

# Withholding Tax Ambiguity and Individual Income Tax Filing Decision

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Received: September 4, 2024 | Revised: October 17, 2024 | Accepted: October 21, 2024

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## Abstract

This study examines the effect of ambiguity of income tax classification in withholding tax certificate and amount of withholding tax on the individual tax filing behavior. We conjecture that the effect of the withholding tax amount on the tax filing decisions is contingent to the issuing party of ambiguous withholding tax certificate. Two levels of withholding tax amount (high vs. low) and two types of withholding tax issuers (client vs. audit firm) were manipulated and given four experimental treatments. The withholding tax certificate in all scenarios specifies the type of income as Others together with the total amount of income and withholding tax. Representing accounting and tax experienced taxpayers, 92 undergraduate and graduate students participated in our 2 by 2 within-subject experimental design to investigate the extent of tax filing decision in a hypothetical setting. The results are consistent with our proposition. When the withholding tax amount is low, participants choose to report their taxable income according to the type of taxable income stated in the withholding tax certificates. When the withholding tax amount is high and the certificate issuers seems to be less experienced, participants are more carefully report the type their incomes.

**Keywords:** Tax Compliance, Withholding Tax, Tax Ambiguity, Individual Income Tax

# ความกำกวมในภาษีหัก ณ ที่จ่ายและการตัดสินใจยื่นภาษีเงินได้บุคคลธรรมดา

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## บทคัดย่อ

การศึกษานี้พินิจผลกระทบของความกำกวมในการจัดประเภทรายได้ในหนังสือรับรองการหักภาษีหัก ณ ที่จ่าย และจำนวนเงินภาษีหัก ณ ที่จ่ายต่อพฤติกรรมการปฏิบัติตามกฎหมายภาษีเงินได้บุคคลธรรมดา เราคาดว่าผลกระทบของจำนวนภาษีหัก ณ ที่จ่ายต่อการตัดสินใจในการยื่นภาษีขึ้นอยู่กับแหล่งที่มาของใบรับรองการหักภาษีเงินได้และการแสดงรายการในใบรับรองภาษีหัก ณ ที่จ่ายที่กำกวม งานวิจัยนี้ดำเนินการโดยใช้การทดลองแบบ 2 คูณ 2 ในกลุ่มผู้ทดลองเดียวกันเพื่อศึกษาระดับการปฏิบัติตามวิธีการรายงานภาษีในสภาพแวดล้อมสมมติ ผู้เข้าร่วมโครงการวิจัย 92 คนเป็นนักศึกษาในระดับปริญญาตรีและบัณฑิตซึ่งเป็นตัวแทนของผู้เสียเงินได้ที่มีประสบการณ์ด้านการบัญชีและภาษีอากร ผลการวิจัยสอดคล้องกับการคาดการณ์ คือ เมื่อจำนวนเงินภาษีหัก ณ ที่จ่ายต่ำ ผู้เข้าร่วมงานวิจัยส่วนใหญ่เลือกที่จะรายงานเงินได้ที่ต้องเสียภาษีให้สอดคล้องกับแหล่งที่มาของเงินได้ตามที่แสดงไว้ในใบรับรองการหักภาษี ณ ที่จ่าย ผลกระทบหลักของแหล่งที่มาของเงินได้ที่ต้องเสียภาษียังคงมีอยู่เมื่อจำนวนภาษีหัก ณ ที่จ่ายต่ำ เมื่อจำนวนเงินภาษีหัก ณ ที่จ่ายสูงและใบรับรองนั้นออกโดยลูกค้า ผลการทดลองแสดงว่าผู้เสียภาษีเงินได้จะใช้วิจารณญาณในการระบุประเภทของรายได้ให้ถูกต้องโดยใช้ความระมัดระวังยิ่งขึ้น

**คำสำคัญ:** การปฏิบัติตามภาษี ภาษีหัก ณ ที่จ่าย ความกำกวมทางภาษี ภาษีเงินได้บุคคลธรรมดา

## **1. INTRODUCTION**

Thai Revenue Code tasks tax entities including a person, juristic, a company, association or a body of person, to be liable to withhold tax at source, issue withholding tax certificate and submit the tax withheld to the District Revenue Office when the entities pay income to individuals (<https://www.rd.go.th/english/6045.html>; retrieved on October 4, 2024). Income taxpayers then report their income received consistent with the type stated in the withholding tax certificate. Anecdotally, issuers of the withholding tax certificate merely state the type of income as Others especially when the issuers do not know the exact type of income per Revenue Code. This common practice leaves room for taxpayers to apply their judgment and interpretation then eligibly choose the category that should best benefit own wealth. Inappropriately identifying and filing taxable income type will impair the tax and audit data quality collected for further analytics employed by tax authority as well as audit regulators. Therefore, how experienced tax experts choose the type of taxable income for tax filing when encounters the ambiguity in withholding tax certificate is an important research question.

This experimental study aims to examine individual income tax filing decisions using hypothetical individual income tax scenarios. To induce the ambiguity in tax filing, withholding tax certificate issued to income taxpayers indicates the type of income as Others even though the income is undoubtedly an annual audit fee. The authors manipulate two levels of withholding tax amount as high vs. low as well as whether the issuer of withholding tax certificate is either an audit client or an audit firm. The scenarios have been developed based on real-life situations encountered by auditors. The authors choose the within-subject experimental design to help disentangle the effect of variables of interest from confounding variables as well as control the effect from individual participants (Zmyslinki-Seelig, 2018).

The findings from this study provide insight into how individual taxpayers react to the ambiguity when the tax amount withheld is varied.

The findings of this study can help understand the importance of taxpayer's knowledge and the income tax practice options so that appropriate improvements can be made to ensure tax compliance in the future . The remainder of this study is organized as follows: the following sections contains an overview of the Thai individual income tax system, follows by a literature review on tax compliance behavior.

The findings contribute to individual income tax literature especially in Thailand. To our best knowledge, little research investigates this question and use the experimental design.

Authority can provide the clearer guidance and/or practical training program for tax certificate issuers. Policy maker and regulations – especially e-withholding to write out the logical decision trees or program embedded to help the person liable to withhold tax at source as well as general taxpayers can correctly classify income categories. With the more precise tax report, the tax authority would be able to collect the accurate amount of tax for each tax category for the benefit of the nation.

## 2. INDIVIDUAL INCOME TAX IN THAILAND

The individual income tax (or Personal Income Tax) is a direct tax levied from a Thai resident or a non-resident. A taxable individual is mandated to compute his/her tax liability, file tax return, as well as pay tax on a calendar year basis. Per the Thai Revenue Code, individual income tax is calculated based on four factors: assessable income, deductions and allowances, tax rates, and withholding tax (The Revenue Department of Thailand, 2014).

The Thai Revenue Department, a tax authority in the country, charges the personal income tax based on the “assessable income.” Eight categories of assessable income include: (1) income from employment, (2) income by virtue of jobs, positions or services rendered, (3) income from goodwill, copyright, franchise, other rights, annuity or income in the nature of yearly payments, (4) interest or dividend income or payments received as a result of the reduction of capital, a bonus, an gain on capital investments, (5) rental income or income from installment sales or hire-purchase contracts, (6) independent professional incomes, (7) income from construction and other contracts, and (8) income from business, commerce, agriculture, industry, transport or any other activity not specified earlier (The Revenue Department of Thailand, 2014; The Revenue Department of Thailand, 2019). Each category of assessable income is subject to specific types and varying rates of deductible expenses (deductions) as presented in Table 1.

**Table 1** Types of personal income tax deductions

Categories of Assessable Income	Deductible Expenses
1. Salary, wage, bonus, per diem	50% of assessable income but not exceeding THB100,000 Categories 1 and 2 are combined. The maximum deductible amount cannot exceed THB100,000.
2. Virtue of jobs, positions, or services provided	50% of assessable income but not exceeding THB100,000 Categories 1 and 2 are combined. The maximum deductible amount cannot exceed THB100,000.
3. Income derived from copyright, goodwill, franchise, other rights	40% of gross income but not over THB60,000
4. Dividend, interest on deposits, share of profits or other benefits	No deductible
5. Rental income	
5.1 Buildings and wharves	30% of assessable income
5.2 Agricultural land	20% of assessable income
5.3 All other types of land	15% of assessable income
5.4 Vehicles	30% of assessable income
5.5 Any other types of property	10% of assessable income

**Table 1** Types of personal income tax deductions (Cont.)

Categories of Assessable Income	Deductible Expenses
6. Independent professional income	30% of assessable income (60% for the medical profession)
7. Income derived from work contract whereby the contractor provides essential materials.	Actual expenses or 60% of assessable income
8. Income derived from business, commerce, agriculture, industry, transportation or any other activities not specified in 1-5.	Actual expenses or 40% and 60% of assessable income, depending on the type of income.

The taxable income is then computed by subtracting personal tax exemptions (allowances) from the assessable income. in accordance with personal status. Table 2 presents the allowances or exemptions, and corresponding amount allowed for the computation of individual income tax. Individual income taxpayers can claim their personal allowance as well as for dependents (e.g., spouse, parents, children). The allowances include life and health insurance premium, Social Security Fund contributions, provident fund contributions. Interest on housing mortgage as well as donation or charitable contributions are the allowances. Alternative contributions to Retirement Fund and Super savings fund are allowances. The Revenue Code specifies the highest amount of allowances as well as criteria for calculating eligible amount of allowances.

**Table 2** Types and amount of Allowances

Types of Allowances	Allowance Amount
Personal allowance	THB60,000
Spouse allowance	THB60,000
Parent allowance	THB30,000 per 1 parent
Child allowance	THB60,000 per child
Life insurance and health insurance allowances (Only local insurance policies with at least 10 years coverage)	Aggregate actual amount of life and health insurance premiums paid but not over THB100,000
Provident fund allowance	Actual contribution but not exceeding THB10,000
Housing loan interest allowance	Actual interest but not over THB100,000
Contributions to Thai Social Security Fund	Actual contribution with a cap of THB750 per month

**Table 2** Types and amount of Allowances (Cont.)

Types of Allowances	Allowance Amount
Educational donation allowance	2 times actual donation but not over 10% of taxable income after deductions of other allowances
Donation allowance	Actual donation but not over 10% of assessable income
Health insurance premium paid for parents	Actual premium paid but not over THB15,000
Premium paid for pension insurance contract	Actual premium paid but not exceeding 15% of taxable income or capped at THB200,000 and not over THB500,000 in aggregate when including provident fund contributions and/or RMF investment.

The personal income tax for the combined personal income of all categories less deductions is then calculated based on the ranges of taxable income and its corresponding applicable rates (see Table 3). The personal income tax rates are progressive with the maximum rate at 35% of net taxable income.

**Table 3** Personal Income Tax Rates

Income Range (THB)	Tax rate (%)	Tax on certain level of income	
		Accumulated income (THB)	Accumulated tax payable (THB)
0 – 150,000	Exempt	150,000	–
150,001 – 300,000	5	300,000	7,500
300,001 – 500,000	10	500,000	27,500
500,001 – 750,000	15	750,000	65,000
750,001 – 1,000,000	20	1,000,000	115,000
1,000,001 – 2,000,000	25	2,000,000	365,000
2,000,001 – 5,000,000	30	5,000,000	1,265,000
5,000,001 and over	35		

### **3. LITERATURE REVIEW**

#### **3.1 Tax compliance**

The extant research in tax has examined and attempted to disentangle the tax compliance puzzle. Tax complexity arises in various forms such as computational complexity, rule complexity, procedural complexity, compliance complexity or the low level of readability (Cox & Eger III, 2006; Richardson & Sawyer, 1998). Complexity is a major cause of tax noncompliance across countries (Richardson G. , 2006). Prior studies suggest the potential causes of complexity including ambiguity, calculations, changes, details forms, and record keeping (Long & Swingen, 1987).

#### **3.2 Ambiguity in tax**

Ambiguity can produce the spectrum of tax compliance among individual taxpayers with tax knowledge. Ambiguity in this study is operationalized as the income categorization which is generated from the sources of income payer. Specifically, the Thai individual tax codes categorize individual income into eight different categories, of which different tax rate and deductible expenses are applied. This provide options for both tax certificate issuers and taxpayers to use their judgment and interpretation when filing individual tax returns, especially when exact employment condition cannot be detected, when the category of income in the withholding tax certificate is not precisely specified. For example, free-lance professionals may be paid for virtue of job or service (category 2), or for professional fees (category 6) depending on the condition of their employment contracts. Taxpayers are expected to perform tax self-assessment, report their revenue and deductible expenses and allowances and voluntarily comply with the revenue codes. The deviation from reporting the true type of revenue could lead to the higher tax levied. The different degree of individual tax reporting is considered as the extent to which taxpayers differentially comply with tax law.

#### **3.3 Risk and tax compliance**

Taxpayers tend to employ their current asset position as the reference outcome when making tax reporting decisions (Schepanski & Shearer, 1995). Differing risk attitudes from the current asset positions influence decision to tax over- or under reporting. Taxpayers' aggressiveness shifts up in a refund position when the refund is presented as multiple returns rather than a single net return (Bhattacharjee, Moreno, & Salvador, 2015).

Risk and framing effect are discussed in previous research as explanatory variables of tax compliance behavior. Detection and tax audit experience influence the tax compliance (Farrar, Kaplan, & Thorne, 2019). This leads to a proposition that providing ambiguity of the tax provision, taxpayers are more likely to be aggressive in reporting their tax payable amount. Additionally, the salience of taxable income amount will be investigated in this current study.

Risk perceptions and ambiguous income and deduction items result in aggressive tax compliance (Christensen & Hite, 1997). Subjects in a tax due position are more likely to engage in noncompliant

behavior than subjects who are in a tax refund position (White, Harrison, & Harrell, 1993). A withholding effect was found at higher detection rates but not in lower detection rates (White, Harrison, & Harrell, 1993).

### **3.4 Individual withholding tax phenomenon**

Empirical research in withholding tax phenomenon states that withholding tax position affects tax compliance behavior (White, Harrison, & Harrell, 1993). Taxpayers who are under withheld at filing and thus have an additional payment due exhibit lower rates of compliance than those who are over withheld at filing and are due a refund of taxes previously withheld (Chang & Schultz, 1990). Individual taxpayers are more likely to claim an unsupported tax deduction when additional tax dues.

### **3.5 Individual differences**

Sociodemographic categories and tax compliance have been discussed in prior research. The effect of gender, age, education, and income in prior research are inconclusive. A meta-analysis study of survey research reveals that sociodemographic effects on tax compliance are small; however, the effects were more pronounced in Western countries (Hofmann, Voracek, Bock, & Kirchler, 2017). Women and less male-typical individuals were more compliant than men and more male-typical individuals. Women and men also differed regarding their taxpaying strategies. Women's tax payments were less affected by prior tax audits, while men increased subsequent tax evasion (Kastlunger, et al. (2010). Education and major of undergraduate show effect on tax compliance. Undergraduate students major in Economics declare less amount of income, be more responsive to framing effects compared to students major in Psychology (Cullis, Jones, & Lewis, 2006).

Taken together, we propose that taxpayers would be more aggressive in individual income tax reporting when the withholding tax certificate is ambiguous, and the taxable amount is high.

## **4. RESEARCH METHODOLOGY**

### **4.1 Research procedures**

To study the tax reporting decisions, the authors administered a paper-and-pencil survey and used a series of common hypothetical tax scenarios. Our hypothetical tax scenarios were developed from several individual income tax filing situations in consultation with accounting practitioners. The scenarios and measurement items were then reviewed and revised by two accounting professors to ensure the content validity and comprehensibility. The scenarios and corresponding choices are self-reported categories of individual incomes. The scenarios contain the source of taxable income and withholding tax amount to represent a different degree of ambiguity. The amount of revenue is manipulated to present two levels of salience: high and low. The participants will then be asked to identify their choice of tax filing for every scenario.

## 4.2 Research design and instrument

Our research design is the 2 (source of income) by 2 (amount of income) within-subjects design containing four scenarios of audit fee income (please see Table 4). The first set of tax scenarios depicts an auditor who is making tax reporting decisions. The repeated measure design was employed to investigate the proposition because it provides the equivalency from using each individual as one's own control (Zmyslinki-Seelig, 2018). The scenarios further describe an individual holding a CPA earning monthly salary as well as audit fee income as her freelance work. The first treatment is the source of audit fee income which is manipulated whether audit engagement is directly hired by an audit client or through a local audit firm. Thus, the withholding tax certificate is issued by either the audit client or local audit firm, respectively. The withholding tax certificate states the income as others; that is, it does not specifically indicate category of income as "Salary, wages, bonus or per diem" (Category 1), "income from virtue of jobs, positions, or service provided (Category 2), or "independent professional income" (Category 6) . The second treatment, the amount of audit fee income manipulation has two levels: low and high. The withdrawing amount was calculated as a certain percentage of the amount of audit fee income. Then, participants are asked to choose to report the audit fee income as income from employment (Category 1 or 2) or independent professional income (Category 6) or not to report this income. The different income categorization choices result in different rates of allowances (please refer to Table 1) and the net tax payable amount. The scenarios of treatments are presented in Table 4 below.

**Table 4** Research design and hypothetical tax scenarios

Scenarios	Audit fee payer	Withholding tax amount	Choices of tax reporting
CL	Client	Low THB450	Category 1 or 2 Category 6 Exclude from tax filing
AL	Audit firm	Low THB450	Category 1 or 2 Category 6 Exclude from tax filing
CH	Client	High THB18,000	Category 1 or 2 Category 6 Exclude from tax filing
AH	Audit firm	High THB18,000	Category 1 or 2 Category 6 Exclude from tax filing

The last section solicits participants' demographic information including gender, age range, highest education attained, the number of tax courses taken, work experience, and tax filing experience (Hofman, et al., 2017) (Hofmann, Voracek, Bock, & Kirchler, 2017). When participants turned in a complete survey package, they received a gift worth 100 Thai baht as a token of appreciation for their participation.

### 4.3 Participants

Ninety-two participants were upper-level undergraduate and graduate students at a major business school in Thailand. Table 5 presents sample demographics. Our participants are appropriate proxies of general individual taxpayers because they have taken and passed at least one taxation class, were currently employed, have experiences in filing their own tax returns. Prior research has students as participants in behavioral accounting and report similar decisions to non-students do (Ashton & Kramer, 1980).

**Table 5** Sample Demographics (n = 92)

	n	Percentage
<b>Gender:</b>		
Female	67	73
Male	25	27
<b>Age:</b>		
20–25 years old	74	81
26–30 years old	12	13
31–35 years old	4	4
> 35 years old	2	2
<b>Education:</b>		
Associate degree	13	14
Undergraduate degree	69	75
Graduate degree	10	11
<b>Major:</b>		
Accounting	87	95
Finance	1	1
Other majors	4	4

## 5. RESULTS

### 5.1 Descriptive statistics

Table 6 summarizes the frequency of the responses by scenarios and the number of participants choosing to report their audit fee income in four scenarios. Most respondents decide to report the income to taxing authorities. Most participants chose to report their income as the employment income when the audit engagement was arranged through a local audit firm (Scenarios AL and AH). Consistently, most of participants chose the professional income when the audit engagement was directly hired by the client (Scenarios CL and AL). A few participants chose to evade tax compliance.

The omnibus test shows that individual participants responded to audit fee income scenarios differently (Friedman  $\chi^2$  test = 77.919,  $df = 3$ ,  $p = .000$ ,  $\eta^2 = 0.281$ ). Friedman  $\chi^2$  test are analogous to ANOVA repeated measures. The participants' tax filing decisions are not independent from variables of interest. The results confirm that our treatment manipulations are effective.

**Table 6** Frequency of outcome variables (n = 92)

The table present the frequency or the number of participants responding to scenarios. The tax reporting choices are mutually exclusive in each scenario.

Scenarios	Tax reporting choice		
	Category 1 or 2 Employment income	Category 6 Professional income	Exclude from tax filing
CL	24	69	0
AL	62	29	1
CH	8	81	3
AH	49	40	3

The omnibus tests do not detect the sociodemographic effect. The Komogorov-Smirnov tests indicate that the gender effect on all tax scenarios is not significant. The Kruskal Wallis tests show that the age effect and the education are not significant (the results are not tabulated), consistent with Hofmann, et al. (2017) meta-analyses of tax survey research. That is, the East Asia and Pacific region presents relatively low correlations among demographic variables and tax compliance (Hofmann, et al., 2017) (Hofmann, Voracek, Bock, & Kirchler, 2017). Spearman's  $\rho$  correlation coefficients printed in Table 7 show that Age is associated positively with AL ( $r = .229$ ) and AH ( $r = .220$ ).

**Table 7** Correlation matrix among variables

This table presents Spearman's  $\rho$  correlation coefficients. Spearman's  $\rho$  correlation coefficients range from -1 to 1. † and ‡ denotes the significant levels at .05 and .01, respectively.

Variables	1.	2.	3.	4.	5	6.	7.
1. CL	-						
2. AL	.020						
3. CH	-.269‡	.004					
4. AH	.089	-.247‡	.084				
5. Gender	-.138	-.167	.098	-.097			
6. Age	.103	.229†	.082	.220†	.069		
7. Education	-.035	.092	.122	.124	.038	.459‡	
8. Work	-.065	-.100	.070	-.113	-.011	-.728‡	-.357‡

## 5.2 Results

Table 8 suggests that tax filing decisions of audit fee income are significantly different (Friedman  $\chi^2$  test (3,  $n = 92$ ) = 77.92,  $p = .000$ ,  $\eta^2 = 0.281$ ). The CH treatment shows the highest mean rank, while the CL treatment has the lowest mean rank. The Wilcoxon signed ranks tests are executed as our planned comparisons to test the main effect of income amount and source of income on tax filing decisions. To evaluate the effect of withholding tax amount (high vs. low), the CH was compared to CL ( $Z = -7.082$ ,  $p = .000$ ) as well as the SS2.H to S2.L ( $Z = -2.250$ ,  $p = .024$ ). The tax filing decisions vary depending on the different amount of withholding tax (low vs. high) only when the source of income is from client. The effect of source of income is significant for both low and high amount (CL vs. AL:  $Z = -5.345$ ,  $p = .000$ ; CH vs. AH:  $Z = -5.520$ ,  $p = .000$ ). The comparisons between CL and AH as well as AL and CH are seen to be significantly different. Thus, the source of income impacts how the taxpayers file their tax report especially when the amount of withholding tax is high.

**Table 8** Main results

Panel A: Descriptive statistic and omnibus test			
Scenarios (amount, source)	Mean (Std Dev)	Mean rank	Friedman test
CL (Low, Client)	.26 (.442)	1.85	$\chi^2 = 77.919$
AL (Low, Firm)	.70 (.486)	2.68	df = 3
CH (High, Client)	.95 (.346)	3.17	$p = .000$
AH (High, Firm)	.50 (.565)	2.29	$\eta^2 = 0.281$

Table 8 Main results (Cont.)

Panel B: Multiple comparisons

Comparisons	Wilcoxon Signed Rank		Sign test	
	Z	p	Z	p
CL vs. AL	-5.345	.000	-5.220	.000
CL vs. CH	-7.082	.000	-7.052	.000
CL vs. AH	-3.176	.001	-2.932	.003
AL vs. CH	-3.781	.000	-3.617	.000
AL vs. AH	-2.250	.024	-2.125	.034
CH vs. AH	-5.520	.000	-5.714	.000

### 5.3 Additional analyses

A series of parametric statistical analyses was conducted to further examine the audit fee income scenarios (Table 9). The Greenhouse-Geisser epsilon of one, a measure of departure from sphericity, indicates that there is no violation of sphericity (Zmyslinki-Seelig, 2018). The two-way repeated measures ANOVA results reveal the significant main effect of the amount ( $F(1, 91) = 21.087$ ,  $p = .000$ ,  $\eta_p^2 = .188$ ), but not the source ( $F(1,91) = .019$ ,  $p = .892$ ,  $\eta_p^2 = .000$ ). The interaction between the amount and the source has a significant effect on tax filing decisions ( $F(1,91) = 66.435$ ,  $p = .000$ ,  $\eta_p^2 = .422$ ). The tax filing decisions tend to be more aggressive. The effect of amount on tax filing decision is amplified when the source of income is from client. That is, when the income was paid directly from the client, the low amount condition, respondents report higher amount of taxable income than respondents in the high amount condition. While in the source of income is an audit firm, the effect of amount is not significant on tax filing decisions.

**Table 9** Parametric statistical analysis results

Panel A: Estimated marginal means of tax filing decisions (standard errors)

n = 92

		Withholding Tax Amount		
		Low	High	Total
Source	Client	0.261 (.046)	0.946 (.036)	0.603 (.025)
	Firm	0.696 (.696)	0.500 (.059)	0.598 (.035)
Total		0.478 (.034)	0.723 (.036)	

Panel B: Tests of Within-Subjects Contrasts

Source	Type III SS	df	F	p
Amount	5.503	1	21.087	.000
Source	.003	1	.019	.892
Amount × Source	17.829	1	66.435	.000

## 6. CONCLUSION AND DISCUSSION

This research studies the effect of the withholding tax amount and the ambiguity of taxable income source. Our results show the main effect of the withholding tax amount on tax compliance. However, the source of taxable income interacts with the withholding tax amount. The source of taxable income lessens the effect of the withholding tax amount on tax compliance. The results suggest that tax and accounting experienced taxpayers are more confidently indicated their own income type when withholding tax certificate issuers seems to be less experienced

The current study provides academic and practical implications in taxation. First, tax authorities may consider elaborating the criteria for classifying income tax types to reduce any discretionary tax filing. Prior research in Finland reports that provisions of tax rules help those Finnish firms in labor intensive service industry to reduce their unintentional mistakes significantly (Kosonen & Ropponen, 2015). Computer technology, like decision rules embedded in online tax filing applications, might help taxpayers correctly report types of taxable income. Second, the results of this study add to taxation research literature which is scantily available in the South-East Asia region. Lastly, our research design and empirical evidence can be used as a basis for operationalizing tax complexity as well as developing tax complexity measures for future research.

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