

Chapter 12

The Role of E-Government in Mitigating Tax Evasion Through Behavioral Profiling of Non-Compliant Taxpayers

Muhammad Younus

 <https://orcid.org/0000-0001-9654-1546>

Universitas Muhammadiyah Yogyakarta, Pakistan

Halimah Abdul Manaf

Universiti Utara Malaysia, Malaysia

Achmad Nurmandi

*Universitas Muhammadiyah Yogyakarta,
Indonesia*

Dyah Mutiarin

 <https://orcid.org/0000-0003-3171-8915>

*Universitas Muhammadiyah Yogyakarta,
Indonesia*

Imron Sohsan

Khon Kaen University, Thailand

Abdul Rehman

Pakistan Air Force College, Pakistan

Muliany Rosa

Tourism Department Makassar, Indonesia

Rashid Minhas

Virtual University, Pakistan

ABSTRACT

Tax evasion poses significant challenges to governments, undermining revenue collection and trust in public institutions. E-Government platforms, leveraging advanced digital tools and data analytics, offer a promising solution to address this issue by enabling efficient monitoring and profiling of taxpayer behavior. This study explores the role of E-Government systems in mitigating tax evasion through the behavioral profiling of non-compliant taxpayers. By integrating machine learning algorithms and anomaly detection techniques, the research identifies patterns of non-compliance and develops predictive models for early detection of evasion risks. Furthermore, the study examines the psychological and socio-economic factors influencing taxpayer behavior, emphasizing the role of trust, transparency, and system usability in fostering voluntary compliance. The findings underscore the importance of data-driven policy interventions and ethical considerations in behavioral profiling, offering a robust framework for enhancing tax compliance and promoting fiscal transparency.

DOI: 10.4018/979-8-3373-0422-9.ch012

1 INTRODUCTION

The rapid advancement of digital technology has significantly transformed the mechanisms of public administration worldwide, marking a shift from traditional bureaucratic processes to more streamlined and transparent governance models. E-government, characterized by the use of information and communication technology (ICT) to enhance the delivery of public services, has emerged as a critical tool for fostering transparency, accountability, and efficiency in public sector management. Among its myriad applications, the role of e-government in tax administration has gained substantial attention due to the persistent challenge of tax evasion (Levaggi & Menoncin, 2024), which undermines the financial stability of nations and erodes public trust in governmental systems. Tax evasion, a deliberate underreporting or misrepresentation of taxable income, is a global issue that deprives governments of essential revenue needed for infrastructure development, social welfare, and public services. It is within this context that the integration of e-government platforms offers a transformative potential for mitigating tax non-compliance through innovative approaches such as behavioral profiling.

1.1 Problem Formulation

Historically, tax evasion has been a deeply ingrained problem, exacerbated by complex tax codes, limited oversight, and loopholes that provide opportunities for individuals and corporations to evade their tax obligations. Traditional enforcement strategies, including audits and penalties, while effective to an extent, are resource-intensive and often reactive rather than proactive (Khelif & Amara, 2019). The digitalization of tax systems, an integral aspect of e-government initiatives, has brought forth new possibilities for addressing tax evasion. Countries like Estonia and Singapore, recognized as global leaders in e-government, have successfully leveraged ICT to develop sophisticated tax systems that reduce human intervention, enhance compliance monitoring, and foster voluntary tax compliance. However, despite the widespread adoption of digital tax systems, many nations continue to grapple with high levels of tax evasion, indicating the need for more nuanced strategies that account for the behavioral tendencies of taxpayers (Baconnier, R., & Taly, R., 2005).

At the heart of the tax evasion problem lies the behavior of taxpayers, which is influenced by a myriad of factors, including economic incentives, perceptions of fairness, social norms, and the perceived likelihood of detection. Behavioral profiling, a method that involves analyzing patterns in taxpayer data to identify potential non-compliance, has emerged as a promising tool for enhancing tax enforcement efforts. By leveraging advanced analytics and machine learning algorithms, tax authorities can segment taxpayers based on their compliance behavior, allowing for targeted interventions that are both efficient and equitable (Comba, 2019). This approach aligns with the broader objectives of e-government, which seeks to harness data-driven decision-making to optimize public service delivery. Yet, the integration of behavioral profiling within e-government frameworks for tax administration remains underexplored, particularly in developing countries where data infrastructure and digital literacy may pose significant challenges (Carrero & Ribeiro, 2020).

The persistence of tax evasion as a global challenge underscores the limitations of existing enforcement mechanisms and the pressing need for innovative approaches that leverage technology and behavioral insights. Despite the growing body of literature on tax compliance, there remains a gap in understanding the interplay between e-government platforms and taxpayer behavior, particularly in the context of behavioral profiling. While studies have highlighted the effectiveness of digital tax systems in improving

32 more pages are available in the full version of this document, which may be purchased using the "Add to Cart" button on the publisher's webpage:

www.igi-global.com/chapter/the-role-of-e-government-in-mitigating-tax-evasion-through-behavioral-profiling-of-non-compliant-taxpayers/376902

Related Content

Exploring Diversity and Inclusion Leadership in Complex Organizations

Stephanie J. Barrett (2021). *Handbook of Research on Multidisciplinary Perspectives on Managerial and Leadership Psychology* (pp. 320-353).

www.irma-international.org/chapter/exploring-diversity-and-inclusion-leadership-in-complex-organizations/270818

MoBip Project: To Raise Awareness about Bipolar Disorder through an 3D Pop-Up Book

Hakan Altinpullukand Gulsun Eby (2016). *Psychology and Mental Health: Concepts, Methodologies, Tools, and Applications* (pp. 493-514).

www.irma-international.org/chapter/mobip-project/153412

Disaster, Vulnerability, and Violence Against Women: Global Findings and a Research Agenda for Bangladesh

Khandakar Josia Nishatand Md. Shafiqur Rahman (2019). *Social Issues Surrounding Harassment and Assault: Breakthroughs in Research and Practice* (pp. 641-656).

www.irma-international.org/chapter/disaster-vulnerability-and-violence-against-women/211415

Conjoint Analysis with fMRI: A Novel Analytical Approach to Neuromarketing

Jarmo Heinonen (2016). *Neuroeconomics and the Decision-Making Process* (pp. 147-162).

www.irma-international.org/chapter/conjoint-analysis-with-fmri/148114

Exploring the Self-Efficacy-Building Practice of Teaching Real-World Entrepreneurial Leadership Skills on the Graduate Level

Darrell Norman Burrell, Kristine Elizabeth Shipman, Anton Shufutinskyand Eugene Lewis (2021). *Handbook of Research on Multidisciplinary Perspectives on Managerial and Leadership Psychology* (pp. 25-41).

www.irma-international.org/chapter/exploring-the-self-efficacy-building-practice-of-teaching-real-world-entrepreneurial-leadership-skills-on-the-graduate-level/270802