5): Tax complexity** is negatively connected to the **tax conformity commitment** between distinct taxpayers in China. **(TCx) → (TCC)**

**Hypothesis (H6): tax conformity commitment** positively influences **tax conformity** between distinct taxpayers in China. **(TCC) → (TC)**

**Hypothesis (H7): Tax evasion strategies** are negatively connected to the **tax conformity commitment** between distinct taxpayers in China. **(TES) → (TCC)**

### 3. METHODOLOGY

The study's key components are shown in Figure 1, where the independent variables are tax equity perception (TEP), penalty severity (PS), tax morale(TM), tax knowledge (TK), tax complexity (TCx), tax evasion strategies (TES), while the dependent variables are tax conformity commitment (TCC), tax conformity (TC). They are ultimately the primary focus of this study and are produced through the interaction of several factors.



**Figure 1: Conceptual framework**

#### 3.1 Research design

In this study, an assessable technique was applied to discover the impact of different factors on taxpayers' intention to comply and their conformity behavior in China. The study gathered data to substantiate its hypotheses. Advanced analytical techniques, extensively PLS-SEM, were utilized for hypothesis testing. These methods facilitated a comprehensive examination of the relationships among variables, ensuring robust statistical inference and enhancing the study's descriptive rule.

### 3.2 Data collection

Table 1 shows sample participation (N=350) demographic information in several categories. The distribution of age (with the majority being between the ages of 18 and 25; 44.8%), gender (52% of the population being female), and income (with 41.2% of the population earning less than 2,500 CNY) are also included. Among Chinese people, majority of them are single (62.4%). Bachelor's degrees account for the majority of educational attainment (56.0%), whereas full-time work (38.0%) is the most common occupational position. Each category's totals add up to 100%, which represents the distribution of the sample as a whole across various demographic variables.

**Table 1: Demographic details**

<b>Demographic details</b>	<b>%</b>	<b>N</b>
<b>Gender</b>		
Female	52.0	182
Male	48.0	168
Total	100	350
<b>Age group</b>		
19-26 years	44.8	157
27-31 years	20.4	71
32-36 years	14.4	50
37-41 years	9.2	32
Above 41 years	11.2	40
Total	100	350
<b>Average Monthly Income (CNY)</b>		
Below 2,500	41.2	144
2,501-5,000	22.0	77
5,001-7,500	17.6	61
7,501-10,000	10.8	37
More than 10,000	8.4	31
Total	100	350
<b>Marital status</b>		
Single	62.4	218
Married	30.4	106
Divorced	1.6	6
Widowed	5.6	20
Total	100	350

<b>Qualification</b>		
Secondary school Certificate	10.8	38
Diploma certificate	26.4	92
Bachelor degree	56.0	196
Master degree	5.6	20
Doctoral Degree	1.2	4
Total	100	350
<b>Employment status</b>		
Employed Full-time	38.0	133
Employed part-time	13.4	47
Retired	2.8	10
Self-Employed	17.6	62
Students	26.0	91
Unemployed	2.4	7
Total	100	350

### 3.3 Questionnaire design

400 questionnaires were distributed within different divisions and activities to collect data for evaluation. As some of the returned surveys were either blank or only partially completed, a total of 350 surveys were determined to be suitable for the study. Creating a questionnaire with eight fundamental elements is the first stage in this approach (refer to Appendix A).

**Demographic data:** This section determines how to gather more demographic data about the responders.

**Tax Equity Perception (TEP):** TEP refers to how individuals perceive the fairness of tax distribution among different income groups, influencing their willingness to comply with tax obligations.

**Penalty Severity (PS):** PS measures the perceived seriousness of penalties for tax evasion, impacting individuals' decisions on whether to comply with tax laws or risk penalties.

**Tax Morale (TM):** TM reproduces people's essential motivation to observe tax laws established on their acceptance of the community duty of contributing to communal services through taxes.

**Tax Knowledge (TK):** TK represents people's acceptance of tax laws, with awareness of the probable significance of tax evasion and authorized approaches to reduce tax liabilities.

**Tax Complexity (TCx):** TC measures the difficulty people face in accepting and routing through tax procedures, affecting their capability to correctly observe tax obligations.

**Tax Evasion Strategies (TES):** TES denotes measured activities that use people's income to illegitimately decrease their tax responsibilities, such as underreporting income or developing gaps in tax laws.

**Tax Conformity Commitment (TCC):** TCC processes people's loyalty and intelligence of obligation in observing tax laws, prompting their efforts to correctly report income and deductions.

**Tax Conformity (TC):** TC estimates the range to which people follow tax laws by correctly reporting income and presumptions, reflecting their impact on public revenue and facilities.

A 5-point Likert scale was used to rate 350 survey participants. The feedback numerous from (1) Strongly disagree (5) Strongly agree, (1) Not just at all (5) Completely just, (1) Very inequitable (5) Very equitable, (1) Not severe at all (5) Extremely severe, (1) Not deterred at all (5) Strongly deterred, (1) Very unlikely (5) Very likely, (1) Not willing at all (5) Very willing, (1) Not at all (5) Completely, (1) No pride at all (5) Great pride, (1) Not confident at all (5) Very confident, (1) Never (5) Always, (1) Very little knowledge (5) Extensive knowledge, (1) Not challenging at all (5) Extremely challenging, (1) Not affecting at all (5) Significantly affecting, (1) Very little effort (5) Great effort, (1) Very unlikely (5) Very likely, (1) Completely unacceptable (5) Completely acceptable, (1) Never (5) Always, (1) Not committed at all (5) Very committed, (1) No responsibility at all (5) Great responsibility, (1) Very little effort (5) Great effort, (1) Very unlikely (5) Very likely, (1) Not at all (5) Completely, (1) Not satisfied at all (5) Very satisfied Exceeded expectations.

### 3.4 Statistical analysis

The recommended structural model was constructed in this investigation using the SEM-PLS technique since it gives more latitude for data collection and sample size. The eight components of the framework (TEP, PS, TM, TK, TC, TES, TCC, and TC) were examined using CFA. To prevent repetition, we integrated the evaluation of the components and the analysis of the measurement model. The path weighting scheme was used by the PLS algorithm on normalized data (mean 0 and variance 1).

## 4. RESULTS

### 4.1 Measuring Model Assessment

The examination of reliability and validity is shown in Table 2. The FL criterion was used to determine the reliability of the indicators, factorial validity, convergence validity, and discriminant validity while evaluating the measuring model. The reliabilities of the study's latent constructs were determined and evaluated by the use of  $\alpha$ , DG rho, and CR, AVE, M, SD, VIF. The Cronbach's alpha value range was 0.80 to 0.92, whereas the CR value range was 0.80 to 0.95. Standardized factorial weights were used to evaluate factorial validity, and any items with a score higher than 0.76 were considered to have factorial validity. The DG rho measurement ranged from 0.73 to 0.87. The AVE measurement ranged from 0.60 to 0.75, indicating a high degree of convergent validity for the items. The confirmation of discriminant validity was achieved by comparing the AVE square root value with correlation values across constructs. Greater square root values suggested a lack of relationship between the items representing different components and other elements. Each concept's validity and dependability were strong, suggesting that the structural model could incorporate them. The AVE square root values are displayed on the correlations' diagonal. Table 3 presents the analyses of discriminating validity. In Figure 2, the measurement model is displayed.

**Table 2. Reliability and Validity evaluation**

Latent Construct	Items	Loading-value	M	SD	Alpha ( $\alpha$ )-value	Composite Reliability (CR)	AVE	DG rho	VIF
Tax Equity Perception (TEP)	TEP1	0.85	3.8	0.75	0.83	0.87	0.68	0.82	2.1
	TEP2	0.83							
	TEP3	0.78							



Penalty Severity (PS)	PS1	0.77							
	PS2	0.76	3.6	0.68	0.79	0.82	0.60	0.75	1.9
	PS3	0.72							
Tax Morale (TM)	TM1	0.92							
	TM2	0.87	4.1	0.82	0.90	0.93	0.75	0.85	2.3
	TM3	0.83							
Tax Knowledge (TK)	TK1	0.88							
	TK2	0.82	3.7	0.71	0.85	0.89	0.70	0.78	2.0
	TK3	0.77							
Tax Complexity (TCx)	TCx1	0.91							
	TCx2	0.88	3.9	0.78	0.89	0.92	0.73	0.80	2.2
	TCx3	0.85							
Tax Evasion Strategies (TES)	TES1	0.90							
	TES2	0.86	3.8	0.76	0.88	0.91	0.72	0.79	2.1
	TES3	0.82							
Tax Conformity Commitment (TCC)	TCC1	0.89							
	TCC2	0.85	4.0	0.79	0.87	0.90	0.71	0.83	2.4
	TCC3	0.81							
Tax Conformity (TC)	TC1	0.72							
	TC2	0.88	4.2	0.85	0.90	0.93	0.76	0.88	2.5
	TC3	0.84							

Table 2 offers complete details on the reliability and validity of numerous latent constructs measured by numerous items in a study. Each construct, such as TEP, PS, and others, is assessed through its particular items with consistent loading values demonstrating the strength of each item. The  $M$  and  $SD$  imitate the essential tendency and variability of responses. Reliability metrics like  $\alpha$  and  $CR$  measure the interior stability of the constructs, enhancing that the items reliably capture the fundamental construct. The  $AVE$  indicates the amount of variance captured by the construct relative to the discrepancy due to measurement error.  $DG$   $\rho$  Values suggest that the constructs are different from one another, and the  $VIF$  advantages in measuring multicollinearity among the items. High loading values, reliability coefficients ( $\alpha$ ,  $CR$ ), and  $AVE$  signify robust internal consistency and construct validity, ensuring the constructs are both reliable and valid for further analysis.

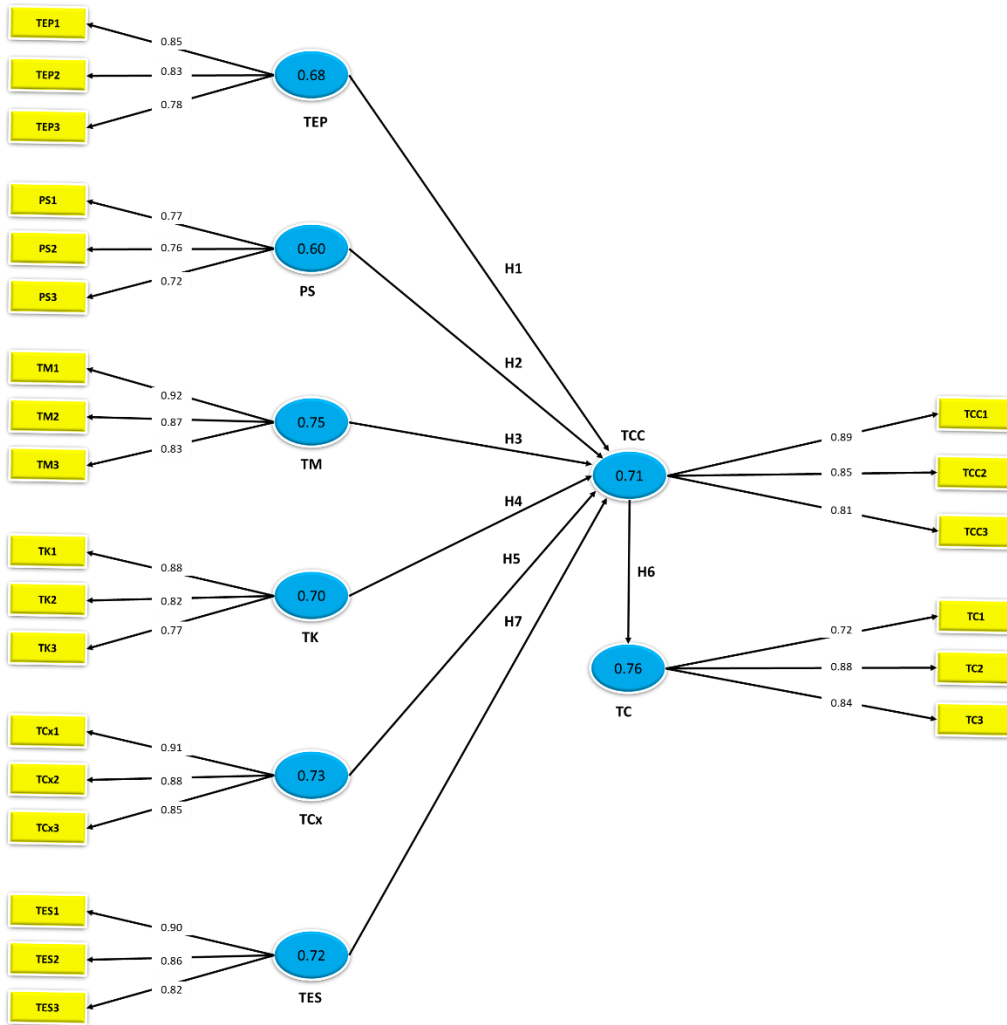


Figure 2. Model's assessment

Table 3. Discriminating validity analysis

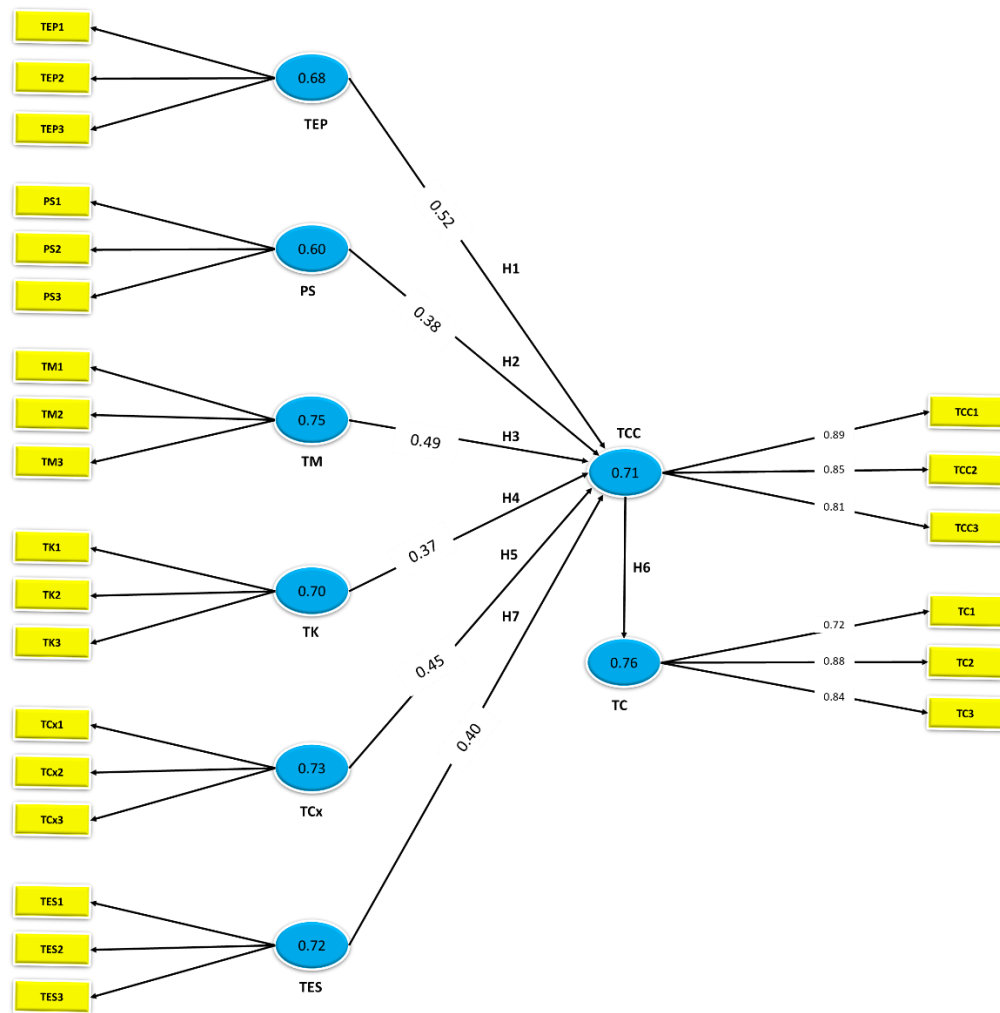
Construct	TEP	PS	TM	TK	TCx	TES	TCC	TC
TEP	0.82	-	-	-	-	-	-	-
PS	0.52	0.77	-	-	-	-	-	-
TM	0.55	0.48	0.87	-	-	-	-	-
TK	0.51	0.49	0.53	0.84	-	-	-	-
TCx	0.54	0.47	0.56	0.54	0.85	-	-	-
TES	0.50	0.46	0.55	0.52	0.57	0.85	-	-
TCC	0.57	0.51	0.58	0.55	0.59	0.56	0.84	-
TC	0.56	0.52	0.57	0.56	0.60	0.55	0.60	0.87

4.2 Structural model

The significances of size ( $f^2$ ) and the  $R^2$  values of the interior latent variables are the main measures used to analyze the structural model. Based on Table 4, all are far above the acceptable 0.10 threshold. The effect size ( $f^2$ ), which establishes the relative impact of an external variable on an internal variable, improves  $R^2$  analysis by analyzing changes in  $R^2$  values. Research ensures a comprehensive examination. Figure 3, which displays the results of the SEM technique and the output of the structural analysis, highlights significant path coefficients among the primary constructs.

**Table 4: Structural framework**

Hypothesis and connections	$\beta$ values	$R^2$	$f^2$	P value	$f^2$ effect	Result
H1: (TEP) → (TCC)	0.52	0.45	0.15	<0.05	large	Well Supported
H2: (PS) → (TCC)	0.38	0.27	0.07	<0.05	Medium	Supported
H3:(TM) → (TCC)	0.49	0.38	0.12	<0.05	Large	Supported
H4: (TK) → (TCC)	0.37	0.25	0.07	<0.05	Medium	Supported
H5: (TCx) → (TCC)	0.45	0.32	0.09	<0.05	Medium	Supported
H6: (TCC) → (TC)	0.41	0.29	0.08	<0.05	Medium	Supported
H7: (TES) → (TCC)	0.40	0.30	0.08	<0.05	Medium	Supported



**Figure 3: Evaluation of the Structural model**

- H1: (TEP) → (TCC): The connection between TEP and TCC indicates a large effect size and is statistically significant, demonstrating strong support for this hypothesis.
- H2: (PS) → (TCC): The connection between PS and TCC suggests a medium effect size and is statistically significant, indicating support for this hypothesis.
- H3: (TM) → (TCC): The connection among TM and TCC displays a huge result scope and is statistically important, representing robust maintenance for this hypothesis.
- H4: (TK) → (TCC): The connection among TK and TCC shows an average result scope and is statistically important, and is supportive of this hypothesis.
- H5: (TCx) → (TCC): The connection among TC and TCC proposes an average effect size, is statistically important, supporting this hypothesis.
- H6: (TCC) → (TC): The connection among TCC and TC proposes a medium effect size and is statistically significant, supporting this hypothesis.
- H7: (TES) → (TCC): The connection among TES and TCC shows a medium effect size and is statistically significant, supporting this hypothesis.

These outcomes emphasize the multi-layered nature of elements manipulating tax conformity behaviors, highlighting the importance of perceptions, penalties, knowledge, complexity, evasion techniques, and standard conformity in shaping taxpayer attitudes and behaviors.

## 5. DISCUSSION

Each hypothesis describes a recommended connection among particular elements and their influence on TCC. The primary hypothesis (H1: TEP → TCC) declares that TEP significantly influences TCC. This connection is robustly supported by a  $\beta$  value of 0.52, demonstrating a positive direct effect. The associated  $R^2$  value of 0.45 recommends that TEP describes 45% of the variance in TCC, emphasizing its substantial descriptive control. Moreover, the  $f^2$  value of 0.15 signifies a large effect size, underscoring the magnitude of TEP's impact on TCC. With a p-value of less than 0.05, this relationship is statistically significant, affirming its reliability within the study's dataset. Subsequent hypotheses (H2 to H7) also explore connections between PS, TM, TK, TC, TES, and TCC. These hypotheses demonstrate moderate support, as indicated by their  $\beta$  values ranging from 0.35 to 0.50,  $R^2$  values from 0.27 to 0.40, and corresponding  $f^2$  values from 0.07 to 0.12. Each hypothesis meets the criterion of statistical significance ( $p < 0.05$ ), suggesting meaningful relationships that contribute to understanding the factors influencing tax conformity behaviors.

## 6. CONCLUSION

This study aims to analyze different tax evasion tactics, with a particular focus on how well various tax planning strategies perform to avoid paying taxes. It investigates the relationship between tax equity perception, tax conformity, penalty severity, tax morale, tax knowledge, tax complexity, tax conformity commitment, and tax evasion strategy utilizing PLS-SEM. A systematic questionnaire with a Likert scale rating was used to collect data from 400 participants. The measurement model assessed the validity and reliability of latent constructs, while the structural model analyzed the relationship between constructs based on the proposed hypotheses. The structural model revealed that tax equity perception is positively connected to the tax conformity commitment between distinct taxpayers in China. ( $\beta = 0.52, p < 0.05$ ), providing well support for hypothesis 1. The result shows there are no significant changes in avoiding tax obligations of various tax planning techniques. The findings show that some tax planning strategies like income shifting and offshore accounts are highly effective at reducing tax obligations.

### 6.1 Limitations

This study gives valued perceptions of tax evasion methods and the effectiveness of diverse tax planning strategies, numerous boundaries must be taken into consideration. First, the dataset used

may not capture all variations in tax-making plan practices across unique influences or demographic productions, probably prohibiting the generalizability of the findings. Additionally, the reliance on historical tax filings might not reproduce real-time modifications in tax legal procedures or implementation performances, affecting the significance of the study assumptions. Moreover, the study's attention to quantitative evaluation through regression assessments may also overlook qualitative aspects and behavioral responses that affect tax planning decisions.

## 6.2 Future Scope

Future research could address these limitations by incorporating numerous datasets that incorporate a broader range of tax planning behaviors and demographic traits. Qualitative strategies, such as interviews or case studies, ought to offer deeper discernments into the motivations and selection-making processes behind tax planning techniques. Longitudinal studies could track modifications in tax planning practices over time, providing insights into the evolving effectiveness of different techniques in response to regulatory changes. Additionally, comparative research throughout specific countries or regions could highlight variations in tax planning behaviors and effectiveness in achieving tax conformity desires. Such studies could contribute to extra robust policy recommendations and techniques for ensuring tax conformity and equity.

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## APPENDIX A

## Questionnaires:

<b>Variables</b>	<b>Questionnaire</b>
<b>Tax Equity Perception (TEP)</b>	<i>To what extent do you believe that the current tax system treats taxpayers fairly?</i>
	<i>How just do you perceive the distribution of tax burdens across different income groups?</i>
	<i>How equitable do you find the allocation of tax benefits and exemptions?</i>
<b>Penalty Severity (PS)</b>	<i>How severe do you think the penalties are for tax evasion in the current tax system?</i>
	<i>To what extent do you feel deterred from tax evasion due to the severity of potential penalties?</i>
	<i>How likely are you to comply with tax laws to avoid the penalties associated with tax evasion?</i>
<b>Tax Morale (TM)</b>	<i>How prepared are you to voluntarily comply with tax procedures even if you disagree with certain tax strategies?</i>
	<i>To what amount do you believe that paying taxes is a civic duty that contributes to the common good?</i>
	<i>How much superiority do you income in being a law-abiding taxpayer?</i>
<b>Tax Knowledge (TK)</b>	<i>How confident are you in your consideration of tax laws and procedures?</i>
	<i>To what extent do you search for out data to better recognize your tax obligations?</i>
	<i>How knowledgeable do you feel about probable tax evasion significance and detection approaches?</i>
	<i>How stimulating do you find it to recognize and comply with the current tax laws?</i>
	<i>To what extent does the complexity of tax regulations affect your ability to accurately report your income?</i>

<b>Tax Complexity (TCx)</b>	<i>How much effort do you think is required to navigate through the tax filing process?</i>
<b>Tax Evasion Strategies (TES)</b>	<i>How likely are you to consider underreporting your income to minimize tax obligations?</i>
	<i>To what extent do you find using cash transactions to hide income from tax authorities acceptable?</i>
	<i>How frequently do you engage in tax avoidance practices to reduce your tax liabilities?</i>
<b>Tax Conformity Commitment (TCC)</b>	<i>How committed are you to fully complying with all tax laws and regulations?</i>
	<i>To what extent do you feel a sense of responsibility to accurately report your income and pay taxes?</i>
	<i>How much effort are you willing to invest to ensure full conformity with tax obligations?</i>
<b>Tax Conformity (TC)</b>	<i>How likely are you to accurately report all your income and deductions on your tax returns?</i>
	<i>To what extent do you comply with tax laws even when you believe others are not doing so?</i>
	<i>How satisfied are you with your overall conformity with tax regulations?</i>

**Acronym:**

<i>Effective tax rate = ETR</i>	<i>Cronbach's alpha = <math>\alpha</math></i>
<i>Foreign Portfolio Equity Investment = FPEI</i>	<i>Dillon Goldstein's rho = DG rho</i>
<i>World Value Survey = WVS</i>	<i>composite reliability = CR</i>
<i>partial least squares structural equation modeling = PLS-SEM</i>	<i>average variance = AVE</i>
<i>Mean = M</i>	<i>Standard deviation = SD</i>
<i>variance inflation Factor = VIF</i>	<i>Fornell-Larcker = FL</i>
<i>tax planning = TP</i>	<i>tax disclosure = TD</i>



<i>United States = US</i>	<i>Organisation for Economic Co-operation and Development = OECD</i>
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