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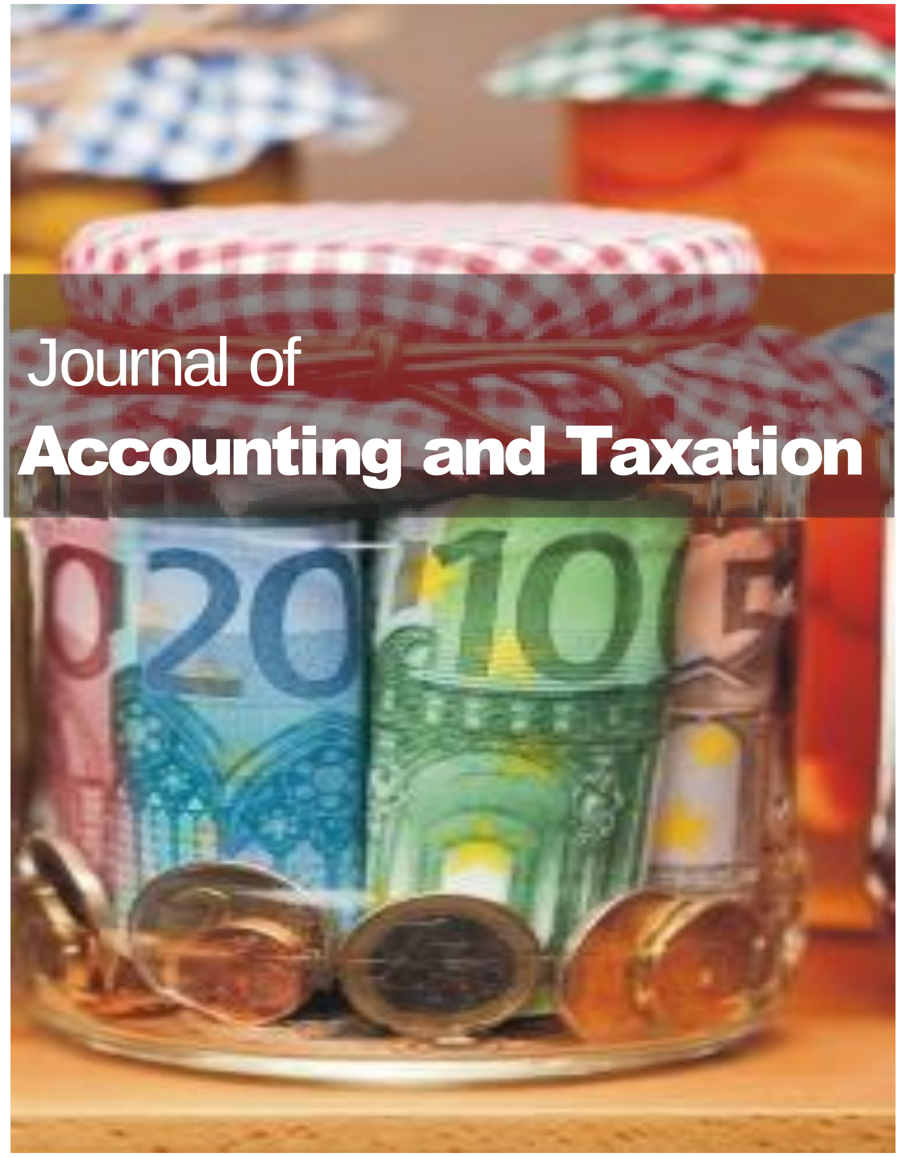

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Journal of Accounting and Taxation

Full Length Research Paper

Challenges of business income tax administration with special emphasis on collection process in Ethiopia: The case of Hadiya zone, Hossana town

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The objective of this study is to assess the challenges of business income tax administration with special emphasis on collection process in the case of Hadiya zone, Hossana town. To answer the research questions, the researcher used both primary and secondary data as a source of information. Initially, by using proportionally stratified sampling technique, 341 tax payers were selected as a sample size from the total population of 3077 tax payers of which 131, 163, and 2783 were categories "A", "B", and "C", respectively. All the proposed sample size (341) was distributed to respondents. However, from the total distributed sample size, 280 (82% response rate) questionnaires were accurately responded and returned back. The descriptive statistical method was employed as a method of data analysis. As the results of this study revealed, there are some major challenges in the business income tax collection process such as: challenges associated with business income tax collection procedures, challenges associated with tax payers' attitude towards tax system, lack of good tax administration and implementation; tax collectors unethical practice during tax collection; availability of unregistered traders or illegal traders; tax evasion and avoidance. Finally, the researcher gave some recommendations like distributing the tax laws and procedures to tax payers, increasing awareness to tax payers both in a short run and long run plan, developing tax authority's administrative capacity using advanced technology to collect tax, revision of tax policy and others.

Key words: Tax administration challenges, business income tax compliance, tax payers' attitude, tax payers' perception, income tax collection procedure.

INTRODUCTION

Tax payers' behavior towards tax system has evoked great attention among many revenue authorities in the world especially in developed countries. However, it is debatable on what has been done towards the study of tax payers behavior towards tax system in developing countries as they concentrate more in studies which would increase their budgets "bottom-line" in terms of huge revenue collection and enforcement efforts at the expense of studies on taxpayers behavior which would make increase in this tax revenue to be realized and

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enforcement efforts work. Perhaps the less developed countries are not to blame as they run on “budget deficits”; hence, scarce resources to see through such studies which are perceived as adding no direct value to revenue collection. However, in the recent years even developing countries started to concentrate different studies on attitudes of taxpayers towards taxation by taking into account its contribution for economic development. And all countries follow their own tax regulation to collect the tax revenue (Marti et al., 2010).

The best instrument which the governments can use as a source of revenue is taxation. It can be said, therefore, that a major function of taxation is to marshal the necessary funds to finance the ever-expanding level of public expenditures. As in all other countries, one of the purposes of taxation in Ethiopia is the raising of as much revenue as possible to meet the ever-expanding public expenditure for the supply of public goods and services which otherwise would not be available to the general public by the market. The central aim of the tax system in Ethiopia is to collect sufficient money to finance the administrative machinery of the government as well as to finance the fulfillment of basic infrastructures like roads, telecommunication, electricity and other basic social services like education, health and water supply facilities (The Ethiopian Chamber of Commerce, 2005). The tax system in Ethiopia is not only meant to raise revenue for current expenditure but also aims at directing economic agents to the development goals foreseen by the government through the incentive schemes embedded within the prevailing tax laws. The specific purposes of taxation in Ethiopia as indicated by The Ethiopian Chamber of Commerce, 2005 are: raising of as much revenue as possible to finance the country’s social and economic development programs and to alleviate poverty; promotion of capital investment and trade; ensuring equity, fairness and consistency in the administration of tax laws; encouraging certain industries which are held important in developing the country; discouraging other industries which are likewise not important to the long run development of the country.

Statement of the problem

Taxes are one of the main sources of revenue for the government. Well organized business tax assessment and collection has good contribution for economic development of the country in general and Hosanna town in particular. In this regard, previous study by Alabede et al. (2011**)** shows that income taxes are important source of revenue to government in both developing and developed countries, but the amount of revenue to be generated by government from such taxes for its expenditure program depends among other things, on the willingness of the taxpayers to comply with tax laws of a country. The failure to follow the tax provisions suggests that a taxpayer may be committing an act of noncompliance which occurs through failure to file tax return, misreporting income or misreporting allowable subtractions from taxable income or tax due.

As Baer and Silvani (1997) stated, tax collection institutions and agencies should be well organized, properly managed and capable. For example, taxpayers’ noncompliance depends directly on the possibility of control of their activities records or incomes. He stated that, “administrators overall effectiveness will be low if auditing are not effective in discouraging evasion”.

Again, Allingham and Sandmo (1972) stated that tax payers’ behavior is also influenced by the tax laws of a given country. With a strong tax system, tax payers perceive that they are treated equally by the government. But perceptions of unfairness limit both revenue and willingness to pay. So knowing the tax payers attitude towards tax law such as appeal procedure, tax rate, method of assessment, amount of penalties are very important.

A research conducted in South Africa shows that there appears a substantial tax gap between the tax that is theoretically collectable from economically active persons in South Africa and the tax that is actually collected. One of the main reasons for the tax gap was non-compliance by taxpayers and potential taxpayers, with tax legislation. One of the causes of noncompliance has been demonstrated to be the attitudes and perceptions of tax payers (Oberholzer, 2008).

According to Ho et al. (2013), the Inland Revenue Services of USA indicated that there are 64 factors that are related with tax non-compliance by taxpayers or companies. Among the factors that are commonly used by previous researchers relating to tax non-compliance among individual taxpayers is tax system complexity.

Milliron (1986) concluded that the impact of tax complexity on tax compliance is a bit more complicated because of the interaction of two factors, that is, perception of fairness and opportunity for non-compliance.

Aligned with the aforementioned facts, Hossana town revenue bureau might face different challenges while collecting and administering business income tax. Therefore, the objective of this study is to assess challenges of business income tax administration with special emphasis on collection process in Ethiopia (The case of Hadiya zone, Hossana town). Hence, in order to successfully conduct this research, the researcher has set the following leading research questions.

Research questions

(1) Do the business tax collection procedures affect the tax payers’ compliance and non -compliance behavior in the study area?
(2) Does attitude of tax payers towards business income tax affect income tax collection in the study area?

(3) How do the existences of informal traders affect business income tax collection process in the study area?
(4) What is the extent to which unethical behavior affects business income tax collection process in the study area?
(5) What are the problems/challenges associated with tax administration and implementation by the tax authority in the study area?

Objectives of the study

This study focuses on the challenges of business income tax administration with special emphasis on collection process in Ethiopia.

The specific objectives of this study are:

(1) To investigate the effect of business income tax collection procedures towards tax payers' compliance and non-compliance in the study area.
(2) To investigate the attitudes of tax payers towards business income taxation in the study area
(3) To analyze the effect of informal traders on business income tax collection process in the study area.
(4) To investigate the extent to which unethical behavior affects business income tax collection process in the study area
(5) To evaluate the tax authority regarding with tax administration and implementation in the study area.

RELATED LITERATURE REVIEW

Tax payers' attitude towards tax system

Attitudes of tax payers is dependent on the tax law of a given country; service providing by the tax authority as well as general activities of the government such as education, health, electricity, water supply, etc., and personal, demographic and attitudinal characteristics. This idea is empirically supported by different researchers subsequently.

Tax payers' attitude towards public goods and services

People's normative commitment to paying taxes is undoubtedly influenced by many factors. Among these their attitude towards government spending programs, that is, the use to which the taxes they pay are put is one of them. These factors establish a climate that may be more or less conducive to honest taxpaying behavior (Brooks, 2001).

Citizens' tax culture and morale are significantly and positively associated with their perception of the benefits delivered by society from the public delivery of goods and services (Alm and Martinez-vatquer, 2001). This shows the willingness to pay taxes depends on the transaction of taxes in the public goods and services.

Tax payer consciousness of the exchange relationship with the government (scarifying purchasing power in return for public goods and services) can be postulated as vital to the tax compliance decision. If it can be assumed that the tax payer implicitly carries out a cost benefit analysis of the taxes paid-benefits received tradeoff, then it follows that the amount of satisfaction (dissatisfaction) perceived in this exchange will be a powerful determent of the degree of tax compliance (Mann and Smith, 1988). This indicates that the tax payers are positive about paying tax if the government applies it appropriately for the benefit of the tax payers.

A survey conducted on tax payers' attitude in Scotland shows that the majority of the respondents did not think that the government spends tax payers' money wisely. And they said they would be ready to pay tax if governments show that public revenues are well spent (Dean et al., 1980). These shows knowing tax payer's attitudes towards public goods and services and explaining how taxes are spent and maintaining a relationship of trust with tax payers are crucial to increase the compliance behave of the taxpayer because the willingness to pay taxes depends on the transaction of taxes into public goods and services.

Attitudes of tax payers towards organizational effectiveness of the tax authority

As empirical evidence by Baurer (2005) shows, from the various operating functions of the tax administration, the staff of the tax payer service function has by far the most interactions with tax payers and the general public. Their service will shape the tax payers feeling towards the tax administration. In most cases they are initial point of contact with tax payers. As such they are expected to have a good working knowledge of tax law, office procedures, filling requirements and the obligation of the tax payers. It is clear that the people are more likely comply with the tax laws if they perceive the tax collecting agency to be fair and efficient. If they believe that the tax revenue is wasted by corrupt employees may be disinclined to pay taxes.

Another evidence by Fray and Holler (1998) shows that the relationship between tax authorities and tax payers reflects a country's tax culture; therefore, how the tax authority treats different segments of the formal and informal economy shapes the tax culture at the same time, the attitudes of tax payers in the different aspects of the government, and the extent of corruption, are critical to trust in the government on which economic growth depends. This shows the way on which revenue authorities interact with tax payers have an impact on public perception of the tax system and the degree of voluntary compliance.

Attitudes of tax payers towards tax law

A number of theories of human behavior would suggest that reducing the inequality in the tax system might increase compliance. For example "equity theory" in psychology suggests that people are more likely to comply with rules if they perceive the system which determines the rules to be equitable (Brooks, 2001). This shows tax payers are more likely to obey laws if it is simple and easy to understand. A person's behavior is also influenced by the tax law (Allingham and Sandmo, 1972). With a strong tax system, tax payers perceive that they are treated equally by the government. But perceptions of unfairness limit both revenue and willingness to pay. So knowing the tax payers attitude towards tax law such as appeal procedure, tax rate, method of assessment, and amount of penalties are very important. As an empirical study by James et al. (2006) states, citizens' attitudes towards paying taxes depend on personal, demographic and attitudinal characteristics. Evidence by Everest-Phillips (2008) shows, understanding attitudes towards the level of tax morale, the effectiveness of the tax authority, and the resulting extent of compliance provides an essential diagnostic of the political realities for reform. It also offers a baseline for measuring progress on all aspects of success of tax reform, not least on tax morale and state legitimacy. Attitude and perception surveys of current and potential tax payers identify perceived weaknesses in the fairness of the tax system. Survey results clarify the extent of quasi-voluntary compliance, revealing the governance issues underlying tax reform and offering a baseline for measuring progress. When higher compliance strengthens effective enforcement, a virtuous circle of mutually reinforcing taxation and governance emerges, enabling tax authorities to focus attention efficiently on high-risk categories of taxpayers. These types of surveys are well established for OECD countries but are nascent in developing country contexts. However, surveys may be controversial in countries where the political contest is oppressive and tax authorities are unwilling to invite criticism of their integrity, public acceptance, and effectiveness.

Recently in March 2008 in Yemen the surveys on private sector views on problems in the tax system found that 57% believed reducing time to comply with tax was very important, 71% thought reducing the cost of tax compliance to be a top priority, 91% regarded as critical simplifying tax laws using revenues fairly and efficiently, 97% thought tax equity mattered to ensure that all firms paid a fair amount of tax and 100% believed tackling corruption was essential (ibid).

RESEARCH METHODS

Research design

To study the challenges of business income administration and collection processes, and to answer the research questions, a descriptive research design was employed.

Sources of data

In this study, both primary and secondary data were used as a source of information. The sources of primary data were responses from both tax payers and employees in the tax authority bureau of Hosanna town. The secondary data were relevant published and unpublished materials, journals, articles, proclamations, procedures, ERCA directives, regulations, website information, and information available in the tax authority office like annual reports and revenue enhancement plan.

Sampling technique

To select sample from the total population (tax payers), proportionally stratified sampling technique was employed because the total population of the tax payers are divided into three sub-populations (categories): category "A" tax payers, category "B" tax payers and category "C" tax payers that enables to ensure elements to be more homogeneous within each stratum.

However, structured interview was conducted with most experienced and educated employees of the tax authority because their educational level and experience may determine the quality of response and they might easily understand the interview than from those who are less educated and inexperienced employees.

Sample size determination

There are 3,077 total population (number of tax payers) in Hosanna town which is divided into three strata (categories) such as category "A" tax payers which constitute 131, category "B" tax payers which constitute 163, and category "C" tax payers which constitute 2,783 (Hosanna town tax payers' list as of May 30, 2008 EC).

The sample size from the total population is determined using Yamane (1967) as follows:

$$n = NZ^2pq / e^2 (N - 1) + Z^2pq$$

$$n = 3077 \times 1.96^2 \times 0.5 \times 0.5 / (0.05^2(3077-1) + 1.96^2 \times 0.5 \times 0.5)$$
$$n = 341$$

where N = size of population, n = sample size, Z = the value of the standard variant at a given confidence level, e = acceptable error (the precision), p = sample proportion, and $q = 1 – p$.

By using 95% confidence interval the sample size is 341. After determining the sample size, sample for each stratum can be determined by adopting proportional allocation method. Accordingly, if Pi represents the proportion of population included in stratum i, and n represents the total sample size, the number of elements selected from stratum $i = n. Pi$. Hence, my sample size $n = 341$ which is drawn from a population of size $N = 3077$ which is divided into three strata of size $A = 131$, $B = 163$ and $C = 2783$. Adopting proportional allocation, the sample sizes for each stratum is determined as follows:

For strata "A" with $N1 = 131$, $n. P1 = 131 / 3077(341) = 15$
For strata "B" with $N2 = 163$, $n.p_2 = 163 / 3077(341) = 18$
For strata "C" with $N3 = 2783$, $n.p_3 = 2783 / 3077(341) = 308$

Method of data collection

In this study the primary data was collected using both

Table 1. Response rate.

Variable	Category 'A'	Category 'B	Category 'C'	Total
Questionnaires distributed	15	18	308	341
Questionnaires returned back	15	18	247	280
Response rate (%)	100	100	80	82

Source: Researcher's Own Survey Result (2016).

questionnaires and structured interview. The questionnaires are designed on a Likert type-scale with a 5- point scale. Accordingly, 1 for "strongly disagree", 2 for "disagree", 3 for "neutral", 4 for "agree", and 5 for "strongly agree". Then the questionnaires were distributed to tax payers and the structured interview was conducted on employees of tax office by the assumption that it would enable to get more information.

Method of data analysis

Since the data which was collected from the respondents (business income tax payers and tax authority officials) are mostly qualitative data, the descriptive statistical methods such as, percentage and mean were employed as a method of data analysis.

RESULTS AND DISCUSSION

Response rate

This chapter presents analysis, interpretation and findings of data collected from categories 'A', 'B' and 'C' business income tax payers of Hosanna town. For category 'A' 15, for category 'B' 18 and for category 'C' tax payers 308 questionnaires were distributed, and 15, 18 and 247 questionnaires from categories 'A', 'B' and 'C', respectively were collected back. Accordingly, the response rate for categories 'A', 'B', and 'C' is 100, 100, and 80%, respectively. In general, from 341(sample size) questionnaires distributed to the business tax payers, 280 questionnaires were accurately responded and returned back. So the total response rate is 82% thus it is representative (Table 1).

Analysis on business income tax collection procedures or tax laws

Here was analyzed to identify how the business income tax procedures are operated or implemented and to know the attitude or feeling of business income tax payers towards the procedure. In relating to this procedure, developing the tax payers' knowledge about taxation and its purposes, providing sufficient services and constructing close relationship with tax payers to guide and support them enables to increase tax compliance and decreases non-compliance for taxation. Tax payers of the country in general and the town in particular, required to understand all the laws and regulations that govern taxation in the country. This is necessary because tax payers are required to file and pay taxes for which they are liable in the period specified by law. Tax payers are also required to pay any penalties and interests which the law requires as a consequence of their non-compliance and if they are not satisfied by the amount of tax imposed, within 10 days after the decision is given, he/she can present a complaint by the established tax commissioner. Previous study shows that there is a positive relationship between individuals understanding of tax law and tax compliance (Milliron cited in Manaf et al., 2005).

As shown in Table 2, 66.66% of category 'A', 55.4% of category 'B' and 0% of category 'C' respondents were agreed on the statement of easy understanding of tax laws. On the other hand, 33.33% of category 'A', 44.43% of category 'B' and 100% of category 'C' opposed the statement. This result revealed that, more than half percent of categories 'A' and 'B' tax payers can understand the tax laws and procedures than category 'C' tax payers from which 100% of the respondents answered as the tax laws are difficult to understand. This may be due to the educational gap and awareness problem. As we have seen in the demographic characteristics of the respondents, category 'A' and 'B' tax payers are more educated than category 'C' tax payers as the result of both categories A' and 'B' tax payers have good understanding (awareness) about tax procedures. As supported by previous study in the aforementioned paragraph, this can be one of the challenges in the business income tax collection process or in tax compliance behavior.

Regarding the annual turnover specified to each category in Table 2, 19.99% of category 'A', 66.66% of category 'B', and 52.94% of category 'C' agreed. However, 79.99% of category 'A', 22.28% of category 'B', and 21.86% of category 'C' disagreed and the remaining percent of each category had no opinion or they remained neutral. This implies that a higher proportion of categories 'B' and 'C' agreed on the annual turnover specified to each category than category 'A' tax payers. This might have happened because of the gap of the annual turnover between each category and additional responsibilities of category 'A' tax payers like preparation of financial statement.

As further indicated in Table 2, majority of respondents,

Table 2. Responses related to business income tax collection procedures.

No.	Questions	Response	Category A		Category B		Category C		Total	
			No.	%	No.	%	No.	%	No.	%
1	Easy understanding of tax laws, that is, rates of tax, filing and paying dates, etc.	S. Agree	5	33.33	5	27.77	0	0	10	3.57
		Agree	5	33.33	5	27.77	0	0	10	3.57
		Sum	10	66.66	10	55.54	0	0	20	7.14
		Neutral	0	0	0	0	0	0	0	0
		Disagree	3	20	5	27.77	72	29.14	80	28.57
		S. Disagree	2	13.33	3	16.66	175	70.85	180	64.28
		Sum	5	33.33	8	44.43	247	100	260	92.85
		Total	15	100	18	100	247	100	280	100
2	Annual turnover Specified to each Category is good	S. Agree	1	6.66	0	0	48	10.43	49	17.5
		Agree	2	13.33	12	66.66	105	42.51	119	42.5
		Sum	3	19.99	12	66.66	153	52.94	168	60
		Neutral	O	0	2	11.11	40	16.19	42	15
		Disagree	8	53.33	2	11.11	4	1.62	14	5
		S. Disagree	4	26.66	2	11.11	50	20.24	56	20
		sum	12	79.99	4	22.22	54	21.86	70	25
		Total	15	100	18	100	247	100	280	100
3	The provision of administrative penalties	S. Agree	1	6.66	1	6.66	26	10.52	28	10
		Agree	2	13.33	2	11.11	24	9.71	28	10
		Sum	3	19.99	3	17.77	50	20.23	56	20
		Neutral	0	0	1	6.66	34	13.76	35	12.5
		Disagree	6	40	7	38.88	92	37.24	105	37.5
		S. Disagree	6	40	7	38.88	71	28.74	84	30
		Sum	12	80	14	77.76	163	65.98	189	67.5
		Total	15	100	18	100	247	100	280	100
4	The provision of declaration of taxable income and assessment of tax is good.	S. agree	5	33.33	1	5.55	1	0.4	7	2.5
		Agree	8	53.33	11	61.11	37	14.97	56	20
		Sum	13	86.66	12	66.66	38	15.37	63	22.5
		Neutral	0	0	2	11.11	40	16.19	42	15
		Disagree	1	6.66	2	11.11	60	24.29	63	22.5
		S. disagree	1	6.66	2	11.11	109	44.13	112	40
		Sum	2	13.32	4	22.22	169	68.42	175	62.5
		Total	15	100	18	100	247	100	280	100
5	Procedure of appeal and selection of review committee is good	S. Agree	2	13.33	3	16.66	9	3.64	14	5
		Agree	1	6.66	2	11.11	53	21.45	56	20
		Sum	3	19.99	5	27.77	62	25.1	70	25
		Neutral	1	6.66	2	11.11	25	10.12	28	10
		Disagree	4	26.66	5	27.77	89	36.03	98	35
		S. Disagree	7	46.66	6	33.33	71	28.74	84	30
		Sum	11	73.32	11	61.1	160	64.77	182	65
		Total	15	100	18	100	247	100	280	100
6	The provision of record keeping requirement is good	S. agree	8	53.33	10	55.55	52	21.05	70	25
		Agree	3	20	4	22.22	126	51.01	133	47.5
		Sum	11	73.33	14	77.77	178	72.1	203	72.5
		Neutral	1	6.66	0	0	27	10.93	28	10
		Disagree	2	13.33	2	11.11	24	9.71	28	10

Table 2. cont'd

	S. disagree	1	6.66	2	11.11	18	7.28	21	7.5
	Sum	3	19.99	4	22.22	42	16.99	49	17.5
	Total	15	100	18	100	247	100	280	100

Source: Researcher's Own Survey Result (2016).

that is, 80% of category 'A', 77.8% of category 'B' and 65.9% of category 'C' responded as they disagree on the administrative penalties listed in the provision. This is due to the amount of money that is specified in the provision to each penalty. As past research shows tax payers comply within their tax obligation to avoid legal sanctions (that is, penalties) whenever those sanctions are expected to be more costly than compliance Doran (2009). In this study, majority of the total respondents disagreed on the provision. This will have a positive impact on their compliance behavior if the probability of getting and penalizing them is very high.

Regarding the statement "the provision of declaration of taxable income and assessment of tax is good", 86.7% of category 'A', 66.7% of category 'B' and 15.3% of category 'C' agreed but 13.3% of category 'A', 22.2% of category 'B' and 68.4% of category 'C' show their disagreement. In the same way, 11% of category 'B', and 16.2% of category 'C' had no opinion. From this information, it is possible to generalize that a higher proportion of categories 'A' and 'B' agreed on the declaration. This may be due to the method of assessment. It is known that the two categories' tax is levied based on their profit and loss account. This assessment method considers their paying ability. On the other hand, more than half of category 'C' respondents did not agree on the declaration and assessment of tax. This might be due to the fact that their tax is levied based on standard assessment. This method is not considered tax payers specific conditions such as family size and loss in a particular year. And it may hurt tax payers due to high tax. Since more than 90% of Hosanna town business income tax payers are category 'C', the dissatisfaction may have a negative impact on the collection process or amount of revenue that will be collected from the business traders of the town.

Analysis on tax administration and implementation problems

Since tax administration employees are amongst the most frequently contacted government officials and often represent to the public what is right and wrong about the government, the responsiveness, integrity and quality of tax administration staff must therefore meet a very high standard (Baurer, 2005). An efficient tax administration system is integral to any country's well-being. Because of this reason knowing the attitudes of the taxpayers towards service delivery, tax collection efficiency, their knowledge on tax related issue and their awareness creation activity are vital to increase the tax compliance of Hosana town. Thus an attempt is made to address these issues through the data gathered from the respondents (Table 3).

As shown in Table 3, majority of the respondents with a mean value of 3.57 agreed on the question stated as "There is a poor service delivery by the tax authority". As the interview conducted on the tax authority shows, there was lack of good service delivery to the tax payers. The other problems like lack of modern record keeping system and lack of cooperation by tax payers themselves and other stakeholders like town administration were the main reasons of delaying tax payers' service delivery which in turn might reduce the tax collection efficiency.

For the statement, "There is a poor public good and service provision in the town", the mean value of 4.1 clearly shows that the majority of the respondents did support or agreed on the idea of poor public good and service delivery in the town. This poor public good and service provision such as infrastructures like water, electric power, road and the like can make a challenge on business income tax collection process. In other words, the low provision of public good and services reduce the compliance behavior, and the reverse is also true. The interview conducted on tax officials also supports the tax payers' idea. This finding was supported by previous studies. For instance, as stated in the previous study, the taxpayer attitudes to the state (government) influence willingness to pay tax are the least understood but most fundamental dimension of compliance. This dimension emerges from taxpayers' assessment of the overall quality of governance at the instrumental and intrinsic levels (Everest-Phillips and Sandall, 2009). At the *instrumental* level, taxpayers assess government capacity to deliver the fiscal social contract, the instrumental side of governance in providing essential public goods such as security and core services such as infrastructure, health, and education. At the *intrinsic* level, taxpayer perceptions of the legitimacy of the state, called tax morale, combines political acceptance of state authority, the perceived fairness and effectiveness of state institutions, and trust in public institutions and officials. This shows people paid taxes in anticipation of services but if these services were not provided satisfactorily, it will negatively affect their willingness to

Table 3. Responses related to tax administration by the tax authority.

No.	Questions	Response	Frequency	Percentage	Total	Mean value
1	There is a poor service delivery by the tax authority	S. Agree	98	35	280	3.57
		Agree	84	30		
		Neutral	7	2.5		
		Disagree	63	22.5		
		S. Disagree	28	10		
2	There is a poor public good and service provision in the town.	S. Agree	147	52.5	280	4.10
		Agree	70	25		
		Neutral	21	7.5		
		Disagree	28	10		
		S. Disagree	14	5		
3	There is creation of awareness to the tax payers by the tax authority	S. Agree	14	5	280	2.20
		Agree	35	12.5		
		Neutral	49	17.5		
		Disagree	77	27.5		
		S. Disagree	105	37.5		
4	Qualification of tax collectors (officials) and their experience is good and is according to national tax system	S. agree	0	0	280	2.22
		Agree	63	22.5		
		Neutral	28	10		
		Disagree	98	35		
		S. disagree	91	32.5		
		Agree	84	30		
		Neutral	49	17.5		
		Disagree	63	22.5		
		S. Disagree	28	10		
5	There is no procedural fairness by the tax authority	S. agree	56	20	280	3.65
		Agree	150	53.6		
		Neutral	14	5		
		Disagree	40	14.3		
		S. disagree	20	7.1		
6	There is unethical behavior by the tax collectors	S. agree	98	35	280	3.55
		Agree	77	27.5		
		Neutral	35	12.5		
		Disagree	21	7.5		
		S. disagree	49	17.5		
7	There is no reward to taxpayers, that is, giving a trophy for being best taxpayer	S. agree	180	64.3	280	4.57
		Agree	80	28.6		
		Neutral	20	7.1		
		Disagree	0	0		
		S. disagree	0	0		
Cumulative mean value						3.41

Source: Researcher's Own Survey Result (2016).

answered as there is no procedural fairness by the tax authority. This might be because of the dissatisfaction of tax payers with the treatment of tax authority as the time of tax assessment, appeal and selection of review committee, administrative penalties, etc. If the tax payers are not satisfied on the tax authorities' activity, they may evaluate as the tax procedures or laws are not fair rather than evaluating individual or tax officials' weakness. Regarding this issue, previous studies have shown that when people evaluate authorities, they often refer to the procedural justice aspects of their encounter with that authority when making judgments; if they feel they have been treated poorly by an authority, people are likely to judge the procedural justice aspects of their encounter as unfair. Alternatively, if they feel they have been treated well by an authority, people are likely to judge the procedural justice aspects of their encounter as fair (Murphy, 2004).

Regarding the statement that "There is unethical behavior by the tax collectors", higher proportion of the total respondents with a mean value of 3.55 replied as there was unethical behavior by the tax collectors or tax administrators at the time of tax collection process. As interview conducted on employees of tax authority shows even though the tax authority did give training on ethical rules to newly hired employees before starting the normal work and recently office of ethics is established at a department level, still it is one of the most difficult areas to solve. This might be due to the long close relationship between the tax payers and tax collectors. So from this fact it is possible to conclude that unethical behavior by tax collectors is also another challenge in the business income tax collection process.

Regarding the statement "whether there is no reward to taxpayers that is, giving a trophy for being best taxpayer", almost all tax payers with a mean value of 4.57 said that there was no reward to tax payers. If the tax payers have given rewards to their best performance or being honest tax payer, the compliance behavior of the tax payer may increase which will increase tax collection efficiency, and the reverse is true. In this regard the income tax proclamation article 85 sub article 1 clearly states that the tax authority shall reward tax payers for their outstanding performance or for their being best tax payer. However, there was no such practice in the case of Hosanna town tax authority. The previous research conducted in Kenya also supports this finding in which tax compliance and tax non-compliance can be influenced by rewarding taxpayers, that is, giving a trophy for being best tax-payer, and motive for low profits, that is, through operating a legal business, accurate reporting of profits, etc. (Marti et al., 2010).

Analysis on attitudes of tax payers towards taxation

Here reflects attitudes of tax payers towards business income tax collection process or tax payers feeling towards tax system. In this case, attitude of taxpayers could be positive or negative on the tax system. Evidence by Everest-Phillips (2008) shows, understanding attitudes towards the level of tax morale, the effectiveness of the tax authority, and the resulting extent of compliance provides an essential diagnostic of the political realities for reform.

As observe from Table 4, higher proportion of each category with a mean value of 4.07, 3.94, and 4.6 for categories 'A',' B', and 'C' respectively did agree. This reflects almost all respondents know why they have to pay tax. However, their reason of why they have to pay tax is not in line with taxation objective. As most of the respondents suggested in the open ended question, they were paying business income tax because of the fear of legal penalties but not as a once obligation of being citizen of his or her country. This also might be because of lack of awareness, negative attitude towards tax administration, and low understanding of the purpose of taxation.

Regarding the statement, "the business income tax rate should be reduced", higher proportion of each category with a mean value of 3.6, 3.39, and 4.01 for categories 'A',' B', and 'C' respectively wanted the business income tax rate to be reduced. For the poor tax culture or tax payers' non-compliance of the country in general and Hosanna town in particular, the high tax rate can be the reason to non-compliance behavior. In this regard, in previous studies it has been indicated that tax professionals believes reducing tax rate possess the best opportunity for increasing tax compliance (Collins et al., 1992).

Concerning the statement "Some people do not pay tax honestly because they believe that large portion of collected money is not used to the public", large proportion of each category with mean value of 4.07, 4 and 3.6 for categories 'A', 'B', and 'C' respectively shows believes as the large portion of the collected money is not used to the public. This indicates the tax payers do not trust those government officials who have the responsibility and direct relation with tax revenue collected. As some studies indicate, tax compliance is low in many developing countries where citizens neither believe governments nor trust the state to use revenue wisely (Everest-Phillips and Sandall, 2009). This shows the compliance depends on the confidence of tax payers towards the wise use of tax revenue by the officials.

For the statement "The burden of tax is so heavy that many people are forced to evade in order to survive", respondents with mean value of 2.13, for category 'A', and 3.8 for category 'B' said that the burden of tax is not the reason for evading tax. But according to category 'C' tax payers heavy tax burden was the reason for tax evasion. The response of both categories 'A' and 'B' may not be true because their response is controversial with their agreed response in another section of these analyses. That means they agreed on the reduction of business income tax rate on one hand and opposing the heavy tax burden on the other hand even if both statements reflected the same idea. This may be due to the fear to give right answer to tax evasion related statement.

Table 4. Responses related to attitudes of tax payers towards taxation.

No.	Statements on tax payers attitudes	Response	Category A		Category B		Category C		Total	
			No	%	No	%	No	%	No	%
1	I know why I have to pay tax	S. Agree	7	46.7	8	44.4	174	70.4	189	67.5
		Agree	6	40	7	38.9	64	25.9	77	27.5
		Neutral	0	0	0	0	0	0	0	0
		Disagree	0	0	0	0	0	0	0	0
		S. Disagree	2	13.3	3	16.7	9	3.6	14	5
		Total	15	100	18	100	247	100	280	100
		Mean		4.07		3.94		4.6		
2	Business income tax rate should be reduced	S. Agree	6	40	6	33.3	79	32	91	32.5
		Agree	4	26.7	5	27.8	117	47.4	126	45
		Neutral	1	6.7	1	5.6	33	13.4	35	12.5
		Disagree	1	6.7	2	11.1	11	4.5	14	5
		S. Disagree	3	20	4	22.2	7	2.8	14	5
		Total	15	100	18	100	247	100	280	100
		Mean		3.6		3.39		4.01		
3	The business income tax rate should be the same regardless of the amount of income earned.	S. agree	1	6.7	1	5.6	5	2	7	2.5
		Agree	1	6.7	2	11.1	45	18.2	48	17.1
		Neutral	0	0	0	0	0	0	0	0
		Disagree	7	46.7	11	61.1	87	35.2	105	37.5
		S. disagree	6	40	4	22.2	110	44.5	120	42.85
		Total	15	100	18	100	247	100	280	100
		Mean		1.93		2.17		1.98		
4	Some people do not pay tax honestly because they believe that large portion of collected money is not used to the public.	S. agree	6	40	10	55.6	89	36	105	37.5
		Agree	7	46.7	4	22.2	73	29.6	84	30
		Neutral	0	0	0	0	0	0	0	0
		Disagree	1	6.7	2	11.1	32	13	35	12.5
		S. disagree	1	6.7	2	11.1	53	21.5	56	20
		Total	15	100	18	100	247	100	280	100
		Mean		4.07		4.0		3.6		
5	Government receives enough tax so it does not matter if Some people evade tax	S. agree	2	13.3	4	22.2	54	21.9	60	21.4
		Agree	1	6.7	2	11.1	17	6.9	20	7.14
		Neutral	1	6.7	1	5.6	3	1.2	5	1.8
		Disagree	6	40	5	27.8	84	34	95	33.9
		S. disagree	5	33.3	6	33.3	89	36	100	35.7
		Total	15	100	18	100	247	100	280	100
		Mean		2.27		2.61		2.45		
6	The burden of tax is so heavy that many people are forced to Evade in order to surviving	S. agree	1	6.7	2	11.1	91	36.8	93	33.2
		Agree	3	20	1	5.6	95	38.5	100	35.7
		Neutral	0	0	0	0	2	0.8	2	0.7
		Disagree	4	26.7	7	38.9	39	15.8	50	17.9
		S. disagree	7	46.7	8	44.4	20	8.1	35	12.5
		Total	15	100	18	100	247	100	280	100
		Mean		2.13		2.0		3.8		
7	There is Positive peer attitude, that is, a belief that your neighbors are reporting and paying tax honestly.	S. agree	1	6.1	2	11.1	7	2.8	10	3.6
		Agree	1	6.1	1	5.6	78	31.6	80	28.5
		Neutral	0	0	0	0	0	0	0	0
		Disagree	7	46.7	7	38.9	71	28.7	85	30.4
		S. disagree	6	40	8	44.4	91	36.8	105	37.5
		Total	15	100	18	100	247	100	280	100
		Mean		1.93		2.0		2.35		

Source: Researcher's Own Survey Result (2016).

As further shown in Table 4, for the statement “There is positive peer attitude, that is, a belief that your neighbors are reporting and paying tax honestly”, higher proportion of each category with a mean value of 1.93, 2, and 2.35 for categories ‘A’,’ B’, and ‘C’ respectively did not agree on the idea. This shows there is negative peer attitude on tax evasion. If a tax payer assume as his or her neighbors are evading tax, he or she will also evade or attempt to evade tax. A research conducted in Kenya shows that there is a relationship between negative peer evaluation and tax evasion (Marti et al., 2010).

Analysis on problems of illegal traders on business tax collection process

Here analyzed using data collected from respondents in relation to unlicensed/unregistered traders’ existence, their impacts and measures taken by the concerned body. Unlicensed or unregistered traders are one of the economic shadow of the society which influences the income of the tax compliance in particular and revenue of the government in general because as the availability of illegal traders increases, the income of the voluntary taxpayers decreased. As a result, the tax revenue of the government decline since tax compliance is influenced by non-compliance and their incomes (Jackson and Milliron, 1986). Table 5 shows the answers given for the questions asked to know the availability and impact of illegal traders to the tax compliance in Hosanna town.

As indicated in Table 5, for the statement “There are unlicensed/unregistered traders found in the town”, respondents with a mean value of 3.92 agreed that there are unlicensed or unregistered traders found in Hosanna town.

Concerning the idea “Illegal traders are harmful to society since they sell expired items.” Majority of the respondents with mean value of 3.85 agreed that illegal traders can sell harmful products and thus it can harm the society.

Regarding the statement “The existence of unregistered traders has a negative impact on government revenue” majority of the respondents with a mean value of 4.35 knows that existence of unregistered traders has a negative impact on government revenue. In fact the planned government’s revenue in Hosanna town can be affected by the existence of unregistered traders. This is true in many developing countries since there are large proportions of unregistered medium and small enterprises exist in these countries. In this regard previous studies indicate that developing countries loss revenue in proportionally greater amounts than developed countries from the informal sectors because small and medium traders (Hard-To-Tax) tend to thrive in underground economies (Terkper, 2003).

In Table 5, for the item which states “Legal traders refuse to pay tax honestly by opposing of the existence of illegal traders”, large proportion of the respondents with a mean value of 3.38 said that the existence of the unregistered traders can be the reason for legal traders to be refused to pay the right tax obligation. This can be the case for tax payers’ non-compliance or for business income tax collection challenge because the existence of unregistered traders can harm the competitive advantage of the legal traders.

Furthermore, for the statement “There is no strong action by the government bodies to control illegal traders”, respondents with a mean value of 3.45 agree that the government do not taking strong actions on those illegal traders. If the government body or the tax authority does not take necessary actions to control and register those unregistered traders, collecting all the planed business income tax revenue become difficult.

In general interview conducted on employees of the tax authority regarding the illegal traders or informal business and actions that should be taken by the tax authority depicted as follows: as they stated, the tax authority was facing challenges with ever increasing illegal business or traders at each and every corner of the town. The reasons for this problem are absence of properly managed market places, frequent displacement and leaving out of traders from trade activities due to lack of follow up and support, poor cooperation between the town administration and the tax authority, poor application of trade laws and legal tax enforcement, lack of systematic data recording and data base (both interims of technology and skilled man power) that limit the provision of fast registration service and updating of past records and absence of modern technologies of tax collection.

Conclusion

Based on the analysis of this study, the following conclusions are made by the researchers.

In general, the following business income tax collection challenges have been observed in this study: challenges associated with business income tax collection procedures; challenges associated with tax payers’ attitude towards tax system, lack of good tax administration, and implementation problems; tax collectors unethical practice during tax collection; availability of unregistered traders or illegal traders; tax evasion and avoidance.

As the further analysis of data shows, within the challenges associated with business income tax collection procedures, variables such as inability to easily understand tax laws (how they have to calculate their taxes, tax rate, filing, paying dates, conditions subject to penalties, etc.), the process of assessment and declaration of the amount of tax to be paid by tax payers, and procedure of appeal and selection of review committee determine the tax payers’ compliance and

Table 5. Responses related to informal traders on the business income tax.

No.	Statements on tax payers attitudes	Response	Frequency	Percentage	Mean
1	There are unlicensed/unregistered traders found in the town	S. Agree	91	32.5	3.92
		Agree	140	50	
		Neutral	0	0	
		Disagree	35	12.5	
		S. Disagree	14	5	
		Total	280	100	
2	Unlicensed traders have no negative impact on legal traders' turnover.	S. Agree	42	15	2.78
		Agree	84	30	
		Neutral	0	0	
		Disagree	77	27.5	
		S. Disagree	77	27.5	
		Total	280	280	
3	Unlicensed traders are important to society since they sell with lesser prices than legal traders.	S. Agree	28	10	2.33
		Agree	56	20	
		Neutral	0	0	
		Disagree	91	32.5	
		S. Disagree	105	37.5	
		Total	280	100	
4	Illegal traders are harmful to society since they sell expired items.	S. agree	133	47.5	3.85
		Agree	70	25	
		Neutral	21	7.5	
		Disagree	14	5	
		S. disagree	42	15	
		Total	280	100	
5	The existence of unregistered traders has a negative impact on government revenue.	S. Agree	189	67.5	4.35
		Agree	56	20	
		Neutral	0	0	
		Disagree	14	5	
		S. Disagree	21	7.5	
		Total	280	100	
6	Legal traders refuse to pay tax honestly by opposing of the existence of illegal traders.	S. agree	70	25	3.38
		Agree	84	30	
		Neutral	35	12.5	
		Disagree	63	22.5	
		S. disagree	28	10	
		Total	280	100	
7	There is no strong action by the government bodies to control illegal traders.	S. agree	98	35	3.45
		Agree	77	27.5	
		Neutral	0	0	
		Disagree	63	22.5	
		S. disagree	42	15	
		Total	280	100	

Source: Researcher's Own Survey Result (2016).

non-compliance behavior or have negative impact on business income tax collection process. Inability to easily understand the tax laws is mostly seen in category "C" tax payers this is due to lack of awareness about taxation and their low educational level compared to categories "A" and "B" tax payers. Tax non-compliance in opposing with the procedure of assessment and declaration of amount of tax to be paid is a severe problem of presumptive tax payers compared to the other two categories. This is due to subjective nature of assessment or their tax is levied based on standard assessment or absence of the use of book of account. As the tax officials responded in the interview, standard assessment is one of the most challenging areas in the collection process and they stated that determining the exact amount of tax to be paid is very difficult.

As the findings show, variables such as poor service delivery by the tax authority, poor public good and service provision, lack of awareness creation to tax payers, unethical practice by the tax collectors and absence of reward or motivation to the best or honest tax payers are the main tax administration and implementation problem found in this study. So, the researcher can conclude that among other reasons lack of good tax administration and implementation problem is also the reason for the business income tax collection challenges or non-compliance behavior of the tax payers.

Under the challenges associated with tax payers' attitude towards taxation, variables such as: high business income tax rate, perception of tax payers as the large portion of collected many is not used to the public and negative peer attitude are found as the reasons to non-compliance behavior of tax payers or to the tax evasion in this study. So it is possible to conclude that taxpayers' attitude towards taxation is one of the reasons for the business income tax collection challenges and to the noncompliance behavior of tax payers.

The findings also show the ever increasing informal business or illegal traders at each corner of Hosanna town is one of the major problems in business income tax collection process and is observed as one of the factor that reduce the tax collection efficiency and effectiveness of the tax authority. As observed in this study this problem is two directional: on one hand, since large number of illegal or unregistered traders are not in the tax payers net, the tax revenue that should be collected from economically active person is decreasing. On the other hand, the existence of illegal traders has a negative impact on the voluntary compliance of legal traders. It is observed that legal traders are refusing to pay tax liability by opposing the existence of illegal traders and absence of strong controlling actions by the government body. As the finding shows the reasons for this problem are absence of properly managed market places, frequent displacement and leaving out of traders from trade activities due to lack of follow up and support, poor cooperation between the town administration and the tax authority, poor application of trade laws and legal tax enforcement, lack of systematic data recording and data base and absence of modern technologies of tax collection system limit the provision of fast registration service and updating of past records.

RECOMMENDATIONS

Based on the findings and conclusions of this study, the following recommendations have been given.

To solve the problem of poor understanding of business income tax procedures and laws, the tax authority should distribute the tax laws (that means income tax regulation, proclamations and directives) in written form to business traders. This can serve as a guide in explaining taxpayers' rights and responsibilities as well as the consequence of non-compliance. In addition, the tax authority should provide necessary awareness creation program.

To develop positive attitude towards the payment of tax and to increase awareness about taxation, both short run and long run plan should be set. In the short run the tax authority should introduce tax week, work shop, and seminar as well as local medias. In the long run, the government shall introduce different types of simple technologies and methods which enable to create awareness. Again, the tax authority should motivate tax payers by providing rewards (trophy) for the best model tax payers or for their outstanding performance which is already stated in the article 85 sub articles 1 of income tax proclamation that will increase the voluntary tax payment compliance behavior of tax payers.

To solve problems associated with subjective nature of tax collection or assessment from presumptive tax payers, the tax authority should encourage this category of taxpayers to use book of account.

To develop the capacity of the tax authority towards tax administration and tax collection efficiency, the tax authority should provide additional training and development to the employees on tax related issues, aware them about their accountability in compliance and appeal procedures, and should provide education opportunities especially for those who are bellow certificate level. To increase tax collection effectiveness and efficiency it is better to use modern tax collection technologies like SIGTAS.

To solve problems associated with unethical behavior of tax officials or tax collectors, establishing office of ethics and training the tax officials towards ethical standards are meaningless unless the tax authority or the concerned body to take possible actions like punishments (taking to imprisonment, imposing financial charge, terminating their job contract, and others) according to the law on those tax officials who are acting an ethical behavior. Again, the tax authority should shrink down the long existing close relationship between the tax collectors and tax payers by assigning different tax collectors at different site and at different time rather than assigning the same individual at the same site for every tax collection period.

The city administration and other concerned bodies could improve the provision of public good and service like health service, water supply, road and electric power supply of the town. And the tax administrator should create visible links between tax revenue and public expenditures this will create a positive image on the local government activities as the result tax payers' voluntary compliance behavior will be improved.

Finally, to solve the problems associated with informal or illegal traders, the town administration should cooperate with the tax authority in activities of controlling and solving such problems. More specifically, providing facilities like market places and shops at reasonable low cost; trade consultancy and advisory service, and taking strong legal action (imposing penalties) as a last option rather than considering it as a source of revenue.

CONFLICT OF INTERESTS

The author has not declared any conflict of interests.

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Ownership structure and tax planning of listed firms: Evidence from Nigeria

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The study investigated the effect of ownership structure on tax planning of quoted non-financial companies in Nigeria. It aims to find out the ownership structure that improves tax planning thereby reducing tax liability of the firms. Data for the study were extracted from the annual reports and accounts of the companies for ten years (2008 - 2017). The data collected were analysed using descriptive statistics and multiple regressions. The study reveals that managerial and institutional ownerships have no significant positive effect on tax planning, while foreign ownership demonstrates no significant negative effect. Profitability measured using return on assets has a significant positive effect on tax planning of the sampled companies, and leverage shows a no significant negative effect. The findings imply that management-owned companies have fewer incentives to reduce tax, and there is a relationship in the attitude of management and institutional investors towards tax planning of the selected companies. In order to reduce the level of principal-agent conflicts, and to enhance tax planning and monitoring of management activities, the listed non-financial companies in Nigeria should encourage managerial shareholding.

Key words: Tax planning, managerial shareholding, institutional shareholding, foreign shareholding, tax expenses.

INTRODUCTION

Tax is a significant expense/liability to firms and their owners, hence, decreases cash flow available as profit. Shareholders prefer tax planning activities to increase not only profit after tax but also cash available (Khurana and Moser, 2013; Tijjani, 2019). Tax planning is the process of making one's financial statements with the aim of deferring, reducing or even eliminating the taxes payable to government authorities (Pniowsky, 2010). Tax planning is seen as the best way which does not breach legal guidelines in reducing tax liability. This can be achieved by taking advantage of different tax rates in some places and economic activities, in addition to tax incentives provided under tax regulations (Fallan et al., 1995).[1]

Ownership structure refers to the stockholding by shareholders and directors, including shares held by directors/managers, institutional shareholding, shares held by foreigners, concentrated shareholding, government ownership and family ownership. Institutional and foreign ownerships are external corporate governance (CG) mechanisms. Jensen and Meckling (1976) document that ownership structure as a CG variable is viewed as an agency conflict due to the

[1]The American Institute of Certified Public Accountants (2015) identifies two main objectives of tax planning. The first is to minimize the overall income tax liability, whilst the other is to fulfill financial planning with minimal tax results. These goals are achieved through three broad ways. The first is by reducing income tax resulting from an arrangement or a transaction. The second involves shifting the timing of a taxable event, and the third relates to shifting income to another taxpayer in the same category whose jurisdiction has lower tax rate.

separation of ownership and control. Ownership structure is not only connected with agency costs, in this case debts and equity, but also equity distribution, a crucial factor that refers to votes and capitals, and the identity of equity ownership. Demsetz and Lehn (1985) submit that the general factors that may influence ownership structure are size of the company, control potential, regulating systems and potential comfort from corporate outcomes.

From a policy point of view, company tax regulations can affect ownership structure, consequently, ownership structure may affect company tax planning, and this impacts the decision-making process of tax strategies which involve management and directors. Shareholders of companies would like to minimize corporate tax payments for wealth maximization (Tijjani et al., 2009; Tijjani, 2010). Thus, there is pressure on companies from shareholders to cut costs by taking advantage of gaps in the current tax system. At the same time, the government puts pressure on tax authorities to increase revenue. Consequently, taxation, more than ever before, has become an issue for boards of directors, chief financial officers, tax authorities and researchers in Nigeria.

The relationship between ownership structure and tax planning has been examined in prior studies, but research on the topic is still limited. The current study is appropriate as tax expenses constitute one of the costs of operating businesses. Most of the available studies are from China and examined state ownership and tax planning. Less attention is given to managerial, institutional and foreign shareholdings, which this study examines. In Nigeria, studies on tax planning are generally limited. This study would contribute to tax management in companies in multiple ways. The results will help managers of non-financial companies to see the effects of ownership structure on their tax planning policies. Additionally, it will add to the substantive literature on ownership structure and tax planning.

LITERATURE REVIEW

Theoretical debates on the study of tax planning as an agency issue was pioneered by Crocker and Slemrod (2005), Slemrod (2004) and Chen and Chu (2005). However, their submissions are not backed with empirical evidence. Thus, other researchers (Desai and Dharmapala, 2007; Abdul-Wahab 2010; Minnick and Noga, 2010; Zemzem and Ftouhi, 2013; Aliani, 2013; Boussaidi and Hamed, 2015; Armstrong et al., 2015) came up with empirical evidence in support of the agency theory.

Adhikari et al. (2006) assert that the effect of ownership structure on tax planning has not been explored as expected, especially in developing countries. This is evidenced by the few studies (Yeung, 2010; Beryl, 2014; Ali and Mohammed, 2014; Annuar et al., 2014; Wiem and Adel, 2015; Aghouei and Moradi, 2015; Boussaidi and Hamed, 2015; Yettyet al., 2016) that exist on the subject. Results from these studies are also mixed, as Ali and Mohammed. (2014), Beryl (2014), Aghouei and Moradi (2015), Resti et al. (2020) found that managerial ownership, institutional ownership and foreign ownership have no significant relationship with tax planning. Annuar et al. (2014) reported an inconclusive finding on the effect of ownership structure on tax planning. However, results from other studies (Andrew and Stephen, 2015; Ana et al., 2015; Jaewoo et al., 2016; Mozaffar et al., 2017; Norman et al., 2019) show that ownership structure has a significant negative effect on tax planning. The mixed nature of the results could be attributed to the fact that developed markets, and emerging markets have different characteristics. In addition, some of the findings of these studies may not be applicable in every country, as each country has different codes of CG, tax laws, institutions, income patterns and attitudes of board members.

Furthermore, prior studies (Adegbite, 2015; Ali and Mohammed, 2014; Beryl, 2014; Aghouei and Moradi, 2015; Uchendu et al., 2016; Oyenike et al., 2016; Yetty et al., 2016; Mohammed, 2017; Salawu and Adedeji, 2017) assessed the effect of a few CG mechanisms (such as gender diversity, board size, managerial ownership and institutional ownership) on tax planning. As in other sectors within the Nigerian stock market, there is pressure on non-financial-service companies by shareholders to cut costs by using loopholes in the current tax system. Therefore, the relationship between ownership structure and tax planning needs to be examined. Some previous studies (Yakasai, 2001; Okike, 2007; Adegbite et al., 2012) on CG in Nigeria concentrate on the suitable regulation framework for the introduction of the principles of CG, as little attention is given to empirical evidence on the relationship between CG and tax planning practice.

This study is different from prior research as it includes all three key measures of ownership structure (managerial shareholding, institutional shareholding and foreign shareholding), of which there is a paucity of studies. By including more variables and employing a longer time period (2008 to 2017), the study aimed to obtain more robust results. Moreover, previous studies (Oyenike et al., 2016; Uchendu et al., 2016; Mohammed, 2017; Nengzih, 2018) investigated deposit money banks while the current study employed data from non-financial-

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service firms.

Managerial ownership and tax planning

One CG mechanism that aligns management's interest with that of shareholders reduces agency problem is managerial ownership. The holding of shares by the company's executive members can reduce the conflict of interest and reduce the agency problem. Ozkan and Ozkan (2004) opine that as the cost of management's actions are borne by them, may restrict their willingness to apportion resources to non-value-maximizing activities.[2] In contrast, Badertscher et al. (2013) state that management-owned companies have fewer reasons to manage tax by decreasing it since manager-owners avoid investing in risky activities. Though managerial ownership supports incentives, there is a contrary theory on the effect of managerial ownership on value-adding activities. Fraile and Fradejas (2014) document that having certain level of managerial shareholding, managers have power to act based on their own interests.

Jaewoo et al. (2016) investigate the effects of managerial ownership on tax planning. Their study uses a differential design for 3,321 firm-years in the United States. They found that increased managerial ownership is associated with lower effective tax rate (ETR) which was used to measure tax planning practice. The finding confirms improvement in incentive alignment among managers and shareholders, which leads to tax planning. In addition, Badertscher et al. (2009) examine if private equity ownership companies have impact on tax practices of portfolio firms in the United States from 1975 to 2005. Their study reveals that private equity companies significantly involve in more non-conformity tax planning and lower marginal tax rates than other private firms.

Beryl (2014) examines whether CG mechanisms, specifically ownership structure, shows differences in levels of tax planning in Kenya. The study uses 61 listed firms on the Nairobi securities exchange over the period from 2009 to 2013. Data collected were analysed using descriptive statistics and multiple regressions. The research discloses that foreign ownership and institutional ownership have no significant effect on tax planning. Sartaji and Hassanzadeh (2014) investigate the relationship between CG and ETR using a sample of 85 companies quoted on the Tehran stock exchange. The results show that managerial ownership and institutional ownership have no significant effect on ETR, which contradicts the results of Beryl (2014) in relation to institutional ownership.

Desai and Dharmapala (2006) opine that tax planning is a product of agency conflicts. Hence, self-interested managers engage in tax planning to cover managerial abuse of company resources. Thus, they found a negative association between managerial incentives and tax planning. Mohammed (2017) examines the effect of CG on tax planning of listed deposit money banks (DMBs) in Nigeria from 2006 to 2014. Data were extracted from the annual reports and accounts of 15 sampled DMBs. Data collected were analysed using generalized methods of moments and reveal that board ownership significantly affect tax planning in the DMBs. This means that an acceptable nature of relationship between managerial ownership and tax planning remains mixed. In this regard, the following hypothesis is formulated:

H_{O1}: There is a negative relationship between managerial ownership and tax planning of quoted non-financial companies in Nigeria.

Institutional ownership and tax planning

Institutional ownership refers to the right of institutional investors to own a company. Such institutional investors include insurance companies, pension funds and investment banks, among others. Shleifer and Vishney (1986) document that institutional shareholders play a role in monitoring, and influencing managers. As a result of the supervisory role of institutional shareholders, they help reduce agency problem and make managers to make use of cash flow from tax savings to maximize value of companies (Poorheidari and Sarvestani, 2013). The role played by institutional shareholders in tax management may be influenced by the volume of shareholding.

Ying (2015) contends that when institutional shareholders have higher shareholdings, they hold those shares for a long time which gives them incentive to monitor management's actions. However, when the shareholding is not high, they have less incentive to monitor managerial actions, as they can easily liquidate or sell off their shares in response to unfavourable performance.

Yetty et al. (2016) examine the effect of institutional ownership and leverage on tax planning. The study uses 99 manufacturing firms quoted on the Indonesian stock exchange from 2010 to 2014. Non-parametric statistics were used in data analysis. The results show that institutional ownership has a significant effect on tax planning, and leverage does not show significant effect. Khurana et al. (2013) reveal that U.S. firms with higher institutional ownership engage in tax planning. Companies with high institutional investors with longer-term investment are concerned with long-term consequences of tax planning.

Mozaffar et al. (2017) examine the effect of institutional

[2]If managers hold a significant proportion of shares, reducing ETR will also benefit them; consequently, they have incentive to make financial decisions that contribute to the reduction of ETRs.

ownership on tax planning in the United States from 1979 to 2013. The results show that increase in institutional ownership increases in tax planning. Additionally, Andrew and Stephen (2015) investigate the effect of institutional ownership on tax planning using changes in the Russell 1000/2000 index membership over time in the United Statesand find that institutional ownership significantly decreases ETR. Inder and William (2009) determine how institutional ownership affect tax planning of U.S. firms from 1995 to 2008. They document that institutional shareholders influence tax planning with the intention of maximizing firm value in the short term. However, institutional shareholders with a longer investment horizon do not influence tax planning. The authors also point out that institutional shareholders can monitor and discipline managers for maximization of long-term value by discouraging tax planning activities. Also, Nengzih (2018) found that institutional ownership have significant impact on tax planning; therefore, whether institutional ownership has effect on tax planning remains an empirical question. To test this, the following hypothesis is formulated.

H_{O2}: There is a negative relationship between institutional ownership and tax planning of listed non-financial companies in Nigeria.

Foreign shareholding and tax planning

Foreign shareholders have monitoring abilities, but their focus is on liquidity which results in an unwillingness to enter into a long-term relationship with a company and engagement in a process of restructuring in case of poor performance. On this note, foreign shareholding has been found to have positive association with high profitability and efficiency (D'Souza et al., 2001; Smith et al., 1997).

Harry and Gaetan (2006) investigate the relationship between foreign ownership and corporate income taxation in Europe using data from the Amadeus database for European firms in 34 countries. They found that foreign ownership increases corporate income tax rate, which means it discourages tax planning activities. Foreign ownership will generally increase the level of capital income taxation in the absence of international tax policy. Foreign ownership therefore influences whether states can increase their welfare by coordinating their tax policies and, if so, whether coordination requires increases or reductions in overall income tax levels. Huizinga and Nielsen (2002) indicate that a high degree of foreign shareholding may remove the need for increasing source-based capital income taxes via coordination in a world where evasion of residence-based taxes would otherwise justify such coordination. To test the effect of foreign ownership on tax planning, the following hypothesis is formulated.

H_{O3}: There is a negative association between foreign ownership and tax planning of non-financial companies in Nigeria.

This study aligns with agency theory. An agency relationship arises whenever one or more individuals, called principals, hire one or more other individuals, called agents, to perform some services on their behalf. The study uses agency theory because tax literature has not historically differentiated between the corporate and individual aspects of tax planning; prior models of corporate tax planning have been formulated based on individual tax payer compliance. Corporate tax planning in the context of agency theory is more appropriate in the corporate environment because of the principal-agent relationship between shareholders and management. Due to the contributions of agency theory to organizational theory, the testability of the theory as well as the fact that the theory has empirical support; it seems reasonable to adopt it when investigating problems that have a principal-agent structure.

METHODOLOGY

The current study is quantitative, adopting a correlational research design, and covers a period of ten years (2008-2017). The population comprises of 106 non-financial firms quoted on the Nigerian Stock Exchange (NSE) as at 31st December 2017. The non-financial firms have same code of corporate governance which is different from that of financial institutions, and they also have different regulators from financial institutions. The size of the sample is 48 listed non-financial companies in Nigeria. A census sampling technique was used in the selection based on a two-point filter: (i) The companies must be quoted for the period of study, and (ii) They should have data needed to achieve the objectives of the study. Data were extracted from annual reports and accounts of the sampled companies which were analysed using multiple regressions. The analysis was made using STATA version 14 because is most suitable for panel data. The variables of the study consist of dependent and explanatory variables. They are measured following.

Dependent variable

Tax planning: The proxy for tax planning is ETR, measured as total tax expenses to profit before tax, as used by Wilson (2009), Streefland (2016) and Mohammed (2017).

Independent variables

Managerial ownership: Proportion of shares owned by directors/managers to total ordinary shares issued by the company, as employed by Beryl (2014) and Dridi W, Boubaker (2016).

Institutional ownership: Proportion of shares of institutional investors to total ordinary shares, as employed by Inder et al. (2009), Wiem and Adel (2015) and Yetty et al. (2016).

Foreign ownership: Proportion of companies' shares held by foreign investors to total ordinary shares, as used by Annuar et al. (2014).

Control variable

Two control variables were employed.

Performance (profitability): Proxied using return on assets (ROA). This is measured using profit before tax to total assets, as used by Aliani (2013) and Ana et al. (2015).

Leverage: Measured as total debts to total assets, as used by Chen et al. (2010).

Since the current study uses more than one sector, sectoral dummies are introduced to see if there is any difference in tax planning across the sectors.

The model of the study is as follows:

$$ETR_{it} = \beta_0 + \beta_1 MO_{it} + \beta_2 IO_{it} + \beta_3 FO_{it} + c_1 ROA_{it} + c_2 LEV_{it} + e_{it} \quad (1)$$

Where ETR = effective tax rate; MO = managerial ownership; IO = institutional ownership; FO = foreign ownership; ROA = return on assets; LEV = leverage; β_0 is the average amount which increases dependent when the independent variable increases by one unit, other independents variables were held constant; $\beta_1 - \beta_3$ shows the gradient of the independent variables; c_1 - c_2 indicate control variables and e is the error term.

The model shows that variation in tax planning is explained by managerial ownership, institutional ownership, foreign ownership, profitability and leverage. Thus, β_0 explains how dependent variable (tax planning) increases or decreases as a result of a unit change or increase in the explanatory variables.

RESULTS AND DISCUSSION

This part presents the results obtained from data collected. Robustness tests were conducted to ascertain the validity of all statistical assumptions. This serves to assess the impact of distribution problems as well as the problem of outliers before deciding on the appropriate statistical method to adopt. The robustness tests include multicollinearity, heteroskedasticity, normality of dependent variable and the Hausman specification test. This study adopts variance inflation factor (VIF) in checking for the presence of multicollinearity between the explanatory variables in the model. Results from the VIF test are less than 10 for all study variables, which is an indication of absence of multicollinearity. Results of the Breusch-Pagan/Cook-Weisberg test for heteroskedasticity indicate that there was absence of heteroskedasticity in the model with a chi-square probability of 0.0000. Furthermore, the Shapiro-Wilk normality test shows that data are normally distributed, as the p-value of the variables is 0.0000. Finally, results from the Hausman test shows that fixed effect is better than random effect; therefore, interpretation is based on a fixed effect model. Results of the study are presented as follows.

Descriptive statistics

Table 1 details descriptive statistics of the data obtained from the sampled firms. An analysis of Table 1 shows a number of insights. The mean ETR is 18% with a standard deviation of 0.216. The minimum value is -1.474 with a maximum value of 1.612. The mean ETR is below the statutory tax rate of 30%, which is indicative of tax planning practices in the sampled non-financial firms in Nigeria. The standard deviation of 0.216 shows that there is fairly wide deviation in ETR within the sample. The minimum value of -1.474 is an indication of tax computed based on a book loss (loss before tax). The maximum value of 1.612 is a result of tax credit enjoyed by some companies that reported a book loss (negative denominator) but paid taxes (positive numerator). On average, directors hold about 7% of total equity shares of the firms. This shows that 93% of the total equity shares of the companies are owned by shareholders who are not directors. The standard deviation of 0.121 signifies that managerial shareholding of the companies is not diverse, as shown by the minimum managerial shares of 0% and maximum of about18% among the sampled companies for the period of the study. Additionally, the mean institutional shareholding is about 29% of the total equity shares issued by the sampled companies for the period of the study. This implies that the remaining 71% of the total equity shares of the companies was held by individual shareholders of the companies. The minimum institutional shareholding is 0% and maximum is 83%. The standard deviation of 0.250 indicates that institutional shareholding among the sampled non-financial companies is diverse. Similarly, the mean foreign ownership is approximately 17%, indicating that 83% of the shares are owned by citizens and institutions. The minimum foreign shareholding is 0% with a maximum of 76%. The standard deviation of 0.233 shows that foreign shareholding is diverse.

Profitability (measured as profit before tax to total assets) has a mean of 9% with a maximum loss of 69% and maximum profit of 114%. The standard deviation of0.172 indicates no significant dispersion in profitability among the sampled companies. Finally, on average, the sampled companies have a leverage of about 17% with a minimum debt of 0 and maximum of 1.89. The standard deviation of 0.228 implies no significant variation in the leverage of the firms.

Correlation

Correlation shows the strength of relationship between explanatory variables themselves and with the dependent variable. The results for these tests are shown in Table 2. An analysis of the table reveals that all the variables (dependent and explanatory) have a perfect positive linear relationship with themselves, as indicated by 1.000 on the diagonal. Managerial ownership, foreign ownership and leverage have a weak negative relationship with tax planning measured using ETR, while institutional ownership and profitability (ROA) have a weak positive

Table 1. Descriptive statistics of the variables.

Variable	Obs.	Mean	Std. Dev.	Min.	Max.
ETR (%)	480	0.183	0.216	-1.474	1.612
MO (%)	480	0.065	0.121	0	0.719
IO (%)	480	0.291	0.250	0	1.670
FO (%)	480	0.167	0.233	0	0.825
ROA (%)	480	0.091	0.172	-0.697	1.392
LEV (%)	480	0.165	0.228	0	1.894

Source: STATA 14.0 output from data extracted.

Table 2. Correlation matrix.

Variable	ETR	MO	IO	FO	ROA	LEV	VIF
ETR	1.000						
MO	-0.044	1.000					1.05
IO	0.040	-0.061	1.000				1.06
FO	-0.077	-0.404	0.117	1.000			1.08
ROA	0.474	-0.111	-0.109	-0.035	1.000		1.18
LEV	-0.220	0.017	0.025	-0.087	-0.314	1.000	1.15

Source: STATA 14.0 output from data extracted.

relationship with tax planning. All the explanatory variables except leverage have a weak negative relationship with managerial ownership. In addition, foreign ownership and leverage have a weak positive relationship with institutional shareholding, as profitability has a weak negative relationship with institutional shareholding. Profitability and leverage have a weak negative relationship with foreign shareholding. Finally, leverage has a weak negative relationship with profitability.

Regression

Table 3 depicts regression results, interpretations are based on fixed effect (FE) regression. Table 3 indicates that the R^2 of 0.16 (16%) is the percentage of total variation in the dependent variable explained by the linear model. The F-statistics testing the overall hypothesis of the slope coefficient display a very significant relationship based on the probability output of 17.6 at a probability level of 0.000, which is less than the critical value of 0.05 (0.00 < 0.05). Therefore, the study rejects the null hypothesis; thus, ownership structure has a significant effect on tax planning of listed non-financial companies in Nigeria. This indicates that the model is fit and statistically significant in influencing the extent of tax planning of listed non-financial companies in Nigeria.

In respect to the sectoral dummies, the positive and significant intercept of ETR in the model means that the base sector (consumer goods sector) has a positive ETR. This implies that tax planning in consumer goods industry is not glaring. However, other non-financial sectors (such as agriculture, conglomerate, construction/real estate, healthcare, ICT, industrial goods, natural resources, oil and gas, and services sectors) have a negative effect on ETR. This implies that companies belonging to these sectors practice tax planning.

Results on ownership structure show that managerial shareholding has an insignificant positive effect on tax planning of the sampled non-financial companies in Nigeria. This implies that a unit increase in managerial shareholdings, all other factors remaining constant, has a percentage increase in ETR of the companies and is statistically insignificant. The result indicates that managerial ownership does not encourage tax planning. This finding is not surprising in view of the fact that shares owned by board members in the sampled companies are relatively few. Most of the board members do not own shares, which is why the proportion of shares held by directors is small. This means that there is no goal congruence between board members/managers and shareholders, which is in agreement with agency theory. The finding contradicts Mahenthiran and Kasipillai. (2012), Ana et al. (2015), Boussaidi and Hamed (2015), Jaewoo et al. (2016) and Mohammed (2017), who find a negative and significant relationship between managerial ownership and tax planning, therefore agrees with Li (2014.), Yeung (2010), Zhou (2011), Chen (2013), Sartaji and Hassanzadeh (2014), Desai and Dharmapala

Table 3. Regression results.

Variable	OLS	FE
Constant	0.000* (0.181)	0.000* (0.157)
MO	0.694 (0.032)	0.353 (0.123)
IO	0.607 (0.020)	0.877 (0.008)
FO	0.101 (-0.773)	0.623 (-0.041)
ROA	0.000* (0.357)	0.001* (0.259)
LEV	0.013** (-0.157)	0.871 (-0.009)
Industry		
Agriculture	0.176 (-0.055)	0.365 (-0.050)
Conglomerate	0.007** (-0.100)	0.060*** (-0.095)
Construction/RE	0.072*** (-0.119)	0.223 (-0.110)
Healthcare	0.023*** (-0.075)	0.099*** (-0.074)
ICT	0.000* (-0.272)	0.004** (-0.262)
Industrial Goods	0.044*** (-0.069)	0.206 (-0.059)
Natural Res.	0.014*** (-0.119)	0.086*** (-0.113)
Oil and Gas	0.031*** (-0.072)	0.116 (-0.071)
Services	0.020*** (-0.072)	0.080*** (-0.072)
R^2	0.16	
Adj. R^2	0.15	
F stat	7.56	
p-value	0.000	

*, ** and ***indicate 1, 5 and 10% levels of significance, respectively.
Source: STATA 14.0 output from data extracted;

(2006), and Resti et al. (2020).

Furthermore, institutional shareholding has an insignificant positive relationship with tax planning, which implies that the more institutions own shares the lower the tax planning in the sampled companies. Thus, institutional shareholders are not among the major determinants of tax planning of the sampled companies. This is in line with the findings of Sartaji and Hassanzadeh (2014), Beryl (2014), Mozaffar et al. (2017) and Jamei (2017), who found an insignificant positive relationship between institutional ownership and tax planning, and is inconsistent with Andrew and Stephen (2015) and Yetty et al. (2016), Nengzih (2018), and Resti et al. (2020) who found a significant negative relationship between institutional ownership and tax planning.

Foreign shareholding is also reported to have an insignificant negative effect on tax planning of the sampled companies. Thus, it means that as foreign shareholding increases, ETR decreases, which implies increased tax planning. This result is not expected because the proportion of shares held by foreign investors in the sampled companies is relatively few, thus, number of shares does not matter. However, the small proportion of shares held by investors increases tax planning. The finding contradicts the findings from Rawiwan (2013), Annuar et al. (2014), Beryl (2014) and Yetty et al. (2016), and Resti et al. (2020) who found an insignificant positive relationship between foreign ownership and tax planning. Return on assets is seen to have a positive and significant effect on tax planning. This implies that profitability is not a major determinant of tax planning, as more profitable companies do not engage in tax planning. Finally, leverage has a negative and insignificant effect on tax planning. This means that a highly leveraged company engages more in tax planning activities. The finding supports Derashid and Zhang (2003) and Ogbeide (2017), and contradicts Jamei (2017). The result supports the argument as posited by Gupta and Newberry (1997) that firms who have higher debt-equity ratios are more efficient at decreasing ETR. Therefore, debt tax shield associated with the choice of debt financing contributes towards tax planning.

The above results are used to test the three null hypotheses presented in the literature review as follows:

H_{O1}: The study fails to accept the hypothesis; hence, there is a positive relationship between managerial ownership and tax planning of listed non-financial firms in Nigeria.

H_{O2}: The study fails to accept the hypothesis; therefore, institutional shareholding and tax planning of listed non-financial companies are positively related.

H_{O3}: The study fails to reject the hypothesis; hence, there is a negative association between foreign ownership and tax planning of non-financial companies in Nigeria.

CONCLUSION AND RECOMMENDATIONS

Based on the results presented, the different industries used as control variables have different effective tax rates, and there appears to some extent negative relationship between foreign ownership and effective tax rate.In addition, managerial and institutional ownerships have a positive and insignificant effect on tax planning of sampled non-financial firms in Nigeria. The findings imply that management-owned companies have less incentive to manage tax in decreasing it, and there is a relationship in the attitude of management and institutional investors towards tax planning of the selected companies. In line with the findings, the study recommends that; to reduce the level of principal–agent conflict, and to enhance tax planning and monitoring of management activities, Nigerian non-financial companies should encourage managerial shareholding to enhance tax planning and to reduce owner-manager conflict. This will contribute towards reducing tax liabilities of the companies. Also, since institutional ownership does not encourage tax planning, companies should encourage institutions to own more shares to better inform management practices.Finally, shareholders in Nigeria should be encouraged to own substantial shares since foreign shareholding contributes insignificantly in tax planning. This can be done by increasing dividend payouts and bonus issues.

LIMITATIONS AND FURTHER RECOMMENDED RESEARCH

The study used only non-financial companies; thus, future studies should use all listed companies. In addition, the study has not captured all ownership structure variables; this gives room for future studies to include more variables such as ownership concentration, and family ownership to see the impact on tax planning. Finally, upcoming studies can extend the time frame.

CONFLICT OF INTERESTS

The authors have not declared any conflict of interests.

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Analysis of the level of compliance with the code of ethics in the accounting profession

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The accountant professional code of ethics contains the ethical principles applicable to his profession. The purpose of the code of ethics for the accountant is to enable the professional to adopt a personal attitude, according to the ethical principles known and accepted by society. Most financial scandals have called into question the ethical conduct of accounting professionals. The code of ethics in the accounting area aims to enable professionals to adopt a personal attitude in accordance with some ethical principles known and accepted by society, in order to maintain adequate social behavior in accordance with the requirements of society. To this end, a cross-sectional, quantitative, descriptive and inductive study was carried out of primary data collected from professionals registered with the Order of Accountants and Auditors of Mozambique, working in Maputo City in 2018, with the aim of analyzing the level compliance with the code of ethics for accounting professionals. Out of the 2600 professionals registered in the Order of Accountants and Auditors of Mozambique, 195 were submitted to the study, the majority of whom were female, young and with higher education. In this study, it was concluded that most professionals choose to observe the principles and rules of the code of ethics, despite an insignificant minority that needs more time on ethical issues.

Key words: Code of ethics, accounting, Mozambique.

INTRODUCTION

Ethical issues are discussed today in the professional, organizational and governmental field (Medeiros et al., 2018). The ethical principles applicable to the profession of accountant represent the essence of the profession's intentions to live and act within ethics (Megliorini et al., 2010). Accounting scandals involving nationally and internationally renowned companies intensify society's concern about information that demonstrates the real situation of companies (Kushniroff, 2012).

The professional accountant must have an unquestionable ethical behavior, know how to maintain secrecy, have personal conduct, dignity, honor, competence and serenity to provide the user with information with safety and reliability, and, at the same time, have a personal conduct in order to not be seduced in defrauding information (Azevedo and Cornacchione,

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2012). For these reasons, the subject “Ethics” acquires enormous importance in the current context of the capitalist business market.

In several countries, the activity of accounting professionals has been called into question. Such situations result from acts of corruption and addiction to the truth in the exercise of the activity. The purpose of the code of ethics for the accountant is to enable the professional to adopt a personal attitude according to the ethical principles known and accepted by society (Nerandzic et al., 2012).

The exercise of accounting activity, at a professional level, presupposes the compliance of a set of principles and rules, which refers to a professional way of how to be and be. This meaning is at the origin of the creation of the Order of Accountants and Auditors of Mozambique (OCAM) and also of the different codes of ethics, conduct or ethics, observed by the different accounting institutions.

In carrying out their duties, certified accountants and auditors must respect the legal standards and generally accepted accounting principles, adapting their application to the specific situation of the entities to whom they provide services, avoiding any decrease in their independence due to personal interests or external pressures, striving for accounting and tax truth. As he provides services, he has access to information for decision-making, and must therefore keep confidentiality, not acting in bad faith in the performance of his activities (Williams and Elson, 2010).

In case of breach of confidentiality, it will result in penalties imposed by the Statute of the Order of Accountants and Auditors of Mozambique, the body that administers accounting professionals, which may compromise professional registration.

Mozambique, in the same context, has been triggering a set of actions to combat harmful practices in the economy, among them, those considered corrupt that have been being noticed recently. Some examples of these practices are media cases such as tax evasion, over-invoicing, Embraer, Nacala Airport, undeclared debts, and all of them, in some way, involve the accounting activity.

At the international level, several studies that address the theme of professional ethics and deontology have been developed. Despite the remarkable growth of these studies, few focus on accounting and auditing professionals.

However, one of the ways to analyze the concern raised, focusing on the period 2012-2017, is answering the following research questions:

(1) What is the level of compliance with the professional code of ethics by professionals?
(2) What are the main factors that influence the process of compliance with the code of ethics by accounting professionals?
(3) What relationship is there between demographic characteristics and level of compliance?

Considering the aforementioned, the present study aims to analyze the degree of compliance with the code of ethics of Accounting and Auditing professionals in the practice of their functions.

LITERATURE REVIEW

Code of ethics

The codes of ethics contain positive ethical standards because they are disseminated. Most of them are natural norms, others are only positive and exceptional, and others are even positive norms contrary to natural norms (Breakey, 2019).

Although the professional code of ethics serves to restrain unethical procedures, this is not its main objective. Its primary objective is to express and encourage the sense of justice and decency in each member of the organized group.

Code of ethics must indicate a new standard of interpersonal conduct in the professional life of each worker who is exercising any position in the organization (Ho, 2003). Thus, the professions in the country are organized through Professional Orders. There is the Order of Accountants and Auditors, the Order of Doctors, the Order of Lawyers, the Order of Engineers, among others. Everyone has his or her own codes of ethics.

The vast majority of professionals work as employees of companies and are thus subject to two codes of ethics: that of the order of their profession and that of the company (Adams et al., 2001). In principle, they are distinct areas: one thing is the profession, with its own professional duties, and another, distinct, the company in which you work (Koonmee et al., 2010). The two usually have rules in common: when there is a simultaneous violation of both codes, it is a good rule that the violation is judged by the ethics committee that first receives the complaint (Gilman, 2005).

The objective of the code of ethics for the accountant is to enable this professional to adopt a personal attitude, in accordance with the ethical principles known and accepted by society (Mihelic et al., 2010).

For the exercise of the profession of accountant, technical preparation is not enough; he must defend the ethical principles and values applicable to his profession, in order to produce a true image of what it constitutes for new generations of professionals (Wessels, 2005). A code of ethics must contain precepts that deal with the group's obligations in at least four areas: competence, confidentiality, integrity and objectivity (Sadowski and Thomas, 2012).

Ethics in accounting

The liberal professions, almost entirely, have a great social value. What changes is the way of acting and the nature of the services, with accounting being highlighted for its role in protecting the life of the wealth of social cells and for producing qualified documents on heritage behavior (Gilman, 2005).

The professional accountant is one of the oldest professions and it has developed with society and today it is among the most required and the most widespread, as every company and every institution necessarily needs these services. Like any other profession, laws that guide the class of accountants define accounting (Cooper and Robson, 2006).

These laws have the function of determining how accounting procedures should be performed, protecting the accountant from several situations, such as being inspected or even reported to the agency OCAM supervisory bodies.

Despite all the professions, without exception, regarding professional ethics, the accounting profession is perhaps the one that demands more. It is through their reports, records and statements and mainly by signing the technical responsibility for the service provided that exposes dependents and accounting users to such information (Ho, 2003). It is impossible to disconnect accounting from ethics, so that there is a balance and good direction of society, making it impossible for anyone to be harmed.

This asset consists of a set of assets, rights and obligations, and accounting has an obligation to control it. From these findings, it is clear how important accounting is for companies, regardless of their size. Without proper accounting, the company ends up being considered without identity, unable to act in the market, because it has essential tools for the progress of organizations (Robé, 2011).

For this, it is mandatory that the accounting is demonstrated in the reports in a correct way, not only to serve management purposes. These accounting reports must be, in an ethical and responsible manner, everything must be presented according to the acts and facts that happened properly in the company's operating situation.

In the accounting profession, this is no different. It is extremely important that the work is done efficiently and effectively, so that it satisfies the client's need, without breaching the rules that regulate the profession (Coffee Jr., 2001).

Accountant's professional code of ethics

According to Kraemer (2001), in addition to serving as a guide to moral action, the professional code of ethics enables the accountant's profession to declare his purpose:

(1) Comply with society's rules;
(2) Serve with loyalty and diligence; and
(3) Respect yourself

The purpose of the code of ethics for the accountant is to enable the professional to adopt a personal attitude, according to the ethical principles known and accepted by society (Melé, 2005).

The accountant's professional code of ethics contains the ethical principles applicable to his profession. In summary, according to the Oliveira and Rodrigues (2014) approach, these principles concern:

(1) Responsibility, before society, to act with care and quality, adopting free and impartial criteria;
(2) Loyalty, before the contractor of your services, keeping professional secrecy and refusing tasks that contradict morals;
(3) Responsibility towards the duties of the profession (technical improvement, registration with professional bodies, etc.);
(4) Preservation of the professional image, keeping updated in relation to new work techniques, also adopting the highest professional standards of conduct. The accountant must contribute to the development and dissemination of the knowledge of the profession. Respect for colleagues must always be observed.

The accountant's behavior must adapt to the demands made by society, technical preparation is not enough, however good it may be. He needs to find a higher social purpose in the services you perform. In addition, it must produce a true image of what it constitutes for the new generation of professionals, openly defending the ethical principles and values applicable to their profession.

The ethical principles applicable to the profession of accountant represent the essence of the profession's intentions to live and act within ethics (Baker, 2007). It can be said that one of the essential conditions for the professional success of the accountant and his adherence to a set of ethical principles that serve as premises for his actions (Woiceshyn, 2011).

One of the important points for the implementation of an ethical administration is the distinction that must be made between two fundamental concepts: the ethical question and the ethical dilemmas (Buchan, 2005). The ethical issue is related to the formulation of the problem. Thus, if a top executive lies and violates the rules of his institution, the ethical issue is clear and the problem can be easily resolved (Bell and Bryman, 2007).

The ethical dilemma deals with solving the problem. As it involves the choice of conflicting factors, such a solution is not transparent. Thus, if the aforementioned senior executive is a relative or friend of the company's president, when making a decision to resolve the problem, the administrator will be faced with an ethical dilemma (Ho, 2003).

Among the problems that cause ethical dilemmas in organizations, are the lack of clear guidelines, the lack of communication between the different hierarchical levels and the lack of open discussions about the problems that affect companies (Maguire and Phillips, 2008).

The accountant plays a relevant role in the analysis and improvement of ethics in the accounting profession, as he is always dealing with ethical dilemmas, in which he must exercise, in the fullness of his sovereignty, his role as an independent professional (De Sá, 1996).

An example of an ethical dilemma for the accounting professional is that of an auditor who was called upon to audit client-relative accounts. The reason for this procedure is due to the fact that the company normally does not accept the relationship between the professional (auditor) and the client (audited). It is as if there were, necessarily, a collusion between the parties, which may not be true, but whose belief should not be discussed (Hillison, 2017).

Fundamental principles of the accountant's professional code of ethics

Among the accountants' duties towards society is the high standard of ethical conduct. An appropriate example of a code of ethics is that of the management accountant who, according to Dias et al. (2015), considers competence, secrecy, integrity and objectivity. While IFAC (2016) defends as principles the integrity, objectivity, professional competence and due care and confidentiality.

Professional competence and due diligence

Professional competence and due diligence, under IFAC (2016), is to maintain professional knowledge and skills at the level necessary to ensure that a client or employer receives competent professional service based on updated developments in practice, legislation and techniques and to act with diligence and in accordance with the technical and professional standards applicable when providing professional services. Thus, according to Oliveira and Rodrigues (2014), competence comprises:

(1) Maintain an adequate level of professional competence, improving through constant training;
(2) Adapt to the relevant legal provisions (laws, regulations, instructions, provisional measures, professional code of ethics);
(3) Prepare clear and complete reports, with appropriate recommendations after each analysis.

A professional accountant must take steps to ensure that those who work under his authority in a professional capacity have adequate training and supervision. Whenever appropriate, a professional accountant should make clients, employers or other users of professional services aware of the limitations inherent in services and activities, the professional's competence also includes the ability to integrate into the social environment in which he lives.

The preparation of the financial statements and the additional recommendations for disclosure of accounting facts are basic points where the accountant shows his professional competence (or his lack) to the company's management (De Moor and De Beelde, 2005).

Secrecy or confidentiality

Confidentiality relates to the information you have collected as a result of personal and professional service company relationships and you must not disclose any information to third parties without proper and specific authorization unless there is a legal or professional right or duty to disclose, no it should be used to the personal advantage of the Professional Accountant or third parties (IFAC, 2016). Based on this assumption, confidentiality according to Sadowski and Thomas (2012) comprises:

(1) Keep all company confidential information secret;
(2) Inform subordinates, as well as monitor them, in order to keep information confidential;
(3) Refrain from using confidential information (insider information) for their own benefit or for related persons.

It seems obvious, at first glance, that it is the accountant's obligation to keep information about the company confidential, since it is competing with others for a share of the market (Tomkins, 2001). If there are problems with the company's management, in order to adopt procedures that contradict the legal provisions, actions must be taken to safeguard their own professional responsibility (Eccles et al., 2014). This includes the preparation of clear financial statements, with recommendations for alternative disclosure procedures, which include explanatory notes to the financial statements (Turner et al., 2010).

Integrity

According to Bayou et al. (2011), integrity presupposes the duty of the professional accountant to be straight and honest in all professional and business relationships. Therefore, for Tweedie et al. (2013) integrity includes:

(1) Avoid conflicts of interest, advising the parties involved of the potential conflict;
(2) Refuse any gift that may influence your actions;
(3) Avoid taking any action that could harm the company from achieving its objectives in an ethical manner;
(4) Recognize and communicate to the company management any professional limitations in the exercise

of the function;
(5) Communicate any and all information, judgment and opinion to the company's management.

As mentioned earlier, avoiding conflicts of interest, refusing bonuses or gifts, not taking any action that could harm the company from achieving its objectives in an ethical manner, communicating any information or judgment to the company is crucial to maintaining an integral image of the professional accountant and values the your profession (Breakey, 2019).

Objectivity

According to IFAC (2016), objectivity should not allow previous judgments, conflicts of interest or undue influence from others to override professional or business judgments, in a succinct way. Bayou et al. (2011) states that objectivity comprises:

(1) Adopt clear and objective language; and
(2) Evidence all relevant information that may influence the user of the financial report.

Despite not being much questioned, professional behavior falls within the fundamental principles that mean: comply with the relevant laws and regulations and must avoid any action that discredits the profession (Chaiboonsri et al., 2010).

The accountant must be and must adopt a clear and objective language and highlight any information that is important to the user of the financial report, this includes communicating favorable information, as well as unfavorable information, and his opinions as professional, communicating the information clearly and objectively and show users all relevant information that would probably interfere with the understanding of the statements, explanatory notes and recommendations presented (Beyer et al., 2010).

MATERIALS AND METHODS

This is a cross-sectional, quantitative, descriptive and inductive study of primary data collected from professionals registered with OCAM, working in the city of Maputo in 2018.

Population and sample

The universe set for this study is made up of all accountants from Maputo City certified by OCAM, here considered finite (N = 2600). For the selection of the sample elements, simple random sampling determined as follows (Mahaluça, 2016):

$$n = \frac{Z_{\alpha/2}^2 . p . q . N}{\varepsilon^2 . (N-1) + Z_{\alpha/2}^2 . p . q}$$

Equation 1: Formula for sample size calculation

For this, a 95% confidence level and an accuracy of 6% were considered. The choice of this error was to minimize data collection time, less loss of information and cost savings. Due to the lack of information on the success rate p (level of compliance with the professional ethics code), the worst case scenario was used, that is, 50% of the success rate was attributed. Thus, in this study, 242 elements were selected.

Inclusion criteria

(1) All accountants and auditors of Mozambican nationality; certified by OCAM from 2012 to 2017;
(2) All accountants and auditors with a minimum age of 20 years;
(3) All accountants and auditors certified by OCAM who practice the profession with a minimum time of 3 years and with at least average level of education.

Data collection instruments

For data collection, a closed-ended questionnaire of multiple choice questions was used, where the respondents opted for one of the alternatives or for a certain allowed number of options. This instrument was chosen to determine the response patterns and the level of difficulty of the respondents. Closed questions allow for more accurate answers, that is, they are standardized, easy to apply, simple to code and analyze. The questionnaires were distributed individually, and through e-mail addresses, with a return rate of 80% (195/242).

Pre-test of the questionnaire

In order to highlight possible flaws in the writing of the questionnaire, such as complexity of the questions, imprecision in the wording, unnecessary questions or constraints to the informants, 20 accountants and auditors certified by OCAM were randomly selected from this population. After the pretest, 3 questions were excluded due to the redundancy of the information.

Data analysis

A descriptive statistical analysis was performed using graphs and frequency tables, to understand the behavior of the variables under study. The Chi-square test was performed to analyze the relationship between categorical variables. The Standardized Z test was also used to compare proportions. Student's t test was used to compare the means and determine the confidence interval. For all tests, a significance level of 5% and a confidence level of 95% were used.

Data analysis was performed using the Statistical Package for the Social Sciences (SPSS) version 20 and BioEstat 5.3.

Ethical aspects

The risks of the study were minimal except for some minimal possibility of identifying the professional by using a name in the OCAM database (for confirmation reasons), and, as a way of minimizing it, the database manager passed the information on to a coded guideline form to ensure data anonymity at all times. The researcher created his mask in the SPSS and analyzed the data extracted by the base manager taking into account the variables under study. It is important to emphasize that these data are for academic purposes only.

Table 1. Partner profile - demographic of the respondents.

Option	Gender			Chi-square test	
	Male	Female	Sum		
	n (%)	n (%)	n (%)	χ^2	p-value
Age group (years)					
20-30	52 (49.5)	53 (57.1)	105 (53.8)	0.841	0.657
31-50	29 (52.7)	26 (47.3)	55 (28.2)		
51-75	15 (42.9)	20 (57.1)	35 (17.9)		
Sum	96 (49.2)	99 (50.8)	195 (100)		
Education level					
Medium	36 (50.7)	35 (49.3)	71 (36.4)	0.097	0.755
Higher	60 (48.4)	64 (51.6)	124 (63.9)		
Sum	96 (49.2)	99 (50.8)	195 (100)		
Professional experience (Years)					
3-5	15 (53.6)	13 (46.4)	28 (14.4)	1.399	0.844
6-10	26 (49.1)	27 (50.9)	53 (27.2)		
11-15	19 (44.2)	24 (55.8)	43 (22.1)		
16-30	16 (45.7)	19 (54.3)	35 (17.9)		
>30	20 (55.6)	16 (44.4)	36 (18.5)		
Sum	96 (49.2)	99 (50.8)	195 (100)		

RESULTS

Socio-demographic profile

As shown in Table 1, of the 195 respondents, the majority are female, with around 50.8%. As for the age group, 53.8% are between 20 and 30 years old, 28.2% are between 31 and 50 years old and 35% are at least 51 years old. The most frequent age group in males and females is 20 to 30 years old with 54.2 and 26.3%, respectively. The Chi-square test shows that there is no significant difference in age between genders.

Regarding the level of education, most of the respondents have higher education with 63.9%. In the male group, 50.7% have a medium level and in the female group 51.6% higher. The Chi-square test shows that there is no significant difference in the level of secularity between the sexes (Table 1)

According to the data in Table 1, most professionals have 6-10 years of experience with about 27.2%, 10-15 years (22.1%) and 18.5% with more than 30 years. The group of males when compared to females only shows a slight difference in the time of experience in the range of 3-5 years and more than 30 years. This difference is not significant.

Code of ethics compliance profile

As for the awareness and application of the code of ethics, 57.9% of the professionals stated that they know and follow everything it contains (Op1), 13.3% know but do not follow it because they think it is unnecessary (Op2), 25.6% know and use it according to the client or employer (Op3), and 3.1% do not know (Op4). Female sex workers are more likely to apply the code of ethics properly when compared to male ones. Professionals with less service time have less knowledge about the application of the code of ethics. The results show that there is no relationship between knowledge and application of the code of ethics with sex and years of work experience (Table 2)

Regarding the factors that lead the professional to act correctly, 14.4% claim possible sanctions (Op5), 41.5% moral principles (Op6), 14.9% internal company norms (Op7), 10.3% religious (Op8), 10.8% social conventions (Op9) and 7.7% other reasons (Op10). Possible sanctions (60.7%), moral principles (53.1%) and social convictions (52.4%) are the main factors that lead female sex workers to act correctly. The results show that there is no relationship between factors that lead the professional to act correctly with sex and years of work experience (Table 2).

As for the relevance in the correct performance of ethics, 41% of the professionals claim the suitability (Op11), 39.5% the number of clients (Op12) and 19.5% other reasons (Op13). Male professionals (57.5%) consider ethics to be correct due to suitability. Professionals with more than 5 years are more suitable in the ethical performance of their activities. The results

Table 2. Relationship between awareness and compliance with the code of ethics and socio-demographic characteristics.

Compliance with the code of ethics	Gender			Z-Test		Professional experience (Years)						Z-Test	
	Male	Female	Sum			3-5	6-10	10-15	16-30	> 30	Sum		
	n (%)	n (%)	n (%)	Z	p-value	n (%)	n (%)	n (%)	n (%)	n (%)	n (%)	Z	p-value
Knowledge and application of the code													
Op1	48 (42.5)	65 (57.5)	113 (57.9)			15 (13.3)	31 (27.4)	26 (23.0)	21 (18.6)	20 (17.7)	113 (57.9)		
Op2	13 (50.0)	13 (50.0)	26 (13.3)			3 (11.5)	8 (30.8)	6 (23.1)	5 (19.2)	4 (15.4)	26 (13.3)		
Op3	32 (64.0)	18 (36.0)	50 (25.6)	6.433	0.092	9 (18.0)	13 (26.0)	8 (16.0)	9 (18.0)	11 (22.0)	50 (25.6)	5.776	0.927
Op4	3 (50.0)	3 (50.0)	6 (3.1)			1 (16.7)	1 (16.7)	3 (50.0)	0 (0.0)	1 (16.7)	6 (3.1)		
Sum	96 (49.2)	99 (50.8)	195 (100.0)			28 (14.4)	53 (27.2)	43 (22.1)	35 (17.9)	36 (18.5)	195 (100.0)		
Factors that lead to acting ethically													
Op5	11 (39.3)	17 (60.7)	28 (14.4)			3 (10.3)	6 (21.4)	8 (28.6)	4 (14.3)	7 (25.0)	28 (14.4)		
Op6	38 (46.9)	43 (53.1)	81 (41.5)			14 (17.3)	23 (28.4)	17 (21.0)	14 (17.3)	13 (16.0)	81 (41.5)		
Op7	17 (58.6)	12 (41.4)	29 (14.9)			4 (13.8)	8 (27.6)	4 (13.8)	10 (34.5)	3 (10.3)	29 (14.9)		
Op8	13 (65.0)	7 (35.0)	20 (10.3)	5.326	0.503	3 (15.0)	5 (25.0)	3 (15.0)	4 (20.0)	5 (25.0)	20 (10.3)	18.852	0.670
Op9	10 (47.6)	11 (52.4)	21 (10.8)			3 (14.3)	7 (33.3)	5 (23.8)	1 (4.8)	5 (23.8)	21 (10.8)		
Op10	8 (50.0)	8 (50.0)	15 (7.7)			1 (6.3)	4 (25.0)	6 (37.5)	2 (12.5)	3 (18.8)	15 (7.5)		
Sum	96 (49.2)	99 (50.8)	195 (100.0)			28 (14.4)	53 (27.2)	43 (22.1)	35 (17.9)	36 (18.5)	195 (100.0)		
What do they consider most relevant in the correct performance of ethics													
Op11	46 (57.5)	34 (42.5)	80 (41.0)			10 (12.5)	25 (31.2)	11 (13.8)	17 (21.2)	17 (21.2)	80 (41.0)		
Op12	36 (46.8)	41 (53.2)	77 (39.5)	4.711	0.095	14 (18.2)	18 (23.4)	22 (28.6)	11 (14.3)	12 (15.6)	77 (39.5)	8.319	0.403
Op13	14 (36.8)	24 (63.2)	38 (19.5)			4 (10.5)	10 (26.3)	10 (26.3)	7 (18.4)	7 (18.4)	38 (19.5)		
Sum	96 (49.2)	99 (50.8)	195 (100.0)			28 (14.4)	53 (27.2)	43 (22.1)	35 (17.9)	36 (18.5)	195 (100.0)		
Proposal from any client or employer to act in an unethical manner? If so, what triggered that act?													
Op14	36 (48.0)	39 (52.0)	75 (38.5)			9 (12.0)	20 (26.7)	12 (16.0)	18 (24.0)	16 (21.3)	75 (38.5)		
Op15	12 (46.2)	14 /53.8)	26 (13.3)			6 (23.1)	8 (30.8)	5 (19.2)	4 (15.4)	3 (11.5)	26 (13.3)		
Op16	3 (33.3)	6 (66.7)	9 (4.6)			2 (22.2)	2 (22.2)	2 (22.2)	2 (22.2)	1 (11.1)	9 (4.6)		
Op17	20 (58.8)	14 (41.2)	34 (17.4)	4.954	0.421	4 (11.8)	11 (32.4)	7 (20.6)	5 (14.7)	7 (20.6)	34 (17.4)	13.989	0.831
Op18	15 (41.7)	21 (58.3)	36 (18.5)			5 (13.9)	8 (22.2)	12 (33.3)	3 (8.3)	8 (22.2)	36 (18.5)		
Op19	10 (66.7)	5 (33.3)	15 (7.7)			2 (13.3)	4 (26.7)	5 (33.3)	3 (20.0)	1 (6.7)	15 (7.7)		
Sum	96 (49.2)	99 (50.8)	195 (100.0)			28 (14.4)	53 (27.2)	43 (22.1)	35 (17.9)	36 (18.5)	195 (100.0)		
How to act in case of request to change invoice and accounting values													
Op20	50 (50.0)	50 (50.0)	100 (51.3)	1.896	0.863	18 (18.0)	27 (27.0)	24 (24.0)	15 (15.0)	16 (16.0)	100 (51.3)	18.788	0.536
Op21	26 (53.1)	23 (46.9)	49 (25.1)			6 (12.2)	14 (28.6)	13 (26.5)	7 (14.3)	9 (18.4)	49 (25.1)		

Table 2. Cont'd

Op22	7 (46.7)	8 (53.3)	15 (7.7)			1 (6.7)	2 (13.3)	2 (13.3)	5 (33.3)	5 (33.3)	15 (7.7)		
Op23	3 (30.0)	7 (70.0)	10 (5.1)			2 (20.0)	4 (7.5)	1 (10.0)	1 (10.0)	2 (20.0)	10 (5.1)		
Op24	5 (50.0)	5 (50.0)	10 (5.1)			1 (10.0)	4 (40.0)	1 (10.0)	2 (20.0)	2 (20.0)	10 (5.1)		
Op25	5 (45.5)	6 (54.5)	11 (5.6)			0 (0.0)	2 (18.2)	2 (18.2)	5 (45.5)	2 (18.2)	11 (5.6)		
Sum	96 (49.2)	99 (50.8)	195 (100.0)			28 (14.4)	53 (27.2)	43 (22.1)	35 (17.9)	36 (18.5)	195 (100.0)		
Stricter and more efficient inspection would make professionals act correctly and ethically													
Yes	45 (48.9)	47 (51.1)	92 (47.2)			18 (19.6)	23 (25.0)	19 (20.7)	15 (16.3)	17 (18.5)	92 (47.2)		
No	51 (49.5)	52 (50.5)	103 (52.8)	0.007	0.933	10 (9.7)	30 (29.1)	24 (23.3)	20 (19.4)	19 (18.4)	103 (52.8)	4.009	0.405
Sum	96 (49.2)	99 (50.8)	195 (100.0)			28 (14.4)	53 (27.2)	43 (22.1)	35 (17.9)	36 (18.5)	195 (100.0)		

show that there is no relation between the relevance in the correct performance of ethics with sex and years of work experience (Table 2).

Of the 195 professionals interviewed, 38.5% affirm that they never (Op14) received a proposal from employers or clients to act in an unethical way. Of the 120 professionals who received a proposal to act in an unethical manner, 13.3% say that what triggered the act was inspection (Op15), 4.6% colleagues (Op16), 17.4% customers (Op17), 18.5% the boss (Op18) and 7.7% others (Op19). The data show that there is no dependency relationship between what triggered the unethical action with sex and years of work experience (Table 2).

Asked how they act in the event of a request to change billing and accounting values, 51.3% say they explain that this attitude is contrary to their ethics and do not provide (Op20), 25.1% just say no and do not explain why (Op21), 7.7% provide but make it very clear that they could not (Op22), 5.1% agree and change as requested by the customer (Op23), 5.1% disagree but change as requested from the customer (Op24) and 5.6% change as requested by the employer (Op25) (Table 2).

Asked if the more severe and efficient inspection would make professionals act correctly and ethically, most (52.8%) affirm that no, being mostly male professionals with 50.5% and over 5 years (93.3%), and that difference is not significant (Table 2).

DISCUSSION

The data shows that there is a significant increasing tendency for female professionals to exert accounting activity. As seen in recent years, the participation of women in the labor market has been growing in several areas of activity, with regard to the accounting area, and it is possible to observe that women occupy increasingly expressive indexes. Several studies carried out in Brazil on accounting ethics, found very high proportions of women (Feil et al., 2017; Magro et al., 2017). Another study carried out with accountants on the importance of the code of ethics as an instrument for decision making, found results very different from the findings in that study, where the percentage of women was only 22 and 40% (de Lima Custodio et al., 2019; De Souza et al. 2017).

In the present study, most professionals are under 30 years old. This profession has attracted many young people in recent years who seek greater opportunities in the increasingly diversified national labor market in Accounting. Several international studies have found different results, such as Souza et al (Souza et al., 2017) who found an average age of 45 years, Custódio and Ferreira (de Lima Custodio et al., 2019) with an age between 35 and 40 years. Another study carried out in Brazil on ethical perception found mostly professionals aged less than or equal to 30 years, corroborating the findings in the present study (Feil et al., 2017; Lima et al., 2019).

Most professionals have a higher education level. This reinforces the fact that the search for a higher education is increasingly common among professionals working in this area, since professional qualification is precedent for attracting and retaining customers and employers, where they seek professional competence and due zeal. Several studies are unanimous in stating that most accounting professionals have a higher education level (Barbosa and Martins, 2016; de Lima Custodio et al., 2019; De Souza et al., 2017).

Most respondents have more than 5 years of experience. Souza et al (De Souza et al., 2017) found most professionals with more than 5 years of service. The search for the services of professionals with more years of service has been more required in this area, due to the complexity of the work.

Having made the relationship between gender and the level of compliance, it was noted that those who most observe the code of ethics are female accountants, the main factor being social conventions and moral principles. As a result, it was determined that the responses are in balance with the response of having a strict inspection to comply with the code of ethics for the valuation of the accounting professional.

Regarding the time of experience or experience in the area, it was noted that professional accountants with a short time in practice more observe the code of ethics (with less than 10 years of experience). This also reflects that this group of professionals is the ones who fear sanctions and penalties in case of non-compliance with the rules of the code of ethics.

Accounting as a social science must incorporate fair and viable measures, always in order to elevate the services provided to clients, exercising its role consciously and in accordance with the Code of Ethics to improve its social image (Custódio and Ferreira, 2018). Strict inspection and surveillance must be measures taken for the proper compliance with the code of ethics (Antunes et al., 2011).

Most accountants claim to have received a proposal to change the results. A study carried out in Brazil on accounting ethics, found results like the findings in this study, where about 2% affirm that they always receive a proposal to match the results, 12% most of the time and 44% sometimes (Cardozo et al., 2017). The accountant's main role is to demonstrate, with clarity and confidence, the accounting information to their clients, in order to help them making decisions (Berlatto et al., 2015).

The basic principle for a good professional relationship starts with ethics, it is not something created by law, but very important, a basic example that can be cited is the professional's own devaluation created by accountants. Medeiros et al. (2018) considers that ethics has the function of investigating and explaining people's behavior throughout the various stages of history, since, as a set of values in which each believes, behavior undergoes changes throughout history.

Conclusions

The code of ethics in the accounting area, aims to enable professionals to adopt a personal attitude in accordance with some ethical principles known and accepted by society, in order to maintain adequate social behavior in accordance with the requirements of society. In this study, it was observed that accounting professionals more than a good technical domain of their activities, it is necessary to find a higher social purpose in the services that they perform.

In several financial scandals, the accountant has been identified as the most responsible for the phenomenon. To minimize this image in society, the accountant must openly defend the ethical principles and values applicable in his profession, in such a way that it is possible to produce a true image of what it constitutes for the new generation of professionals, passing on a positive view for new members of the profession and for the society in which they live.

In this study, it was concluded that most professionals choose to observe the principles and rules of the code of ethics, despite an insignificant minority that needs more time on ethical issues.

CONFLICT OF INTERESTS

The authors have not declared any conflict of interests.

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