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The Influence of Financial Secrecy and National Culture toward Tax Compliance

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ABSTRACT

Tax compliance is essential to pursue the fulfillment of countries' tax revenue. This research aims to prove the effect of country level of financial secrecy and the resraint culture toward the tax compliance behavior. We expect that the financial secrecy would reduce the tax compliance. Furthermore, we also hypothesize that the restraint culture in a society influences tax compliance negatively. This research uses control variables i.e: democracy, tax rate, and law enforcement. By using cross-countries data of 62 countries processed by multiple regression analysis, it is concluded that financial secrecy has a negative influence toward tax compliance. Moreover, the restraint culture does not implied to have any effect on tax compliance. The findings of this research provide additional contribution as an empirical study in a global scale about the influence of financial secrecy and restraint culture on tax compliance. Based on the result, it can be recommended the government that should promote transparency in the financial sector to minimize non-compliant behavior.

INTRODUCTION

Based on the estimation of the International Centre for Tax and Development (2016), the total tax revenue contributes more than 50 percent of total government revenue in countries. Most countries in the world use tax as their basis of economic implementation so that a low tax revenue becomes a crucial issue for the state. The level of taxpayer compliance positively influences tax revenue (Rakhmadhani, 2020). High tax compliance can protect public finance and fund the whole public expenditure which is important for a state to pay attention to taxpayer compliance in order to ensure that the state revenue can meet the needs of the country (Youde & Lim, 2019). In Borrego's (2013) perspective, the low tax compliance causes the increase of tax evasion, tax fraud, and tax planning that will lead to the decline of the state tax revenue.

Financial secrecy is a refusal to share financial information with the authorized party that enables a person or an entity to escape from the law, rule, and other regulations by using financial secrecy as a tool (Tax Justice, 2020). Secrecy jurisdiction makes tax haven countries often limit the information of the shareholders, amount of shares, and amount of cash invested (Guttorm Schjelderup, 2015). According to Puspitasari et al. (2019), financial secrecy reduces competition and conflict that can decline company security. On the other hand, Jansky et al. (2018) stated that

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financial secrecy could increase corruption practice, money laundering, and tax evasion. Omar & Zolkaflil (2015) stated that profit shifting conducted by taxpayers is an example of tax non-compliance behavior.

The OECD (2009) pointed out that the definition of a tax haven is not limited only from the tax perspective but also emphasizes the lack of information exchange and transparency. According to Janský & Prats (2015), financial secrecy jurisdiction enables tax avoidance and tax evasion practices by shifting the state revenue to the high-tax jurisdiction country (profit shifting). Profit shifting gains special attention from the government in many countries because it proves to have an effect on the low tax revenue in a country (Clausing, 2016; Pratama, 2020). According to Janský & Prats (2015), the low tax revenue can create the inability of the government to provide essential services and allow an increase in debt that will impact the future.

The study by Tsakumis et al. (2007) was the first research that proved that Hofstede's national culture has an influence on tax evasion. Hofstede added the indulgence versus restraint culture dimension in 2010. The previous studies by Réthi (2012) and Olaniyi & Akinola (2020) showed that indulgence versus restraint culture influences taxes. This study will use indulgence versus restraint culture as an independent variable to see the influence on state tax compliance. Hofstede (2010) stated that indulgence versus restraint is related to government regulation compliance that is expected to have an impact on tax compliance.

This study is aimed to empirically investigate the impact of financial secrecy and Hofstede's national culture on tax compliance. The empirical study that discusses the relation between financial secrecy and tax compliance has not been developed well in the literature yet. The most similar research was conducted by Eka (2019) that connects the relation between financial secrecy and profit shifting and the study by Janský & Prats (2015) that connects profit shifting with a tax haven. But oppositely for Hofstede's national culture and tax studies, many researchers have developed and studied this topic such as done by Tsakumis et al. (2007), Réthi (2012), and Olaniyi & Akinola (2020). This study is expected to prove the relation between financial secrecy and tax compliance that has not been studied previously. In addition, this study also wants to prove the influence of Hofstede's national culture especially Indulgence versus Restraint on tax compliance of a country. The research questions that will be answered from this study are:

1. Does financial secrecy negatively affect tax compliance?
2. Does indulgence versus restraint negatively affect tax compliance?

Academically, this study is expected to prove and provide information related to the impact of financial secrecy and national culture on tax compliance behavior as an academic reference. In addition, this study is expected to be an input for the government to consider the financial secrecy principle and the state tendency on restraint culture that affects tax compliance in making tax regulations so that the state could maximize the tax revenue even though the principle of financial secrecy and restraint culture remain in effect.

LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT

Financial Secrecy

Secrecy is the most influential factor in presenting information in financial statements (Puspitasari et al., 2019). The U.S. Government Accountability Office (2008) described financial secrecy as the lack of information exchange regarding taxes with tax authorities. Financial secrecy enables corruption, money laundering, tax avoidance in the form of profit shifting by taking advantage of tax havens (Jansky et al., 2018). In tax haven countries, financial secrecy is one of the characteristics due to the lack of transparency regarding financial information. Refusal to give financial information to third parties makes financial secrecy become a tool to conduct aggressive tax planning that may surpass the line from tax avoidance into tax evasion (Guttorm Schjelderup, 2015).

In 2015, Tax Justice introduced the Financial Secrecy Index as a tool to understand global financial secrecy, tax haven or secrecy jurisdiction, and illicit financial flows or capital flight by focusing on 133 jurisdictions in the world (Tax Justice, 2020). The ranking of jurisdictions issued by the Financial Secrecy Index is the result of a combination of qualitative data (20 secrecy indicators) and quantitative data (global valuation for offshore financial center valuation). The high secrecy jurisdictions tend to bring a person or an entity to hide information when reporting and disclosing financial information that leads to non-compliance behavior that is shown by profit shifting action by using tax haven countries to be the destination for financial flows in order to reduce the overall tax liability in the high rate tax country (Eka, 2019).

Indulgence and Restraint Culture

Indulgence versus restraint culture is the latest national culture dimension. In 2010, Hofstede added restraint and indulgence culture based on the individual survey results from 93 countries conducted by the World Values Survey. The two different dimensional poles show a society with an indulgence culture has the perspective that someone can tend to act as one pleases, spend money, and do fun activities. Conversely, a society with a restraint culture has the perspective that there are restraints in various social norms and social prohibitions that cause enjoyment of delights to have certain limitations (Hofstede, 2010).

The definition of indulgence culture according to Hofstede (2010) refers to the tendency to fulfill basic and natural human desires to enjoy life and have fun. Besides, restraint culture is the opposite of indulgence culture that is defined as a conviction that satisfaction needs to be limited by strict social norms. Hofstede (2010) explained that a society with a high indulgence score has lower scores on moral discipline. Meanwhile, the society with a restraint culture tends to prioritize the maintenance of order as an important national goal substituting other goals.

Countries categorized to have Indulgence culture are Sweden, Mexico, and Venezuela which have an Indulgence score of 78, 97, and 100. Meanwhile, countries with Restraint culture are Latvia, Ukraine, and Bulgaria which has 13, 14, and 16 scores means they tend to the Restraint Culture. The differences between these two cultures can be seen from desires and impulse control. For Venezuela, they get the highest score of indulgence means they have relatively low control over their impulses and desires. They are willing to enjoy life and have fun. They also have positive behavior and have a tendency towards optimism (Hofstede Insight, 2021). Oppositely, countries with a strong restraint culture mean they tend towards cynicism and pessimism. They have thoughts that behaviors are restrained by social norms and regard that indulging themselves as a wrong action (Hofstede Insight, 2021).

Tax Compliance

Tax compliance refers to paying tax timely and accurately by complying with tax laws and regulations (Youde & Lim, 2019). Oktaviani et al. (2017) stated that tax compliance increases when the taxpayers have the awareness to conduct their tax obligations. The total Gross Domestic Product (GDP) reflects the state tax revenue (Iriqat & Anabtawi, 2016). If the state Gross Domestic Product is low, so is the state tax revenue and vice versa. Directorate General of Taxes of Indonesia (2021) explained that the higher the tax compliance rate of a country is, the higher the tax revenue will be.

The previous study by Mawejje & Sebudde (2019) investigated tax potential and tax effort across countries. Tax potential is the maximum amount of tax revenue that a country can achieve concerning a set of economic, social, demographic, and institutional factors. On the other hand, tax effort is the percentage used to examine whether actual tax revenue can reach the potential (Mawejje & Sebudde, 2019). The country's tax performance is reflected by a comparison of tax realization (reflected by state revenue) and the tax potential (Langford, 2016). When the state tax revenue realization is close to the tax potential, it can be considered as a high degree of tax compliance. Conversely, if the tax revenue realization does not reach the tax potential level, the tax compliance is low.

Financial Secrecy and Tax Compliance

Financial secrecy becomes a reason for someone or an entity to restrict financial information disclosure to external parties (Guttorm Schjelderup, 2015). Tobin & Walsh (2013) stated that tax haven countries with high secrecy have no strict regulation regarding financial information presentation. Thus, information about corporate transactions in tax havens is still private and presented incompletely, which causes financial intransparency. Financial secrecy regulated in secrecy jurisdictions leads to financial intransparency that enables taxpayers to do non-compliant behavior (Emmenegger, 2014). Janský & Prats (2015) explained that financial secrecy causes the possibility of tax evasion and tax avoidance practice to happen.

The study by Eka (2019) stated that a high score of financial secrecy negatively affects tax compliance because the state jurisdiction lacks transparency. Conversely, low financial secrecy indicates that the jurisdiction is more transparent and the tax compliance is higher. According to the study of Janský & Prats (2015) and Emmenegger (2014), financial secrecy potentially causes state tax revenue to become lower. A low state revenue (reflected by GDP) indicates low tax compliance in a country. Mawejje & Sebudde (2019) explained that tax revenue which almost reaches its tax capacity or potential with a high tax effort shows a high tax performance from the comparison of tax realization and tax potential. From the description above, the hypothesis is:

H1: Financial secrecy has negative effect toward tax compliance

Indulgence and Restraint Culture and Tax Compliance

Indulgence versus restraint is a dimension of culture that has opposite characteristics. People in indulgence culture prioritize happiness and life enjoyment, while people in restraint culture think that happiness and life enjoyment needs a limit. Society in a high restraint culture tends to pay more attention to government regulation and policy as a national goal (Hofstede, 2010). A higher moral value brings society in restraint culture to be more compliant with the state order than those in indulgence culture. Ortas & Gallego-Álvarez (2020) stated that restraint culture makes people see tax non-compliance as a social irresponsibility act. Tax non-compliance emerges from tax evasion behavior in profit shifting by choosing tax haven as a place to transfer money (Eka, 2019). High financial secrecy in tax haven countries increases the possibility for taxpayers to conduct tax non-compliance behavior.

Previous research by Réthi (2012) showed a low indulgence score related to a low level of tax evasion. Olaniyi & Akinola (2020) stated that indulgence versus restraint has a positive effect on tax performance. A good tax performance, according to Mawejje & Sebudde (2019), is when the state revenue realization almost reaches the tax potential thus taxpayers' compliance is high. People in a restraint culture tend to comply with the regulation because they think compliant behavior is a national purpose that needs to be carried out (Hofstede, 2010). The previous study conducted by Pukeliene & Kažemekaityte (2016) concluded that too much indulgence or lack of restraint does trigger people to do non-compliant tax behavior. The judgment that sees tax as a burden makes taxation regulation neglected by taxpayers. Yet, restraint in a society is expected to decrease the tax non-compliance behavior by complying to pay tax even the regulation such as the financial secrecy condition enables people to evade tax. From the explanation above, the hypothesis taken is:

H2: The restraint culture in a society influences tax compliance negatively

RESEARCH METHODS

Population and Sample

The data population in this study is from countries in the world. In determining the sample, this study uses the purposive sampling method technique that sorts the data listed from the Financial Secrecy Index (Tax Justice Network, 2020), 6-D Model of Hofstede Culture (Hofstede Insight, 2021), and Tax Effort (Mawejje & Sebudde, 2019). For the control variables, the data taken is from the Democracy Index (The Economist Intelligence Unit, 2021), Tax Rate (Tax Foundation, 2020), and Regulation Enforcement (World Justice Project, 2020). The United Nation (2021) counts that the total number of its member countries in the world is 193 countries. Based on the Financial Secrecy Index, the total number of countries listed are 133 countries. Mawejje & Sebudde (2019) provided the data of 150 countries and Hofstede Insight (2021) provided data of 118 countries. Furthermore, the Economist Intelligence Unit (EIU) provided 167 countries, the Tax Foundation provided 223 countries, and the World Justice Project Rule of Law Index provided 128 countries. The criteria are the countries that are provided in the six sources of data above. The result shows that 62 countries meet the criteria that will be used as the sample in this study.

Table 1
Population and Sample

Population	193 countries
Mawejje & Sebudde	150 countries
Financial Secrecy Index	133 countries
Hofstede Insight	118 countries
Economist Intelligence Unit	167 countries
Tax Foundation	223 countries
WJP Rule of Law Index	128 countries
Sample	62 countries

Data and Data Source

The data used in this study is secondary data in the form of scores on tax compliance, financial secrecy, and indulgence versus restraint. The data sources are Financial Secrecy Index to get the Secrecy Score as the determinants of financial secrecy, the study of Mawejje & Sebudde (2019) to get the Tax Effort as the determinants of tax compliance, and Hofstede Insight to get the Hofstede Culture Score as the determinants of the indulgence versus restraint score for each country. For the control variables, the data is taken from the scoring of Democracy Index, Tax Rate, and WJP Rule of Law Index.

Operational Definition of Variables

Dependent Variable

Tax Compliance

The dependent variable is tax compliance. Tax effort that compares tax revenue realization with tax potential can indicate tax compliance of a country. Langford (2016) shows that a low tax effort caused by the tax state revenue not reaching the tax potential can indicate a tax non-compliance behavior. In 2014, the International Centre for Tax and Development (ICTD) issued the Government Revenue Dataset (GRD). The ICTD Government Revenue Dataset is a new high-quality data source to compare taxes with GDP internationally (Langford, 2016). The study of Mawejje & Sebudde (2019) used Government Revenue Dataset to count tax effort across countries that resulted in a score ranging from 0 to 1 where the higher the tax effort means the tax revenue reaches the tax potential that also relates to the tax compliance. Thus, this study uses tax effort to measure the tax compliance of a country.

Independent Variable

Financial Secrecy

Financial secrecy is the independent variable in this study that uses a secrecy score from Financial Secrecy Index as a tool to understand global financial secrecy, tax havens or secrecy jurisdictions, and illicit financial flows or capital flight (Tax Justice, 2020). Firstly issued in 2009, Financial Secrecy Index updates its data periodically every two years. The jurisdictions increased from 60 jurisdictions into 133 jurisdictions in 2020. According to Cobham et al. (2015), Financial Secrecy Index reflects an attempt to assess financial secrecy based on empirically verified data. The Financial Secrecy Index has two components namely secrecy score and global scale weight (GSW). The secrecy score describes the state financial secrecy value while the GSW describes an assessment of the size of the global market for financial services provided to non-resident clients. The secrecy score from the Financial Secrecy Index has a range of score of 0 (equal to 100 percent of transparency) to 100 where the lower the score, the higher the financial transparency. While the higher the score, the higher the secrecy (Tax Justice, 2020). Puspitasari et al. (2019) used the secrecy score to describe the financial secrecy level of a country.

Indulgence versus Restraint Culture

Indulgence versus restraint culture will prove the hypothesis where the culture has a negative influence on tax compliance. The indulgence versus restraint dimension shows how society tries to control its desires and impulses based on the environment. The control or regulation that is relatively low is indulgence culture. On the other hand, the control or regulation that is relatively high is restraint culture (Hofstede Insight, 2021). Based on the environment, the culture in the society is classified into indulgence and restraint culture. In the 6-D Model of Hofstede Culture, indulgence versus restraint has a score ranging from 0 to 100 where 0 means the most restraint (people's behavior is more controlled and rigid) and 100 means the most indulgence (low control over behavior and focuses on personal satisfaction). The indulgence versus restraint culture dimension has been proved to have an influence on taxation (Olaniyi & Akinola, 2020; Réthi, 2012; Tsakumis et al., 2007; etc.).

Control Variable

This study is using three control variables which are democracy, tax rate, and regulatory enforcement that have been proved to influence tax compliance empirically.

1. Democracy

   Taken from Steuerle (2008), democracy is defined as equal rights to vote on the nation's priorities. Nation's priorities mean to have financial aspects such as public money which is earned from fiscal activities. It is believed that democracy influences tax compliance. Teymur & Saman

(2012) states that democracy is one of the main factors in tax compliance concerning the benefit from the provisions of the public goods. According to Genschel & Schwarz (2012), democracy in the fiscal area is shown when citizens have the strength to alter the state regulation and the state has the power to change fiscal policies by the preferences of the citizens. The level of democracy is believed to have effects on the tax system of a country (Elbahnasawy, 2020). A country's tax system has an influence on the taxpayer's behavior. Thus to upgrade the tax system, the government needs to pay more attention to political reforms that increase the level of democracy. This statement is also supported by Garcia & Haldenwang (2016) that states trustful and credible democracy may make non-compliance behaviour risky to conduct. Rashid et al. (2021) proved that democracy has a positive relationship with tax revenues, especially in developed countries. Thus, it minimizes the tax non-compliance behaviour (tax avoidance).

To define the democracy score, this study collects data from the Economist Intelligence Unit (EIU) 2020. The EIU was created in 1946 and has been issued the Democracy Index 13 times since 2006. The EIU gets the Democracy index from five indicators which are electoral process and pluralism, functioning of government, political participation, political culture, and civil liberties (The Economist Intelligence Unit, 2021). The score range for each indicator is from 0 to 10. Those indicators will be summed up and divided by 5 so the average score is the Democracy Index Score.

2. Tax rate

Hai & See (2011) found that the high tax rate makes tax non-compliance higher. A high tax rate above average indicates taxpayers tend to not pay their tax as a non-compliant action. It was proved by Mas'ud et al. (2014) that there is a significant negative relationship between tax rate and tax compliance. Moreover, the tax rate has a negative effect on tax compliance. The data for the tax rate is taken from the Tax Foundation 2020. The Tax Foundation has begun its report since 1937. The tax rate ranges from 0 percent to 100 percent and is provided cross-country data with a total number of 177 countries. The lower the percentage rate means the country lacks corporate tax. From the Tax Foundation 2020 report, developing countries have a higher rate of tax than the worldwide average.

3. Law enforcement

Rule of law in society has been proved to influence tax compliance. Magiya (2020) states that the lower respect for the rule of law in society lowers tax compliance and vice versa. According to Herlina & Ma'ruf (2020), the willingness of taxpayers to pay tax as the rule of law is affected by the existence of a definite sanction for tax non-compliance behaviour. This statement is also supported by Adekoya et al. (2019) and Bakar et al. (2021) that the rule of law positively influences tax compliance.

Rule of law is defined as a durable system of laws, institutions, norms, and community commitment to bring about accountability, just laws, open government, and accessible and impartial dispute resolution (World Justice Project, 2020). The World Justice Project (WJP) Rule of Law Index shows a quantitative measurement of rule of law in 128 countries by providing scores of 6 factors that complete the Rule of Law Index. Regulatory Enforcement is one of the 6 factors that explains the power of the government regulations to be applied and affect society. The data will be taken from the WJP Rule of Law Index 2020 which ranges from 0 to 1. The higher the score means the stronger the country's adherence to the rule of law.

Analysis Technique

This study uses Multiple Regression Analysis as the technique of analysis. Multiple Regression Analysis analyses the relation between financial secrecy and tax compliance and proves empirically that indulgence versus restraint culture has negative effects on tax compliance. After collecting the data, the stages of analysis start from a descriptive statistic that describes the data distribution using average, maximum, minimum, and standard deviation. The second test is classic assumption testing that consists of a normality test, heteroscedasticity test, and multicollinearity test. The normality test aims to test whether the regression model (the dependent variable and the independent variable) is normally distributed. A heteroscedasticity test aims to test an inequality of variants of the residuals in the regression model. The multicollinearity test aims to show the model is good by proving the absence of multicollinearity symptoms. Also, the model feasibility test is taken to determine how significant the influence of the independent variable is on the dependent variable. And last, the evaluation of the regression beta coefficients is conducted with the following regression equations:

$$Y = a + b1SECRY + b2RESTR + b3DEMRY + b4TAXRT + b5LNFRC + e$$

Where:
Y = Tax compliance
X1 = Financial secrecy
X2 = Restraint culture
X3 = Democracy
X4 = Tax Rate
X5 = Law Enforcement
a = Constant
b = Coefficient
e = Error

Hypothesis 1 proves that financial secrecy influences tax compliance negatively is accepted if the regression results show a significance value of <5 percent or 0.05, with the beta coefficient of financial secrecy being negative.

Meanwhile, hypothesis 2 is accepted if the regression results of the relation between Hofstede's national culture and tax compliance show a significance value of <5 percent or 0.05, with the beta coefficient of national culture being negative.

RESEARCH RESULTS AND DISCUSSION

Determination of Sample

The sample for this study is taken from the Financial Secrecy Index (Tax Justice Network, 2020), 6-D Model of Hofstede Culture (Hofstede Insight, 2021), Democracy Index (The Economist Intelligence Unit, 2021), Tax Rate (Tax Foundation, 2020), Law Enforcement (World Justice Project, 2020) and Tax Effort (Mawejje & Sebudde, 2019). The criteria to determine the sample is the data has to exist in all of the 6 (six) sources. The population of this study is countries in the world with a total of 193 countries (The United Nation, 2021). And after completing the criteria, 62 countries are taken as the sample of this study.

Result and Findings

Descriptive Statistics Result

Table 2
Descriptive Statistics Result

Variable	Max	Min	Mean	Standard Deviation
SECRY	37.55	79.63	58.57	9.51
RESTR	0.00	100.00	46.92	22.93
DEMRY	2.27	9.81	6.57	1.89
TAXRT	0.09	0.34	0.25	0.06
LNFRC	0.20	0.87	0.59	0.16
Y	0.20	0.96	0.50	0.16

The higher the score, the more confidential the country's financial secrecy. Based on the descriptive statistics table above, the financial secrecy score for the total sample of 62 countries has an average of 58.57 which shows that the overall financial secrecy is high enough. The standard deviation explained the data dispersion concerning the mean. The financial secrecy shows the standard deviation by 9.51 where it means the data of 62 countries are clustered around the mean. The lowest score of 37.55 is the score of Slovenia which means the secrecy in that country is low. Besides, Algeria has the highest financial secrecy shown by 79.63.

The restraint score has an average of 46.92. This score is lower than the median, which means that on average, it can be concluded that the countries tend to have more restrained cultures rather than indulgence. The tendency of having a restraint culture is indicated by the strict norms which are regulated among the societies. 40 out of 62 samples taken are classified as developing countries so the percentage of the developing countries from the overall data is 65 percent. It is in line with Jie & Jing (2015) that stated developing areas tend to have a restraint culture. The standard deviation is really high shown by 22.93 means the data distribution is spread out. For the restraint score, the data distribution explains that each country is varied widely. The minimum score is 0 which

is owned by Pakistan which means Pakistan is the country with the most restrained culture. The lower the score means the country tends to be strict with the regulation and be self-limiting from enjoying life. The higher the score means the more indulgence the country has, which means the society prioritized their happiness and fulfilling their life with enjoyment (Hofstede, 2010). The maximum score is owned by Venezuela with a score of 100 which means Venezuela is the least restrained country (high indulgence culture) where the society tends to focus on prioritizing their joyfulness.

The democracy has an average of 6.57. The democracy score ranges from 0 to 10 so the democracy index from the sample taken has a high score. The standard deviation is 1.89 shows that the dispersion of data for democracy is variously served. The minimum and maximum for democracy index scores are assigned for China and Norway that are shown by 2.27 and 9.81 scores meaning that China is the least democratic country while Norway is the most democratic country.

The tax rate ranges from 0 percent to 100 percent or 0.00 to 1.00. The higher the score means the corporate tax rate in a country is high and vice versa. The tax rate has an average of 25 percent or 0.25 meaning that the tax rate from 62 countries is low. The dispersion of tax rate is stated by the standard deviation of 0.06 meaning that the tax rate has a low spread of data. The lowest and highest scores are 0.09 and 0.34 which is accounted for by Hungary and Venezuela meaning that the applied tax rate in Hungary is low because the state does not burden their income from tax while the income of Venezuela is earned mostly from the tax.

The law enforcement average is 0.59 and the score ranges from 0 to 1. The lower the score means the better the government will manage its polity. The average of law enforcement can be considered as high. The dispersion of data is shown by 0.16 means the law enforcement has a high dispersion of data where the data of each country is variedly served. The highest law enforcement score which is 0.87 is got by Norway and the lowest score of 0.20 is got by Venezuela. This means the Norway government has a good performance for managing its country and Venezuela means the opposite.

Tax compliance, the dependent variable, has the minimum and maximum scores of 0.20 and 0.96 for Nigeria and Norway. The average of the data taken is 0.50 and shows that the compliance of the sample is high means the taxpayers of each country taken for the sampling tend to comply to pay their tax. The high tax compliance is also caused by the tax effort that reaches the tax potential (Langford, 2016). Tax effort that is getting closer to tax potential can be used as a determinant of a country's compliance (Mawejje & Sebudde, 2019). Meanwhile, the standard deviation is 0.16 means that the dispersion of tax compliance data is pretty high.

Classic Assumption Testing

Table 3
Normality Testing Result

Assumption	Test Result	Conclusion
Normality Test	The probability value is 0.200 > 0.05	Passed

Table 4
Multicollinearity Testing Result

Variable	Multicollinearity Test		Conclusion
	VIF value < 10.00	Tolerance value > 0.10	
SECRY	1.57	0.64	Passed
RESTR	1.41	0.71	Passed
DEMRY	3.80	0.26	Passed
TAXRT	1.29	0.78	Passed
LNFRC	3.10	0.33	Passed

Table 5
Heteroscedasticity Testing Result

Variable	Heteroscedas-ticity Test	Conclusion
	Significance value > 0.05	
SECRY	0.28	Passed
RESTR	0.76	Passed
DEMRY	0.55	Passed
TAXRT	0.43	Passed
LNFRC	0.94	Passed

The classic assumption test which consists of normality, multicollinearity, and heteroscedasticity test has been conducted and the result is shown in the table above. In the normality test, it is found that the probability value is greater than the significance value so the data is distributed normally. The multicollinearity test showed that multicollinearity is not found in the data. The heteroscedasticity test result shows that the data is free from heteroscedasticity.

Testing of Multiple Regression Analysis

Table 6
Multiple Linear Regression Result

Variable	Beta coefficient	Significance value
SECRY	-0.246	0.043
RESTR	-0.106	0.351
LNFRC	0.521	0.003

Adjusted R^2: 0.454

The table above shows that financial secrecy (X1) has a significance value of 0.043 <5 percent or 0.05, with the beta coefficient of financial secrecy being negative. Indulgence versus restraint (X2) shows to have a significant value of 0.351 >5 percent or 0.05, with the beta coefficient being negative.

The adjusted R2 (determination coefficient) has a meaning that the influence of the independent variables against the dependent variable is 0.454 or the same as 45.40 percent. It can be concluded that adding additional predictors improves the regression model. Thus, the remaining 0.546 or 54.60 percent of other factors are not influenced by the independent variables.

The law enforcement is accepted to be the variable control of this research, proven by the significance value of 0.003 <5 percent or 0.05 with the beta coefficient being positive.

DISCUSSION

From the result of regression analysis, it can be concluded that hypothesis 1 stated that financial secrecy influences tax compliance negatively is accepted. This result supports the previous research by Eka (2019) which stated that a high score of financial secrecy negatively affects tax compliance because of lacking transparency. The financial secrecy level of a country can be different from one another. It means the intransparency of the financial report depends on the state regulation. This is in line with a previous study conducted by Emmenegger (2014) that shows the financial intransparency enables taxpayers to pay tax lower than it should be where it means taxpayers conduct non-compliant behavior. The non-compliant behavior reflects the mean desire of taxpayers by avoiding and evading their tax liability. The secrecy in providing financial reports can trigger the possibility of tax avoidance and tax evasion practice (Janský & Prats, 2015). The lower the compliance of taxpayers leads to the lower of tax revenue likewise the lower of tax effort, tax potential, and tax performance of a country. Therefore, the compliance of taxpayers is needed to be noticed in order to minimize the loss of tax revenue because of the lack of managing the grey area in the tax field such as financial secrecy and other regulations made by the state.

Hypothesis 2 is rejected since there is no significant influence of Hofstede's national (indulgence versus restraint) culture towards tax compliance. Pukeliene & Kažemekaityte (2016) states that national culture is one of the socio-cultural variables which influence the tax morale of society but the tax morale in society does not automatically equalize to the tax compliance level of a country because tax morale only reflects taxpayers preferences which may differ from the actual act. The result is in line with Réthi (2012) that states predicting an exact cultural profile of a country is difficult due to the ununderstandable influence and phenomenon on cultural dimensions so the influence of culture on tax compliance in a country is hard to be measured. Moreover, it can be recognized that culture is an unsteady factor. Many aspects are needed to naturally create a culture and the culture of a country can not be determined by one factor only. Therefore, due to the limitation, the score determination of a state's national culture, especially restraint culture can not be ensured to be absolutely true. Hence, the restraint culture can not be determined as a variable that influences tax compliance.

CONCLUSIONS AND SUGGESTIONS

This research concludes that financial secrecy is proven to have a significant negative effect on tax compliance. Moreover, the indulgence versus restraint culture has no significant influence on tax compliance. This result supports the studies of Emmenegger (2014), Janský & Prats (2015), and Eka (2019). This study theoretically proves that financial secrecy regulation affects the financial reporting of a country that leads to the reduction of tax compliance. The second finding does not in line with the previous study conducted by Pukeliene & Kažemekaityte (2016) and Ermasova et al. (2021)

Based on the findings, the government needs to pay more attention to financial regulations in order to minimize the taxpayer's prejudiced behavior that might take advantage of the regulations in grey area. The government should promote transparency in the financial sector to minimize non-compliant behavior. Strict controlling is important to be conducted in the tax implementation to reduce the possibility of intransparent financial report that leads to manipulation of financial presentation. The loss in tax revenue can be prevented by making good supervision and strict regulation in tax enforcement even though the financial secrecy remains in effect.

The data used in this research is cross-country. However, the data were taken from each source at a different time. This might result in biased analysis. The data observed in a certain year may cause a different and irrelevant analysis in the year the research is conducted. The biased data can cause a distortion of the estimated result analysis. This triggers doubts about the research results and conclusions because the data taken is not relevant to one another due to the determination of different year data. Moreover, the financial secrecy discussed in this study is not really broad due to no detailed discussion about what components are confidential from each country.

Due to the biased risk because of the different years of data taken as the sample, further research needs to consider using the same year data to determine the variables so that the biased risk can be minimized from the research and the result can be more accurate. The matching steps can be used in order to remove the data that is not according to the criteria so the biased risk is reduced. In the future study, the researcher can use other culture variables and investigate the variables with more detail in order to get specific results for improvement in empirical upcoming results.

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