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TRUST-POWER RELATIONSHIP AND TAX REPORTING BY PLATFORM WORKERS: A MODERATED MEDIATION MODEL

Nurshamimi Sabli¹, Anna Che Azmi^{2*}, Noor Ismawati Jaafar³

¹ Department of Accounting, Faculty of Business and Economics, Universiti Malaya
Email: s2105846@siswa.um.edu.my

² Department of Accounting, Faculty of Business and Economics, Universiti Malaya
Email: annaazriati@um.edu.my

³ Department of Decision Science, Faculty of Business and Economics, Universiti Malaya
Email: isma_jaafar@um.edu.my

* Corresponding Author

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Abstract:

The power and trust relationship between tax authorities and taxpayers is thought to be important in shaping taxpayer compliance behaviour. Although a growing number of studies have considered moral and emotional elements in tax decision-making, the nexus between taxpayers' honest intention and feelings of guilt towards their tax-reporting decision remains unclear. In support of studies on the digital or platform economy and the rising number of individuals earning income digitally, this study seeks to identify factors that influence individuals' tax reporting decision of their digital income. Applying the Slippery Slope Framework, this study uses a 2 x 2 between-subjects factorial experimental design, in which the independent variables of this study, i.e., power and trust are manipulated. This study conducts a scenario-based experiment with eighty platform workers on an established digital platform. The findings reveal that high trust in authorities increases platform workers' intention for honesty reporting and guilt for misreporting, promoting tax-reporting compliance. Moreover, this relationship is significantly moderated by the high-power condition. Specifically, it is believed that both enforcement and trust matter in achieving compliance in taxpayers' reporting.

Keywords:

Trust, Power, 'Slippery Slope Framework', Honesty, Guilt, Tax Reporting.

Introduction

Classical tax theory by Allingham and Sandmo (1972) proposed that tax evasion can be reduced by means of frequent audits and severe penalties. Yet, the empirical support for this

paradigm is hardly conclusive. Further, findings from a sole economic perspective are insufficient to understand why individuals pay or do not pay taxes. Incorporating economic and psychological perspectives through the dimension of trust and power may help explain tax compliance. There is a considerable body of literature supporting the main assumptions of power and trust from Kirchler et al. (2008)'s 'Slippery Slope Framework' (SSF) (Batrancea et al., 2022; 2023; Gangl, Hofmann, et al., 2020; Hofmann et al., 2017; Kogler et al., 2015, 2022; Mardhiah et al., 2023; Muehlbacher et al., 2011). Yet, research on tax compliance behaviour considering power and trust's emotional and moral implications is still scarce (Enachescu et al., 2021; Olsen et al., 2018). Hence, this study is motivated by the gap in prior studies and a study by Berger et al. (2020), which uses the specific element of moral value and emotion in the sharing economy context.

This study analyses factors influencing individuals' decisions to report their digital income for tax purposes. We primarily observe whether trust in authorities, power of authorities, along with moral (i.e., intention for honesty reporting) and emotional (i.e., guilt for misreporting) aspects, influence tax reporting by platform workers.

The current study is highly essential as the International Labor Organization has been continuously conducting studies on the new change in the work world caused by the upsurge of the gig, digital or platform economy. This economy mainly categorizes its labour force into two types: those whose work is organized and performed digitally through platforms and those whose work is organized digitally but performed physically at a specific location (De Stefano, 2016; Heeks, 2017). Technological advancement, as well as the COVID-19 pandemic's financial catastrophe have all contributed to the global rise of this new type of economy. Furthermore, McKinsey Global Institute in 2016 reported that roughly 30% of the European and American workers have engaged in independent work, either on a primary or supplementary basis.

In terms of income earned by these workers, the Global Gig Economy Index 2019 reported that freelancers from the United States (78%), United Kingdom (59%) and Brazil (48%) had the fastest-growing earnings among other countries. Additionally, with gross revenues from the global gig economy expected to rise from \$204 billion to \$239 billion by 2023 (Illuzzi & Tang, 2021), this economy will remain one of the vital tax revenue contributors for governments across the world. However, the nature of the digital or platform economy, which is generally not subject to third-party reporting, has innately invited tax underreporting or even tax non-reporting on income earned digitally. Hence, taxpayers have greater chances to evade taxes more easily. For instance, an online discussion forum with gig workers revealed their tax-reporting incompetency, particularly concerning expenses and deductions for taxes (Oei & Ring, 2017).

Despite increased scrutiny of digital platforms and global tax-reporting framework newly issued by the Organization for Economic Cooperation and Development's (OECD), opportunities for tax evasion or tax avoidance may still exist. In fact, tax-reporting compliance among individuals in this digital economy has become a worrying issue for tax agencies and governments worldwide. This statement is evidenced by several press reports and academic journals globally, such as in the United States (Thomas, 2018), Australia (Khadem, 2019), the United Kingdom (Adams et al., 2018) and Malaysia (Bernama, 2021). However, we agree with the conceptualization proposed by Yusoff et al., (2016), by which integrity (honesty is defined similarly in the ethical context) is the essential component for the success of any business,

including freelancing. In addition, Boster et al. (2016)(Boster et al., 2016) find that inducing guilt may help increase compliance, which we believe can also be applied in tax decision-making.

Using a hypothetical case scenario, we conducted an experiment with 80 randomly selected participants on an established digital platform. The participants answer survey questions regarding living, working, and paying taxes in a fictitious country. We use several analytical procedures, which include the analysis of variance (ANOVA), multivariate analysis of variance (MANOVA), and the PROCESS macro by Hayes (2018) to test our developed hypotheses.

This paper is organized as follows. The second section examines tax reporting in general, and specifically among self-employed individuals, and highlights the concept of power and trust drawn from the SSF. After introducing the moral and emotional elements in the original framework, the third section describes the research framework and the development of the research hypotheses for this study. The fourth section details the research methodology, including the experimental design employed in this study. The fifth section describes the empirical findings, and the remaining two sections cover discussions and conclusions, as well as the study's implications, limitations, and recommendations for future research.

Literature Review

Tax Reporting by Platform Workers

One worrying issue involving those working in the gig, digital or platform economy is their employment status, which may complicate various administrative arrangements, including their tax-reporting decision (Adams et al., 2018; Freedman, 2020) into three types: 1) employees, 2) status quo with piecemeal policies, and 3) other employment. In countries like the United States, Spain and Australia, platform workers are deemed employees and enjoy employment benefits similar to other wage earners. Meanwhile, Indonesia, Thailand and India treat them as independent contractors under the second category. The third category has been applied with various terms in countries like Canada and the United Kingdom (Goh & Omar, 2021). Categorizing platform workers as other than employees has resulted in individual responsibility for tax-reporting activity, akin to self-employed individuals. According to (Martinez-Lopez, 2013), self-employed individuals are more likely to underreport their taxable income due to the absence of third-party requirements for tax purposes. This grey area of employment status has also weakened enforcement by tax authorities, either through audit detection or penalty charges, toward platform workers. Despite the issuance of a specific tax framework for reporting by platform operators, there is no compulsory requirement for those operators to apply such framework, which then leaves the workers or service providers to independently report their taxable income (Berger et al., 2020).

'Slippery Slope Framework' – The Concept of Trust and Power

The 'Slippery Slope Framework' (SSF) was initially coined by Kirchler et al. (2008). This framework, which includes the elements of trust and power, was introduced to incorporate the economic and psychological factors of tax compliance. From the economic perspective, the authors describe tax compliance's power dimension as taxpayers' assessment of tax authorities' capacity to detect and penalize tax evasion. On the other hand, the trust dimension indicates a psychological perspective, which results from the general opinion of taxpayers that tax authorities are generous and work for the common benefit.

This framework believes that between tax authorities and taxpayers, both power and trust are vital in unravelling the social dilemma of tax compliance. The extant literature also empirically proves that both dimensions are important as predictors of compliance. For instance, in experimental studies conducted by Wahl et al. (2010), the second experiment involving self-employed taxpayers is consistent with the first experiment involving students, where power and trust interact in opposite directions to reach voluntary and enforced compliance. Another study by Kogler et al. (2013) involving participants from four different European countries also proves that high trust and high power are critical indicators of the highest and lowest level of compliance and evasion respectively. The SSF and its extension (e-SSF) also considers the dynamic connection between power and trust interchangeably. The dynamic effect is proven in several prior studies (Abdul Rashid et al., 2021; Batrancea et al., 2022; Gangl et al., 2015; Gangl, van Dijk, et al., 2020; Hofmann et al., 2014; Kogler et al., 2015) as either a mediating or moderating variable to the overall model. The recent study by Mardhiah et al. (2023), on the other hand, has evaluated comprehensively the factors affecting both dimensions of trust and power in the above framework, which then significantly promotes overall tax compliance.

Moral and Emotional Elements of Trust and Power – Honesty and Guilt

Wilson (2018) asserts that honesty is an essential moral value widely accepted worldwide. Honesty is grouped into five distinct categories by Miller (2017) as cited by Wilson (2018): 1) truthfulness, 2) property respect, 3) proper compliance, 4) fidelity to promises, and 5) forthrightness. Therefore, rather than focusing on telling the truth, honesty should be linked to the different behavioural patterns above to explain better what it means. Relating this moral virtue to compliance, extensive evidence empirically proposes that most taxpayers are innately honest, report truthfully irrespective of the incentive to cheat. These findings have been further improved by a game-theoretical model introduced by Erard and Feinstein (1994) involving honest and potentially dishonest taxpayers.

Meanwhile, emotions have been shown to impact the decision-making process significantly. According to Olsen et al. (2018), emotional elements in tax compliance behaviour are crucial to strengthening voluntary compliance. They also find that emotions, both positively and negatively, have significantly mediating the link between trust–power conditions and tax compliance. Additionally, Enachescu et al. (2019) reveal that anger-related, self-blame, and positive emotions mediate the relationship between experience with tax authorities and tax compliance intentions.

Research Framework and Hypotheses Development

Figure 1 below shows how this study maps tax reporting compliance determinants into the research framework. We also developed four hypotheses to answer the research objectives of this study.

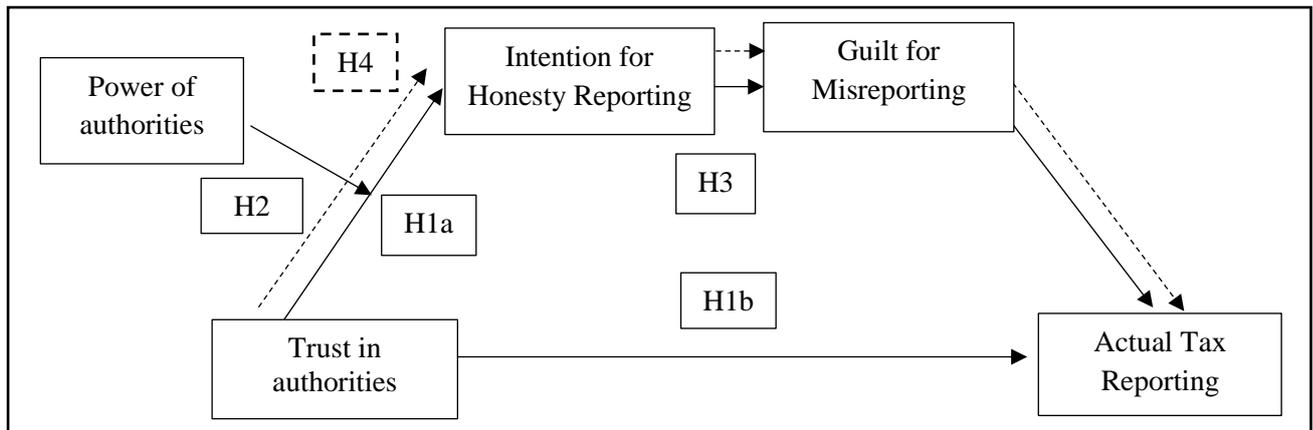


Figure 1: Research Framework

The Difference Between High and Low Trust on Intention for Honesty Reporting and Actual Tax Reporting

Wahl et al. (2010) in their second experiment has reported the highest result for voluntary compliance among taxpayers in a high-trust condition. Similarly, Kogler et al. (2013), Kaplanoglou and Rapanos (2015), and Yasa and Martadinata (2019) confirm the assumption of the SSF in terms of high trust toward voluntary compliance in four different countries. According to Kaplanoglou and Rapanos (2015), voluntary and enforced compliance are two different types of tax honesty, based on the influence of trust in and power of authorities. While trust in authorities is the dominant effect in the first type of tax honesty, power of authorities is more prevalent in the second.

The empirical analysis between trust and taxpayers' honesty was proven long ago by Kucher and Gotte (1998). The authors, in their empirical analysis of Zurich city, have verified that trust in the government or authorities influenced tax honesty, just as much as monetary incentives. Additionally, when trust in authorities is nurtured through direct democracy, taxpayers will feel obligated to honestly pay their taxes (Feld & Frey, 2002).

Next, an analysis on self-employed taxpayers in Austria reveals that enhancing trust in authorities via procedural and distributive justice significantly results in tax honesty, i.e., by complying to tax voluntarily (Kogler et al., 2015). Meanwhile, a systematic review conducted by Horodnic (2018) discovers that vertical and horizontal trusts are salient contributors to tax morale. Low tax morale reflects the high participation in numerous dishonest and non-compliant activities, including undeclared work and underreporting income. Thus, an increase in trust toward tax authorities may result in an increase in tax reporting (i.e., tax payments).

Guided by this research, we anticipate that high trust in authorities, compared to low-trust conditions, may engender increased intention to be honest in the individuals working digitally, resulting in better actual tax reporting. Hence, the first hypothesis is developed:

H1: High trust in authorities leads to higher intentions for honesty reporting (H1a) and actual tax reporting (H1b) compared to low trust in authorities.

The Moderating Role of Power on The Relationship Between Trust and Intention for Honesty Reporting

While the SSF emphasizes the role of trust and power dimensions toward tax compliance, the extended SSF or e-SSF introduced by Gangl et al. (2015) emphasizes the dynamics between power and trust. Discussing different qualities of power and trust, Gangl et al. (2015) propose two contrasting mutual relationships: 1) between coercive power and implicit trust, and 2) between legitimate power and reason-based trust, the former acting negatively and the latter positively. However, Gangl, Hofmann, et al. (2020) uncover another dynamic relationship between power and trust, whereby different qualities of trust mediate the connection between different types of power and tax compliance.

As mentioned in the earlier section, Kucher and Gotte (1998) demonstrated eons ago the empirical relationship between trust and taxpayers' honesty. Additionally, under a mutual trust environment, taxpayers are presumed to pay taxes honestly, in line with fair responsibilities discharged by the tax authorities (Chong et al., 2019). Meanwhile, looking at the role of power, Gobena and Van Dijke (2016) discover that legitimate power moderates the relationship between cognition-based trust and voluntary tax compliance, mainly when the legitimate power is low. In contrast, Mas'ud et al. (2014) demonstrate that trust and power moderate tax compliance positively and significantly. Hence, it is expected that the moderating role of power will strengthen the relationship between trust and intention for honesty reporting. Following the aforementioned arguments, we develop the second hypothesis as follows:

H2: The influence of trust in authorities on intention for honesty reporting is moderated by power conditions.

The Mediating Role of Intention for Honesty Reporting and Guilt for Misreporting

A higher intention for honesty reporting may also play a role in increasing the level of guilt for misreporting. Alm and Torgler (2011) describe the ethical dimensions of tax compliance and stress that tax reporting is commonly observed as a moral decision. Being immoral through false declaration or underreporting income may violate established social norms and practices, leading to social disapproval, guilt, and shame. Therefore, those who maintain a high ethical standard will have more intention to be honest in tax reporting and feel more responsible for not misreporting their tax return. This is parallel with the findings by Murphy (2012), who discovers a positive association between individuals with high Machiavellianism (i.e., being manipulative, opportunistic and immoral), favourable attitudes toward misreporting, and the likelihood of misreporting.

Additionally, there is also a significant empirical support for the mediating role of guilt, specifically the guilt proneness on the relationship between honesty-humility and prosocial behaviour (Fang et al., 2019). The authors posited that both honesty and guilt have personality profiles, which then resulted in positive action. This is in accordance with the Negative State Relief model (Cialdini et al., 1987), where people can reduce negative emotions, such as guilt by engaging in prosocial behaviour, including enjoyment of paying taxes truthfully.

On the other hand, Dunn et al. (2018) conduct an experimental study and discover a joint effect of three guilt cognitions on individuals' decisions toward being honest in disclosing their tax voluntarily. Their findings indicate that guilt or fear of detection by the tax authorities will result to the willingness of taxpayers to disclose voluntarily, particularly during tax amnesty program. Furthermore, it is anticipated that the effect of honesty on guilt for misreporting will

persist even when the trust–power relationship is considered. Hence, the third hypothesis is formed:

H3: The relationship between trust in authorities and tax reporting is mediated by intention for honesty reporting and guilt for misreporting, whereby a higher level of trust in authorities (compared to lower level of trust) will lead to higher intention for honesty reporting and in turn, higher levels of guilt for misreporting.

A Moderated Mediation Relationship

As hypothesized in H1a, taxpayers in high-trust conditions are likely to experience a higher intention to report honestly than those in low-trust conditions. Hence, in this advanced relationship, we further expect that the aforementioned relations will differ based on the level of power of authorities in that particular condition.

Damayanti and Supramono (2019), in their experimental study, discover a significant interaction or moderation effect between trust and power toward tax compliance. However, they find a positive interaction effect compared to the contrasting effect found by Batrancea et al. (2019), Brata and Riandoko (2020), and Kogler et al. (2015). Following the above arguments, we believe that power conditions moderate the relationship between trust conditions and tax-reporting compliance. We also suggest that power conditions moderate the relationship between trust conditions and honest intention to reach compliance. As a result, we propose the following hypothesis:

H4: The mediating effect of intention for honesty reporting and guilt for misreporting on the relationship between trust in authorities and tax reporting is moderated by power conditions. The power of authorities moderates the relationship between trust in authorities and intention for honesty reporting.

Research Methodology

Experimental Design

In investigating the tax reporting by platform workers, we conduct a scenario-based experiment following Batrancea et al. (2023), Batrancea et al., (2022), Kogler et al. (2013), Olsen et al. (2018), and Wahl et al. (2010) via an online platform called Upwork. The scenario describes the tax system of Varosia, a fictitious country. By manipulating the trustworthiness and power of the country's tax authorities, we employ a 2x2 between-subject factorial experimental design. The participants are assigned at random to one of the following groups of scenarios of Varosia's tax system:

- Group 1 (UW1) – Scenario of low trust and low power
- Group 2 (UW2) – Scenario of low trust and high power
- Group 3 (UW3) – Scenario of high trust and low power
- Group 4 (UW4) – Scenario of high trust and high power

Prior to completing the survey questionnaire, participants are required to read the scenario of Varosia. Participants are then asked to imagine themselves living, working, and paying taxes in the said country. In a low-trust scenario, Varosia is regarded as a state with political instability, an ineffective and opaque tax system, and unsupportive authorities. In contrast, Varosia is outlined as a politically stable state in a high-trust scenario with supportive tax

authorities and transparent legislation. Meanwhile, the low-power scenario describes Varosia as a state with enforcement incapability and inefficient strategies to deter tax non-compliance. Conversely, the high-power scenario is identified as a high enforcement capability of Varosia's authorities and severe fines for non-compliance.

After reading the scenario, participants are asked to answer a questionnaire comprising items on manipulation checks for trust and power, followed by items on intention for honesty reporting, guilt for misreporting and actual tax reporting behaviour. The experimental procedure used in the current study is available in Appendix A.

Participants and Procedures

The participants of this study are those currently working as platform workers or talent specialists on the Upwork platform. After potential participants view the job posting on Upwork describing the basic requirement to become a participant for the experimental survey research, they are informed that their responses are to be kept confidential and used strictly for educational purposes¹. After volunteering, participants are required to sign a form of consent denoting their agreement to take part in the study. Upon finishing the survey, the job or task will first be reviewed and approved before rewarding each participant with \$5. The payment is considered reasonable since it is the minimum requirement by Upwork platform for fixed-price contracts (Larose & Tsai, 2014)².

Table 1 presents the demographic profile of the study participants. This study has eighty participants. Of the 80, 50 are female (62.5%) and 30 (37.5%) are male, with almost half of all participants being between 31 and 40 years old. Regarding their citizenship, 31% are Malaysian, 12% are Filipino, 10% are Pakistani and 5% are Indonesian; the remaining 42% are identified as 'other'. Additionally, 77.5% of the participants have experienced working on digital platforms for a period of 1 to 6 years, either holding none or multiple jobs (other part-time or full-time jobs). Participants are also asked about their tax-paying experience, with 62.5% of them deemed compliant taxpayers, as indicated by their payment of taxes in the previous year.

Table 1: Demographic Profile of Participants

Item	Freq. (Percent)	Item	Freq. (Percent)
<i>Gender</i>		<i>Marital status</i>	
Male	30 (37.5)	Single	43 (53.8)
Female	50 (62.5)	Married	36 (45.0)
		Divorced	1 (1.2)
<i>Age</i>		<i>No. of dependents</i>	
21–30 years old	33 (41.3)	None	38 (47.5)
31–40 years old	37 (46.3)	1–2 persons	29 (36.3)
41 years old and above	10 (12.5)	3–4 persons	9 (11.2)
		5 or more	4 (5.0)

¹ The survey was open to any digital freelancers who have actively working through Upwork platform for at least one year, or have secured several jobs in digital platforms, and they can be from various field or with any skill set.

² For this study, authors chose to offer a job or task in Upwork platform based on fixed-price contract and not on an hourly basis as this is the common practice for online paid surveys. Further, Larose and Tsai (2014), as cited from Dillman et al. (2009), the \$5 reward is considered ideal since it is between the optimal recommended incentive (\$1 to \$5) for online surveys.

<i>Educational level</i>		<i>Digital work experience</i>	
Primary level	1 (1.3)	Less than 1 year	11 (13.8)
Secondary level	6 (7.5)	1–3 years	36 (45.0)
Tertiary level	73 (91.2)	4–6 years	26 (32.5)
		10 years or more	7 (8.7)
<i>Expertise</i>		<i>Tax-paying experience</i>	
Computer-based (programming, network)	9 (11.2)	Never	15 (18.8)
Language-based (Translation, proofreading, content writer)	43 (53.8)	Last year	50 (62.5)
Design-based	4 (5.0)	Last two years	7 (8.8)
Other (consulting, marketing, bookkeeping)	24 (30.0)	Last three years	2 (2.5)
		Last four years	3 (3.8)
		Past five years and above	3 (3.8)
<i>Other job involvement</i>			
Yes (other part-time work)	26 (32.5)		
Yes (other full-time work)	26 (32.5)		
No	28 (35.0)		

Measures

In addition to the scenario-based experimental design described earlier, Table 2 summarizes the other measurements used for the current research. Both intention for honesty reporting (IHR) and guilt for misreporting (GM) are based on four-item scales and measured using five-point Likert scale ranging from 1 “strongly disagree” to 5 “strongly agree”. While for the dependent variable, i.e., Actual Tax Reporting (ATR), we measure the amount of specific reported income as a binary variable. A value of 1 is assigned when participants report the full amount of reported income, and a value of 0 is assigned otherwise.

Table 2: Summary of Other Measurements

Constructs/items	Sources
Intention for Honesty Reporting (IHR) (4 items)	Berger et al. (2020)
Guilt for Misreporting (GM) (4 items)	Berger et al. (2020), Dunn et al., (2018)
Actual Tax Reporting (ATR) (1 item, binary variable)	Berger et al. (2020)

Statistical Results

Preliminary Analyses Results

Firstly, for the descriptive statistics, we tabulate the minimum, maximum, mean, and standard deviation values of the mediating, moderating and dependent variables in this study, as shown in Table 3. The minimum and maximum values are 1 and 5 for the first two variables, i.e., intention for honesty reporting (IHR) and guilt for misreporting (GM) with the observed mean values of 3.244 and 3.372 respectively. The mean values above 3 of the actual range may indicate the participants' preference to honesty and guilt for misreporting. As for dependent variable, i.e., actual tax reporting (ATR), the observed mean value is 0.463, with the minimum and maximum values of 0 and 1 respectively. As the value of 1 represents reporting of full

amount, and vice versa for value of 0, the initial analysis may indicate lower compliance rate based on the mean value of less than half of the actual range.

Table 3: Descriptive Statistics

Variables	N	Minimum	Maximum	Mean	Std. Deviation
IHR	80	1	5	3.244	1.158
GM	80	1	5	3.372	1.042
ATR	80	0	1	0.463	0.502

Next, a test of normality is conducted as one of the fundamental requirements for inferential statistical analysis. Graphically, all the said variables are normally distributed, as illustrated by the bell-shaped and one peak histogram for each. Furthermore, our sample size is adequate to satisfy the multivariate normality assumption (Tabachnick & Fidell, 2013), i.e., 80 sample size with 20 for each group. There is also no probability of multicollinearity from highly correlated variables (Field, 2018), since the results from Pearson correlation analysis indicate only small to medium correlation effect for each coefficient value. Additionally, we have conducted Levene's test to check on homogeneity or heteroscedasticity issue, in order to fulfil the assumption of equal variance for the sample selected. Interestingly, the result does not violate the assumption of homogeneity of variance for both intention for honesty reporting and guilt for misreporting variables, as the significant value is greater than 0.05.

On top of that, we also perform reliability analysis to ensure the internal consistency of scale items of the study's variables. This is measured by the Cronbach alpha coefficient, with the ideal value above 0.7, as suggested by DeVellis (2012) and Pallant (2016). The result proves that both the honest intention ($\alpha=0.899$) and guilt for misreporting ($\alpha=0.930$) scales are highly reliable as their Cronbach alpha coefficient value is closer to 1.0.

Manipulation Check for Trust and Power

The manipulation check scales comprise three items each for trust (e.g., 'The governmental authorities in Varosia act fair towards their citizens') and power (e.g., 'Chances that tax evasion will be detected in Varosia are high'). To ensure that each scale is reliable, reliability analysis is conducted by assessing the Cronbach's alpha coefficient. In line with the rule of thumb reported by Hair et al. (2020), the results show that both scales are good and considered reliable with the coefficient value exceeding the minimum level of 0.7 ($\alpha_{\text{Trust}} = 0.74$; $\alpha_{\text{Power}} = 0.73$). The results are also in line with prior studies (Kogler et al., 2013; Olsen et al., 2018; Wahl et al., 2010).

To test whether the manipulations of low versus high conditions are successful, a two-way MANOVA is calculated, which involves trust and power, as well as means for both scales' responses as independent and dependent variables, respectively. The multivariate analyses, as predicted, reveal a strong main effect for trust ($F(2,75) = 62.891$, $p < 0.001$, $\eta^2 = .626$) and power ($F(2,75) = 39.482$, $p < 0.001$, $\eta^2 = .513$), and the significant result for the interaction of both variables ($F(2,75) = 2.610$, $p = 0.080$, $\eta^2 = .065$). The aforementioned findings also confirm the successful manipulation of trust in authorities and power of authorities.

Table 4 depicts the means and standard deviations of the trust and power scales for all conditions. Regarding the manipulation of trust, findings from the univariate analysis show that participants in the high-trust conditions, express more trust in Varosia's authorities than those in the low-trust conditions ($F(1,78) = 111.997$, $p < 0.001$, $\eta^2 = .589$; high trust: $M = 3.650$,

SD = 0.645; low trust: M= 2.042, SD = 0.713). Furthermore, compared to those in the low-trust groups, participants in the high-trust groups report a higher perception of power of the authorities ($F(1,38) = 10.848, p = 0.002, \eta^2 = .22$; high trust: M = 3.950, SD = 0.678; low trust: M = 2.050, SD = 0.789).

Table 4: Means and Standard Deviations of Manipulation Check Scales as a Function of Trust and Power.

Dependent variable	Low trust		High trust	
	Low power	High power	Low power	High power
Manipulation check trust	2.033 (0.648) ^a	2.050 (0.789) ^a	3.350 (0.452) ^b	3.950 (0.678) ^c
Manipulation check power	2.267 (0.806) ^a	3.550 (0.913) ^b	2.250 (0.740) ^a	4.183 (0.776) ^b

Note: Higher scores indicate higher acceptance of the items. Standard deviations are given in parentheses. Means with different letters in the same row differ at $p < .05$.

In terms of power manipulation, participants in high-power groups have a significantly higher perception of power of authorities than subjects in low-power conditions. ($F(1,78) = 74.64, p < 0.001, \eta^2 = .49$; high power: M = 3.89, SD = 0.89; low power: M = 2.26, SD = 0.76). In addition, we find an effect of power manipulation on the level of perceived trust. In other words, participants in high-power conditions indicate higher trust ($F(1,38) = 5.59, p = 0.023, \eta^2 = .13$; high power: M = 4.18, SD = 0.78; low power: M = 2.25, SD = 0.74). In sum, our manipulation of trust in and power of authorities proves to be successful. In addition, we are able to observe that the manipulation of trust also has an impact on perceived power, just as the manipulation of power has an effect on perceived trust.

Results of Hypotheses Testing

The influence of trust in authorities on platform workers' honest intention is tested using a two-way ANOVA. The results confirm H1a's prediction by demonstrating that high trust in authorities significantly leads to higher intention for honesty reporting, compared to low trust in authorities ($F(1,78) = 4.067, MHT = 3.500, MLT = 2.988, p = 0.047$). Hypothesis 1b predicts that high trust in authorities leads to higher tax reporting than low trust in authorities. Using binary logistic regression, the result fails to support the hypothesis. Poor fit is found for the Hosmer–Lemeshow goodness-of-fit test, as indicated by a significance value of less than 0.05. Similarly, based on the value of Cox and Snell R Square and Nagelkerke R-squared, the model in overall explains only between 1.6% and 2.1% of the variance in tax reporting.

Next, to test H2, we conduct another two-way ANOVA and find evidence showing that power conditions moderate the influence of trust in authorities on intention for honesty reporting. Trust and power have a marginally significant interaction effect, $F(1,76) = 3.375, p = 0.070$. Therefore, H2 is supported.

Subsequently, we perform a serial mediation analysis using the PROCESS macro (Model 6) following Hayes (2018) to test H3 (i.e., whether the moderators mediate the relationship between the independent and dependent variables). Reiterating the H1 analysis, Table 5 shows that higher trust in authorities leads to higher intention to be honest, relative to lower trust in authorities ($\beta = 0.513, t = 2.017, p = 0.047$). Higher intention for honesty reporting sequentially results in feeling more guilty for misreporting ($\beta = 0.3435, t = 3.7334, p = 0.000$). Last, more

guilt for misreporting leads to more compliance in tax reporting ($\beta = 0.547, p = 0.055$), with the model as a whole explained between 19.10% (Cox and Snell R-squared) and 25.52 (Nagelkerke R-squared) of the variances in tax reporting. When the mediating variables are included in the model, the direct effect of trust in authorities on tax reporting is not significant, echoing the result for H1b ($\beta = -0.055, p = 0.916$). However, the total indirect effects are found to be significant, as the confidence interval value does not pass through zero (LLCI 0.003, ULCI 0.274). The regression model also demonstrates a good overall fit, as evidenced by the goodness-of-fit indices ($R^2 = 0.235, F(2,77) = 11.828, p < 0.001$). In support of H3, these results suggest that the effect of trust in authorities on tax reporting by platform workers is fully mediated through honest intention and guilt for misreporting. Table 6 on the other hand, reports the remaining indirect effects produced from the same PROCESS macro (Model 6) above.

Table 5: Mediating Effect of Intention for Honest Reporting and Guilt for Misreporting

Model	Path a	Path b	Path c	Path d	Mediation path
Parameters	(X → M1)	(M1 → M2)	(M2 → Y)	(X → Y)	a*b*c
β	0.513	0.344	0.547	-0.055	0.096
p-value/CI	0.047**	0.000***	0.055*	0.916	LLCI 0.003 ULCI 0.274

Note: X = trust in authorities, M1 = Intention for Honest Reporting (IHR), M2 = Guilt for Misreporting (GM) and Y = Actual Tax Reporting (ATR), * $p < 0.1$ ** $p < 0.05$ *** $p < 0.01$

Table 6: Other Indirect Effects of PROCESS Macro (Model 6)

Model		Path a	Path b	Mediation path
Path X → M1 → Y	Parameters	(X → M1)	(M1 → Y)	$a_1 * b_1$
	β	0.513	0.602	0.309
	p-value/CI	0.047**	0.015**	LLCI 0.023 ULCI 0.783
Path X → M2 → Y	Parameters	(X → M2)	(M2 → Y)	$a_2 * b_2$
	β	0.468	0.547	0.256
	p-value/CI	0.030**	0.055*	LLCI 0.015 ULCI 0.677

Note: X = trust in authorities, M1 = Intention for Honest Reporting (IHR), M2 = Guilt for Misreporting (GM) and Y = Actual Tax Reporting (ATR), * $p < 0.1$ ** $p < 0.05$ *** $p < 0.01$

Finally, to test H4, representing the model of moderated serial mediation, the model 83 of PROCESS macro is performed (Hayes, 2018). The results suggest that trust in authorities has an insignificant direct effect on intention for honest reporting ($\beta = -0.838, t = -1.081, p = 0.283$). However, the relationship depends upon the power of authorities, as indicated by the marginal significant interaction between trust and power variables ($\beta = 0.900, t = 1.837, p = 0.070$) (Figure 2). Specifically, the conditional effect in Table 7 reports that the high-power condition provides a significant moderating effect on the relationship between trust in authorities and honest intention ($\beta = 0.963, t = 2.779, p = 0.007, LLCI 0.386, ULCI 1.539$). In alignment with H3, the result once again shows that intention for honest reporting has a significant effect on guilt for misreporting ($\beta = 0.344, t = 3.733, p = 0.004$), and in turn, feeling more guilt for misreporting leads to a higher incidence of tax reporting ($\beta = 0.547, p = 0.055$). Last, the index of moderated mediation produces an insignificant result as the significant effect is only in a high-power condition, not a low-power condition (Table 8). Hence, H4 is partially

supported. The other statistical results produced by Model 83 of PROCESS macro for this study are also reported, as shown in Table 9.

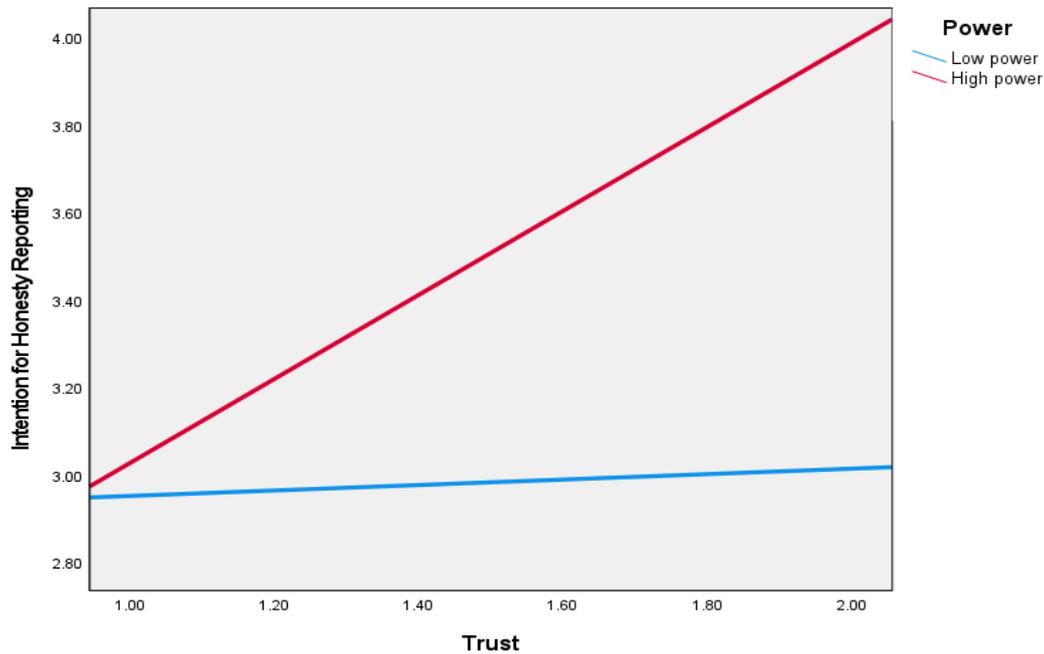


Figure 2: Interaction Between Trust and Power

Table 7: Moderation Effect of Power on The Relationship between Trust and IHR

	Beta coefficient	t-value	p-value	f	R ²
Trust	-0.838	-1.081	0.283	4.116	0.140
Power	-0.825	-1.065	0.290		
Trust*Power	0.900	1.837	0.070*		

Power	Conditional effect	t-value	p-value	LLCI	ULCI
Low power	0.063	0.180	0.857	-0.514	0.639
High power	0.963	2.779	0.007***	0.386	1.539

Note: * p<0.1 ** p<0.05 *** p<0.01

Table 8: Moderated Mediation Effects

Model	Path a	Path b	Path c	Index of moderated mediation
Parameters	(X → M1)	(M1 → M2)	(M2 → Y)	(Power of authorities as moderator)
β	-0.838	0.344	0.547	0.169
LLCI	-2.127	0.190	0.077	-0.000
ULCI	0.452	0.497	1.016	0.564
p-value	0.283	0.000***	0.055*	

Note: X = trust in authorities, M1 = Intention for Honest Reporting (IHR), M2 = Guilt for Misreporting (GM) and Y = Actual Tax Reporting (ATR), * p<0.1 ** p<0.05 *** p<0.01

Table 9: Moderated Mediation Effects

Model		Path a	Path b
Path $X \rightarrow M1 \rightarrow Y$	Parameters	($X \rightarrow M1$)	($M1 \rightarrow Y$)
	β	-0.838	0.602
	<i>p</i> -value/CI	0.283	0.015**
Path $X \rightarrow M2 \rightarrow Y$	Parameters	($X \rightarrow M2$)	($M2 \rightarrow Y$)
	β	0.468	0.547
	<i>p</i> -value/CI	0.030**	0.055*
Path $X \rightarrow Y$	Parameters	($X \rightarrow Y$)	
	β	-0.055	
	<i>p</i> -value/CI	0.916	

Note: X = trust in authorities, M1 = Intention for Honesty Reporting (IHR), M2 = Guilt for Misreporting (GM) and Y = Actual Tax Reporting (ATR), * $p < 0.1$ ** $p < 0.05$ *** $p < 0.01$

Additionally, we also perform G*power analysis to determine the "true" effect when the effect actually occurs, hence further reinforce the significance of our hypotheses' findings. Sensitivity analysis was conducted to identify the effect size, given a known sample size, i.e., based on 80 collected data. The result indicates that a one-way between-subjects ANOVA with 80 participants across four groups would be sensitive to effects of Cohen's $d = 0.38$ with 80% power ($\alpha = .05$). This means the study would not be able to reliably detect effects smaller than Cohen's $d = 0.38$. The effect size of 0.38 is above medium $d = 0.25$, as defined by Cohen (1969). This value is in fact almost reaching large effect size of Cohen's $d = 0.40$.

Discussions and Conclusions

This research examines the predictors of tax-reporting behaviour among platform workers on Upwork, a popular platform operator. More specifically, we determine whether trust in authorities, power of authorities, along with moral (i.e., intention for honesty reporting) and emotional (i.e., guilt for misreporting) aspects influence tax reporting by platform workers.

After analysing the main effect of trust on the intention for honesty reporting (H1a) and tax reporting (H1b), respectively, we can only confirm the prediction of H1a, whereby high trust in authorities leads to a higher intention to be honest among platform workers. According to Braithwaite (2003), high trust of an individual toward the tax system is driven by the 'commitment' motivational posture, which increases their moral obligation to act in the interest of being a responsible citizen. Hence, the more trust perceived by taxpayers, the more honest they will be in complying voluntarily to tax reporting, as proven by prior studies like Chong et al. (2019), Kaplanoglou and Rapanos (2015), Kastlunger et al. (2013) and Olsen et al. (2018). However, unlike past studies which demonstrate a direct link between trust and voluntary compliance, the current research fails to provide a similar prediction specifically toward tax-reporting compliance (H1b), possibly due to the need for other contributing factors.

Next, regarding H2, we find new evidence of the dynamic nexus between the two elements of SSF. Unlike Gangl, Hofmann, et al. (2020), who demonstrate the mediating effect of trust towards power and tax compliance empirically, we assert that power of authorities moderates the positive link between trust and honest intention among the platform workers. The result indicates that when platform workers perceive more power of authorities, their trust and honest intention also increase, particularly in paying taxes. Despite opposite moderating signs with that of Gobena and Van Dijke (2016), we believe that the legitimate power of authorities

reflected a positive role in the trust–honesty relationship tested above.

For H3, we discover that intention for honesty reporting and guilt for misreporting mediate the relationship between trust in authorities and tax reporting. The serial mediation model in this study deepens our knowledge about what motivates individuals to pay taxes. The findings suggest that higher levels of trust in authorities are associated with higher intention to be honest and, thus, higher levels of guilt for misreporting, thus increasing platform workers' tax reporting. Therefore, we integrate the empirical and theoretical discussions in studies by Alm and Torgler (2011), Dunn et al. (2018), and Murphy (2012) to provide a better explanation of tax compliance.

Last, our results show that H4 is partially supported. The hypothesis is only valid for the high-power condition, implying that in the situation of low enforcement by or low legitimacy of authorities, the tax-reporting compliance will depend solely on the individual intention to be honest and guilt for misreporting. Hence, the social dilemma of tax compliance can only be solved with the variant mix of high trust and high power of authorities, as evidenced by several tax decision-making studies (L. Batrancea et al., 2019; Damayanti & Supramono, 2019; Gangl, Hofmann, et al., 2020; Olsen et al., 2018). In sum, guided by the SSF and its extension, we propose and find support for the dynamics between trust in authorities and power of authorities. Looking at the relationships separately through H1–H3, and as a whole through a moderated mediation model in H4, the empirical results of this study support most of our predictions.

Implications, Limitations and Future Research

The present research provides important theoretical, methodological and policy implications. First, findings from this research expand the knowledge in prior studies that have explored the original assumptions of the SSF and its extension. This study also helps broaden the understanding of the taxpayer–authorities' relationship in the existing SSF and e-SSF by including the new mediating effect of levels of honesty and guilt for misreporting. Additionally, approaching platform workers to be participants in this experimental study has extended the sharing economy, digital economy, gig economy, and even the platform economy literature, particularly in the tax decision-making context. As for policy implications, this study believes that on top of deterrent actions of audit and fines, policy makers should also consider the personal values and emotions of taxpayers in the trust-building measures, in ensuring better tax compliance.

The limitations of this study may present an opportunity for further research. To begin, our study's findings are based on platform workers from one digital platform only, and sample is restricted to eighty participants. Therefore, care should be taken in generalizing the study findings to all other platform workers. Hence, future research may consider differentiating the current study findings from the reactions of those on other popular digital platforms in reporting their digital income to tax authorities. Second, since our study employs scenario-based experiments which may not reflect the natural tax setting, future research may consider using unpublished administrative data from tax returns by directly cooperating with the tax authorities. A mixed method approach may also be applied by including interviews with platform workers and the tax authorities to provide further insight on promoting tax compliance to those platform workers. Next, given the survey participants' cultural differences, it may be beneficial for future research to inquire about the participants' perceptions and evaluations of their own tax system.

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APPENDIX A

A.1. SCENARIOS

All descriptions started as follows:

Please read the following description of a country:

In the last census of population in April 2009, Varosia had 28.3 million inhabitants and the territory of Varosia occupies 330,436 km². The unemployment rate is at an average.

Subsequently, information concerning the manipulation of trust ([low] high) differed from one condition to other:

*Since Varosia's autonomy it has been marked with a [low] **high** political stability and an [oligarchic (authority of few)] **democratic** government. [Seldom] **Regularly** referenda are held, in which the citizens of Varosia can co-decide in the legislation.*

*The government enjoys a [bad] **good** reputation in the population. It can be concluded from opinion polls that 70% of the citizens are [not] **satisfied** with the current government.*

*Varosia's legislation is [not] **transparent** and the government offers [no] **the opportunity** of free counselling on judicial subjects and tax issues in information centers. Furthermore, Varosia's public authorities are [little] **very service-oriented** and [not] **interested** in supporting Varosia's citizens.*

*The budget expenditures of the state are [not] **traceable** for Varosia's citizens, because they are [not] **regularly** informed about the use of tax money. In an opinion poll in October 2010, 78% of Varosia's citizens indicated to have the impression that their tax money is [not] **used** reasonable.*

*Besides [a lot of] **little** tax money is embezzled by politicians. According to an international corruption index (CPI), Varosia is one of the countries with the [highest] **lowest** perceived corruption.*

*All these factors cause that the citizens of Varosia trust their country a [little] **lot**.*

Thereafter, information regarding the manipulation of power ([low] high) was adapted to each condition:

*The prosecution of tax evaders is [not] **very** effective. Because of the tax legislation it is [difficult] **easy** for the government to conduct audits on its citizens and therewith to chase tax evaders.*

*The government assigns a [low] **high** budget to the tax office to punish tax evasion. With the means at hand, it is [not] **possible** for the tax office to employ qualified tax inspectors. In addition, the members of the tax office of Varosia are perceived as [little] **very** present.*

*The chance to be audited for self-employed people is very [low] **high**. This is to say that self-employed are [not] audited very often. Therefore, [not] **many** of the committed tax offences can be detected. Moreover, the fines for tax evasion are [not] **very** severe in Varosia. When tax evaders are detected, they do [not] **have** to anticipate severe fines. The tax office does [not] **exercise** benignity.*

All these factors cause that the citizens of Varosia assess their government as [little] very powerful.

A.2. QUESTIONNAIRES

Imagine that you are living, working, and paying taxes in Varosia. You are working as a gig worker, and you are doing well with your job. Your tax declaration is due, and you have to pay taxes.

A.2.1 Manipulation Check Trust

- The governmental authorities in Varosia act fair towards their citizens.
- In Varosia the interests of a few are considered stronger than the interests of the community. (reversed)
- The governmental institutions of Varosia act upon their citizens' interests.

A.2.2 Manipulation Check Power

- Chances that tax evasion will be detected in Varosia are high.
- It is easy to evade taxes in Varosia. (reversed)
- The governmental institutions in Varosia are very effective in the suppression of tax criminality.

A.2.3 Intention for Honesty Reporting

- I would be tempted not to report all my extra earnings from gig work on my tax return.
- Under these circumstances, I might not report all of my extra earnings from gig work on my tax return.
- I am unlikely to report all my extra earnings from gig work to the Inland Revenue Board.
- I will not report all the extra earnings from gig work to the Inland Revenue Board.

A.2.4 Guilt for Misreporting

- I would feel guilty if I did not report my annual income earned from gig work to the Inland Revenue Board.
- I would have a guilty conscience if I did not report my annual income earned from gig work to the Inland Revenue Board.
- I would not feel good about myself unless I report my annual income earned from gig work.
- I think that it would be morally wrong to misreport my annual income earned from gig work.

A.2.5 Actual Tax Reporting

- If you earned annual income of RM14,000 from gig work, how much of the RM14,000 annual income earned from gig work would you decide to report on your tax return?