Mediating Effects of Trust and Fairness on Commitment and Tax Compliance Behaviour in the Special Voluntary Disclosure Program

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ABSTRACT

Malaysia grapples significant challenges in securing sufficient tax revenue, primarily due to widespread non-compliance and tax evasion. Tax enforcement measures, such as audits and investigations, are crucial in promoting voluntary compliance and combating evasion, especially since the Self-Assessment System (SAS). The government has also emphasized tax education and awareness programs to improve compliance. Despite these efforts, tax-related dilemmas persist, leading to increased penalties and additional taxes. To address this, Special Voluntary Disclosure Programs (SVDP) were introduced, encouraging delinquent taxpayers to disclose unreported income, offering reduced penalties in return. However, participation in this programs remains below expectation, indicating low taxpayers' commitment to address non-compliance. This study investigates the relationship between taxpayer's commitment and compliance behavior under SVDP, highlighting the mediating roles of fairness perception and trust in tax authority. Data from 103 respondents, analyzed using Smart PLS, reveals that commitment significantly influences compliance, with fairness perception playing a key mediator. However, trust in authority was found to have a minimal effect. The findings underscore the importance of fairness and trust in shaping taxpayers' committal compliance behavior while provide substantial contribution and valuable insights for improving future tax strategies.

Keyword: SVDP, Tax Compliance, Trust, Fairness, Commitment

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INTRODUCTION

Taxpayer commitment is a crucial factor in influencing tax compliance as discussed in various studies (Abdurrosid *et al.*, 2021; Bornman & Wessels, 2017; Koessler *et al.*, 2017; Mangoting *et al.*, 2020). A legendary scholar in commitment, Meyer and Herscovitch (2001) declared that 'commitment can lead individuals to behave in ways that might seem contrary to their self-interest', ultimately leading to high levels of compliance even in conditions of low trust. Commitment can also elucidate compliance behaviour in situation where there are perceptions of unfairness of the tax system or a weak relationship between taxpayer and tax authority (Bornman & Wessels, 2017).

Tax authority's efforts to promote compliance, reduce tax erosion and sustain tax revenue collection, mainly through continuous education and enforcement of tax laws. Nevertheless, to address prolonged non-compliance and ensure quick tax collection, tax reprieve programs like tax amnesty, voluntary disclosure program (VDP) and special voluntary disclosure program (SVDP) have been implemented by the Inland Revenue Board of Malaysia (IRBM). These programs offer incentives and opportunities for non-compliant taxpayers to pay penalties and interest in order to avoid criminal prosecution (OECD, 2015). Being compliant through tax reprieve programs demands high commitment from the taxpayers, which its motivation, however, is strongly dependent on the type of reward and punishment promised (Koessler *et al.*, 2017).

SVDP provides additional special treatment by guaranteeing a good faith acceptance on the disclosure made by the taxpayer. It also promised audit exclusion and confidentiality of information to other related parties. Nevertheless, despite the friendly environment and privilege offered by both voluntary programs, tax defaulters may face hefty penalties if found guilty ranging from 80% to a maximum of 300% once the program concludes. The special treatment through SVDP fosters shared expectations and mutual trust between taxpayers and tax authority, ultimately shaping a psychological contract of commitment for taxpayers to comply. Previous studies have also suggested that positive and fair treatment provided in the program has been shown to increase commitment and willingness to participate (Damayanti *et al*., 2020; Hassan *et al*., 2021, 2023). This is because unfairness of the

tax system will destroy the taxpayer-tax authority relationships, leading to disobedient or non-compliant taxpayers (Farrar *et al*., 2016).

Tax is an indispensable revenue source for government worldwide, including Malaysia, where tax revenue collection has consistently maintained over RM100 billion consecutively since 2011. In 2023 the IRBM recorded a tax collection of RM183.3 billion, with income tax contributing significantly to the nation's income. Evidence shows that Malaysia's tax system is well-established constituting 50% to 55% of the country's total income as presented in the following figure (Figure 1). This indicates the effectiveness of Malaysia's tax system to achieve taxation's objective in generating income and fulfilling social, economic and political functions for the government (Tchiotashvili *et al, 2024)*.
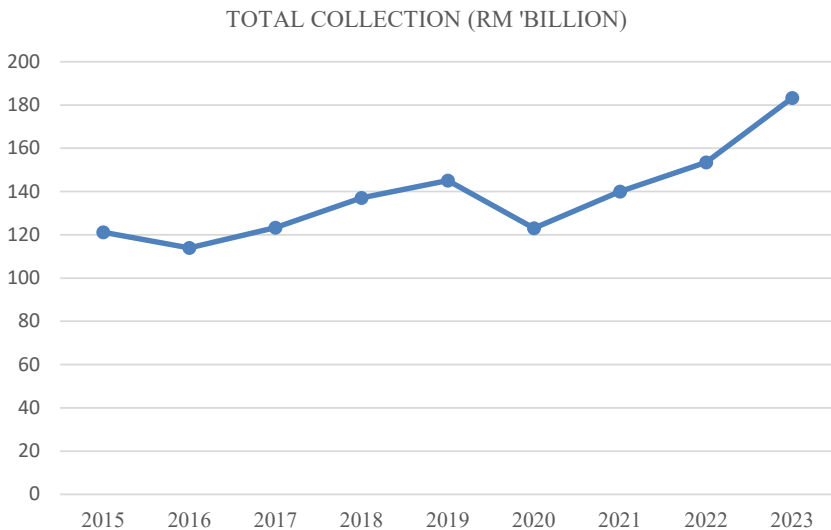
TOTAL COLLECTION (RM 'BILLION)

Figure 1: Total Tax Collection in Malaysia from 2015 – 2023

Source: IRBM, Statistical and Analytic Division of Tax Operation Department (2023)

Tax authorities have been working to improve the tax system for years to stay competitive globally and increase tax collection. Changes in the system aim to enhance administration, reduce costs and time, and improve collection efficiency. For instance, the shift from formal assessment system to Self-Assessment System (SAS) was a significant reform implemented to lower collection costs, accelerate the collection rate and tax compliance.

However, the biggest challenge faced by IRBM was to boost voluntary compliance among taxpayers. Despite over 20 years of SAS, Malaysia still faced issues with tax non-compliance and tax evasion, especially among corporate taxpayers (Ngah *et al., 2021)*. In Malaysia, the size of the informal economy accounts for a significant portion (25.3%) of the GDP in 2022 (World Economics, 2022), and a large percentage of registered taxpayers failed to submit their returns as depicted in Table 1. Inadvertently, this issue undermined the realization of voluntary compliance under the self-assessment system (SAS). This lack of compliance created a huge impact on backlog cases, volume of work and enforcement cost for IRBM. Improving voluntary compliance remains a key goal for tax authority to ensure effective tax collection.

**Table 1: Registered Corporate Taxpayers
and Return form Submission (2016 - 2020)**

Description	Year				
	2016	**2017**	**2018**	**2019**	**2020**
Number of corporate taxpayers registered with IRBM	747,187	780,990	804,245	838,245	1,133,317
Number of corporate taxpayers who submitted return form (company)	297,615 *(39.83%)*	308,603 *(39.51%)*	313,448 *(38.97%)*	324,467 *(38.71%)*	327,421 *(28.89%)*

Source: IRBM, Tax Operation Department (2022)

Tax compliance can be initiated by either motivational or behavioural component. Motivation-based compliance can be seen when individuals willingly follow tax laws, with motivation coming from enforced, voluntary or committed sources (Gangl & Torgler, 2020). Tax authorities often established intervention policy via a combination of coercive and legitimacy-based measures, with coercive-based leading to hard-enforced compliance and soft legitimacy-based fostering trust in the tax system and accepting their tax obligations without threatening audits and fines and thus, improve voluntary compliance. A model by Allingham and Sandmo (1972) expressed that higher penalties and likelihood of detection will hinder individuals from evading their taxes. In contrast, another approach was considered as a "soft way" to seize taxpayers' attention and empower compliance that last (Alm, 2018; Nurkhin *et al.,* 2018; Abd. Hamid & Hilmi, 2018; Damayanti *et al.,* 2020).

The implementation of SVDP in Malaysia provides a different dimension to compliance behaviour, requiring taxpayer commitment to participate in the program and offering both intervention methods mentioned previously. The hard coercive-based intervention is reflected through a high penalty rate on the expiry of the program. Whereas a legitimacy-based intervention was presented through special treatment and a low tax penalty. The voluntary disclosure program, introduced in 2015 and 2016, and later expanded in 2018 and 2019, gave a more prominent strategy and was recognized as the Special Voluntary Disclosure Program (SVDP) by allowing tax offenders to voluntarily correct their previous tax affairs in exchange for a lower penalty rate. This program was later re-implemented in 2023 until April 2024. Participation in SVDP portrayed high commitment by the taxpayer to comply with tax laws, as commitment plays a significant role in influencing tax compliance behaviour according to tax compliance literature (Mangoting, 2018; Mittone & Saredi , 2016; Prastiwi *et al., 2019; Jimenez & Iyer, 2016).*

Problem Statement

Serious efforts have been shown by IRBM through the implementation of tax reprieve programs in correcting tax compliance behaviour among Malaysian taxpayers. These programs aim to speed up tax collection and reduce enforcement costs, however, despite tremendous campaign, the first SVDP was only able to recover approximately 78% or RM7.88 billion worth of targeted tax revenue. A total of 286,482 taxpayers which represents only 28% of targeted participants took part. This showed that there was still a large percentage (72%) of delinquent taxpayers who were not ready to correct their compliance behaviour. Taxpayer's quest in changing their behaviour from a non-compliant to a compliant taxpayer needs a very strong reason or self-force. Regardless of the positive response on the benefit of the SVDP program, the body of knowledge in Malaysia and the literature supporting the notion that impact of commitment via SVDP indeed promotes taxpayers' compliance, remains limited. Therefore, the low rate of SVDP participation in 2019 motivated this study to further explore the factors that are able to affect taxpayers' own decision in correcting their compliance behaviour.

So far, there is little research on the perspectives of economic deterrence and psychology, as determinants to participate in SVDP. Kirchler

(2007), claimed that psychological analyses will be able to support in explaining issues in economics as well as in public finance. This notion was supported by Hasseldine and Bebbington (1991) who also suggested that economic response (quick tax collection) is a short-term solution toward tax evasion. More important is the psychological aspect that needs to be incorporated towards improving tax compliance in the long run. This study brought forward the exploration of the role of commitment as one of the most important elements involved in changing taxpayers' behaviour through the program, as well as the mediating effects of trust and fairness perception towards the tax authority on SVDP participation. Understanding these factors will not only improve compliance level, but it will also help IRBM to ensure the fairness of tax policy and at the same time improve taxpayers trust towards the tax authority.

LITERATURE REVIEW

Theory of Planned Behaviour

The Theory of Planned Behavior (TPB) is an important theory in social psychology that aimed to explain human behaviours. Developed by Ajzen (1991), the TPB builds upon the Theory of Reasoned Action (TRA) by incorporating the perceived behavioural control as a new construct along with attitude and subjective norms. This addition was an effort to understand limitations owned by individuals in performing certain behaviour (Hartono, 2007). According to Ajzen (1991), a person can act upon the intentions to perform a behaviour is not only determined by one's attitude and subjective norm, but also one's perception of his/her behavioural control. Intention is the basis of this theory, and it determines the individual's commitment to change, hence the ability to perform a particular behaviour depends on the fact that the individual has a purpose towards the behaviour.

The TPB posits that an individual's intention (and subsequently behaviour) to engage in a behaviour such as complying to tax, firstly would be predicted by the individual's attitude to which an individual holds a positive or negative view and is derived from the belief of the consequences of such behaviour. When an individual perceives that the behaviour will generate a positive outcome, then he or she will have a positive attitude,

and vice versa (Fishbein & Ajzen, 1975; 2010). Secondly, social pressures from important referents to conform. If an individual believes that a referent approves his/her intention to comply with tax, and he/she is motivated to follow that behaviour, then the individual will feel the social pressure of "to perform or not to perform" that behaviour (Ajzen, 1991; Hays, 2013). Lastly, an individual's perceived control (the individual's perception of the ease or difficulty) in complying to tax. This element is sometimes determined by past experiences, or it may also be affected by other individual's experiences, which can affect the behaviour directly. In combination, the TPB posits that individuals will have an intention to perform a certain behaviour if they have a positive view of the behaviour, if they face the social pressure to perform the behaviour, and if they possess the ability to perform the behaviour.

In the context of tax compliance, researchers have adopted this theory to examine the tax compliance behaviour. The theory's key components are influential in the formation of the tax compliance intention which is the basic elements determining the tax compliance behaviour of the individual. First one of these components is the fairness perception of the tax system. When the relationship between tax equity and tax compliance was evaluated, it was seen that underlying reason of the negative reactions against taxes is the fact that the tax system is perceived as unfair by the taxpayers (Torgler, 2004, 2006; McGee and Bose, 2007; Cummings et al., 2009). Perception of fairness towards tax is important and can affect the attitude toward compliance. Next, the normative expectations toward compliance. It is possible to evaluate the concept of norm defined as expectation of the behaviour that is culturally desirable and considered as appropriate at social and moral levels (Kirchler *et al*., 2008). In other words, the basic factor shaping the tax compliance intention of the individual is closely related to the attitude adopted by the society in which the individual exist as regards to taxes. The final component is legal sanctions referring to the attitude adopted by the laws against the incompatible behaviours of the individuals about taxes were evaluated along with the detention risk and the penalty magnitude (Efebera *et al*., 2004). It was found that tax evasion decreases and as a result, tax compliance increases in parallel with detention risk increases (Dubin & Wilde, 1988; Franzoni, 2000; Scholz, 2007; Cummings *et al*., 2009). Likewise, an increase in penalty rates and magnitude will decrease tax evasion and increase the level of tax compliance through its deterrent effect (MacCaleb, 1976; Witte & Woodbury, 1985; Cummings *et al*., 2009).

However, Taylor and Todd (1995) pointed out that the TPB is not without criticism, as it requires individuals' motivation to display certain behaviours. The model's assumptions may have limitations in studying voluntary tax compliance behaviour, and there may be biased in respondents' belief structure. Ajzen (2011) acknowledged several weaknesses in the TPB model, where only the controlled aspects of information processing and decision-making by individuals were emphasized. In this case, the affective and cognitive processes that could be biased towards an individual's judgement and behaviour were not considered. Despite these limitations, numerous studies have applied the TPB to explore tax compliance behaviour around the world in various cultural contexts, including United States (Bobek *et al.*, 2013), Canada (Trivedi *et al.*, 2005), Turkey (Benk, *et al.*, 2011), Australia (Langham *et al.*, 2012), and Ghana (Abdul Razak & Adafula, 2013). In Malaysia, this theory was used in the studies conducted by Loo et al., (2010); Bidin, Othman, and Salleh (2015); Saleh Al-Maghrebi *et al*., (2016); Mohamad and Mohd Ali, (2017).

Three-Component Model of Commitment (TCM)

Commitment research focuses on the psychological links between an individual to an organisation as pointed out by Solinger *et al.* (2008), with the Three-component model (TCM) being the dominant model in this area. Bornman (2014) makes the supposition that commitment is typically associated with a cause or institution, based on an interpretation of Armstrong's analysis. Although Solinger *et al.* (2008) noted inconsistencies and proposed a revision of TCM scales based on accumulated studies, Meyer *et al*., (2012) found increased use of the TCM measures outside North America. Meyer and Herscovitch (2001) encapsulated three separate streams of earlier commitment research by Solinger *et al*. (2008) known as (i) affective commitment (ii) continuance commitment and (iii) normative commitment, each with its own characteristics.

Affective commitment is driven by a sense of 'desire' and purpose in one's actions. Taxpayers with a strong affective commitment, known as high moral taxpayers, always have high commitment and dedicated to their actions. Their desire to commit is impacted by their involvement, shared value and identification with the cause (Meyer & Herscovitch, 2001). This leads them to exert efforts and actively participate in programs like SVDP

due to the benefits derived and works towards becoming compliant taxpayers which is consistent with their own values. For continuance commitment, is driven by the belief that 'it would be costly to discontinue a course of action' or that there are no perceived alternative options available (Meyer & Herscovitch, 2001, Meyer and Allen, 1991;1997). Taxpayers may feel compelled to remain compliant after SVDP program expires, out of fear of facing high fines or penalties for non-compliance. Finally, normative commitment involves feeling obligated to pursue a course of action driven by internalised norms regarding appropriate conduct and the need to reciprocate after receiving certain benefits. Olsen (2015) indicates that 'appropriate conduct', explained by a survey, shows that 86% taxpayers agree cheating on income tax is unacceptable and feel obligated to do the right things. In another hand, McDonald and Makin (2000) profound that reciprocal obligation is based on social exchange theory emphasizes that 'a person receiving a benefit is under a strong normative (i.e. rule governed) obligation to repay it in some way'.

Solinger et al. (2008) accentuated the challenges to empirically separate the commitment components due to their overlapping nature. Meyer and Herscovitch (2001) proposed measuring the strength of the different mindset together to assess an individual's commitment profile. In the tax commitment context, individuals may feel obligated to participate in SVDP due to their desire to do the right thing, fear of consequences for non-compliance, and adherence to societal norms around tax honesty. Further exploration is needed to fully understand the dimensions of commitment, as it plays a great role in shaping individual's behaviours and decisions.

Special Voluntary Disclosure Program (SVDP)

Dare *et al*., (2018) highlighted the importance of tax reprieve program as a component of tax compliance strategy, offering non-compliant taxpayers the chances to rectify their behaviour and amend their tax status. The two forms of tax reprieves programs are Voluntary Disclosure Program (VDP) and tax amnesty (Baer & Borgne, 2008). In Malaysia, the SVDP, was annunciated to offer an opportunity to the taxpayers to recalibrate their tax affairs by voluntarily disclosing and coming clean of any previous under-reported and undeclared income to the IRBM, with the advantage of none to low penalty rates offered of 10% to 15% compared to the

original severe penalty of 80% to 300% imposed on tax defaulters once the program expires. (Operational Guidelines No. 1/2019). This program's objective was introduced as part of government tax reformation to elevate the government's income collection and heighten the level of compliance and overcome tax evasion among taxpayers in Malaysia. Similar programs have been enforced in other countries with the same objectives to combat tax evasion and recover revenues hidden offshore by individuals and businesses, according to OECD 2015.

Between 2015 and 2016, the IRBM first launched the voluntary disclosure program (VDP) in Malaysia with the purpose to encourage voluntary disclosure among taxpayers on their unreported income and to improve the collection of tax debts, involving limited taxpayer categories as 2016 Budget Recalibration's effort. The program offered tax increases waiver and reduced penalty rates ranging between 10% and 30%, but its success was uncertain. This program was then followed by the first SVDP which consisted of two phases, where the first phase period was effective from 3 November 2018 to 31 March 2019 and offered a 10% penalty rate. Due to an encouraging response from the taxpayers, the Cabinet extended the first phase to 30 June 2019 (Malay Mail, 2019). Subsequently, the second phase stretched from 1 July 2019 with a 15% penalty rate until 30 September 2019. The SVDP 2019 expected around 1 million registered and active taxpayer participation, projecting a revenue collection of RM10 billion through additional tax and penalties (The Edge Market, 2019).

A new round of SVDP, known as SVDP 2.0, was initiated on 6 June 2023 until 31 May 2024, to promote tax compliance based on the Awareness, Education and Services (AES) concept practice by IRBM. It covered participation from new taxpayers, existing taxpayer who fail to submit tax returns for any year of assessment, taxpayers who fail to declare their additional income and taxpayer who failed to stamp documents or agreements within the stipulated stamping period. The latest SVDP encourages individuals and corporations to voluntarily disclosure their tax liabilities without any penalties being imposed. At the same time, subject to conditions, their participation will limit the risk of a tax audit/investigation for the years of assessment declared.

There are many past studies conducted on tax reprieve programs globally. However, there are limited studies conducted, especially focusing in SVDP in Malaysia. Less attention is given to examine the effectiveness of SVDP participation in stimulating taxpayer's commitment to comply with future tax obligations. In addition, there is scarce research, particularly in the scholar database that carries out studies on compliance through SVDP, since most studies focus on tax compliance through tax education program, tax awareness program and tax enforcement activities. Therefore, after years of implementation, it is very important to understand the factors that lead taxpayers to participate in SVDP and influencing taxpayers' commitment towards correcting their compliance behaviour. This study can provide valuable insights for improving tax compliance strategies in Malaysia and other countries.

Taxpayers' Compliance Behaviour

Tax compliance can be understood as a person's behaviour to meet their tax obligation. It involves taxpayers complying with tax laws and regulations to fulfill their tax responsibilities (Güzela *et al.*, 2019). Hence, it is crucial to understand what tax compliance is and the drivers behind it. Previous researchers have different definitions of tax compliance, such as the level of taxpayers' responsiveness in satisfying their tax obligation whether on a voluntary or forced basis (Yin et al., 2016) and the readiness of taxpayers to spend their money for tax (Kirchler, 2007). Tax compliance involves filling out tax returns accurately, reports the correct tax liability and pays the taxes on time (Amayi & Machogu, 2013). This was agreed by Utami *et al.* (2012) who mentioned that without the need for an audit, detailed inquiries, notices, or even the threat and enforcement of legal or administrative penalties, the taxpayer is willing to fulfill their tax obligations in compliance with the relevant laws. Strict tax enforcement may not necessarily increase tax compliance, as fear of audits and penalties by the tax authorities can deter voluntary compliance and foster mistrust between taxpayers and tax authorities (Adimasu & Daare, 2017).

In order to achieve SAS's objective of voluntary compliance and adequate tax collection, the government must strategically balance its compliance strategies. IRBM has implemented various methods through deterrence and accommodative approach in promoting tax compliance

and preventing revenue leakage (Murphy 2008). The deterrence approach proposed by Allingham and Sandmo (1972), suggested that higher probability of detection and penalties will deter taxpayer from non-compliance. However, this approach which was supported through enforcement activities such as audit and investigation was very costly and time consuming. The accommodative approach, which involved a softer and friendlier approach such tax education and tax amnesty program, was more relevant towards voluntary compliance. Kirchler *et al*. (2008) highlighted that a friendly service-oriented method was more effective in influencing voluntary compliance beside providing a last-longer compliance behaviour (Smith & Stalan 1991; Feld *et al*., 2006; Kornhauser 2007; Rillstone, 2015). Balancing these strategies, as supported by Kornshauser (2007), that "sticks and carrots are needed to ensure compliance". Tax reprieve program like the SVDP are cost-effective ways to improve compliance compared to tax audit and tax investigations that require sufficient skilled and expert manpower and resources.

Yet, these programs should be implemented strategically and sparingly to maintain their effectiveness on compliance behaviour. This is because predictable tax reprieve programs may lead to delinquent taxpayer delaying their disclosures in anticipation of future program that offers the best benefits for them. Therefore, this justify why, reprieve program is usually implemented as a one-off program in many countries (Farrar & Hausserman, 2016). Overall, tax compliance is essential for a healthy economy and should be promoted through a combination of enforcement measures and accommodative initiatives.

Commitment Towards Compliance

Commitment is strong internal drive that individuals feel towards an organization (Abdurrosid *et al*., 2021), leading to maximum contribution to assist the organization in achieving its goals (Bornman dan Wessels, 2017). In the context of taxation, taxpayers' commitment involves the presence of a strong emotional and psychological impulse to fulfill obligations to the country (Siahaan, 2005). Research shows that taxpayer's commitment positively affects compliance level, with higher commitment resulting in greater compliance and obedience (Hendra *et al*., 2022; Siahaan, 2005). These positive effects are supported by three indications of commitment,

namely affective, normative and continuance commitments (Mangoting *et al*., 2020). Ultimately, understanding and fostering commitment among taxpayers can reflect taxpayers' acceptance of government programs and intention to cooperate carrying them out.

Affective commitment is related to taxpayers' high interest in maintaining good relations with tax officials, normative commitment pertains to taxpayers' demands in fulfilling their tax-related obligations, and the continuance commitment involves the willingness and availability in sustaining long-term relationship for tax compliance (Mangoting *et al*., 2020). These commitment influences taxpayer's level of compliance with tax duties and are strengthen by good social relation with the tax authority. High commitment can lead to more honest and truthful reporting of taxable income and improve tax collection management (Bornman & Wessels, 2017). Building a positive relationship with the tax authorities produced a well-informed taxpayer who is committed to avoid tax sanctions through compliance (Anto *et al*., 2021).

Several previous relevant studies have also proven these positive effects of commitment towards compliance. These studies included the studies of Abdurrosid *et al*., (2021), Bornman and Wessels (2017), Mangoting, *et al*., (2020), and Siahaan (2005) that proved that there are positive effects of taxpayer commitment on the level of taxpayer obedience. With the support of prior research, this study suggested the following hypothesis:

H1a: There is a positive relationship between taxpayer commitment and taxpayers' compliance behaviour via SVDP.

Trust in Tax Authority

Trust in tax authority can be defined as a belief that tax authorities are working for the good of society as a whole (Siglé *et al*., 2018). When the tax authorities treat taxpayers fairly, the trust element will automatically emerge and would subsequently invite taxpayers to voluntarily declare their income. Justice and trust are interrelated to each other, where trust is influenced by the justice treatment. Faizal, Palil, Maelah, & Ramli (2017) found that when taxpayers believe they are being treated justly, they are more likely to trust the tax authority and comply voluntarily. Trust is developed over

time through positive past experiences with the tax system and personnel, leading to a willingness to declare income and resolve tax issues.

Taxpayer participating in SVDP are required to honestly self-assess and voluntarily declare their long-due tax liability to IRBM. As SVDP was implemented to improve the non-compliance problem, IRBM promised to accept taxpayers' declaration with good faith and pledged not to share participated taxpayers' information to other related parties and officially confirm that they will not be audited on the amount declared. Taxpayers' trust towards the tax authority can been witnessed when they are willing to engage in open communication and discussing their tax issues. The special treatment provided to those participating taxpayers is expected to increase their trust in tax authority and change their behaviour to become a 'clean and compliant' future taxpayer. Schurr and Ozanne (1985) suggested that trust is when parties take their words or promises and would complete their assignment in a mutual transaction.

Trust between taxpayers and the tax authority is essential for improving tax morale and compliance. Apparently, the high level of trust and satisfaction were found to significantly mediate the effectiveness in enhancing the relationship with tax authority (Tran *et al*, 2020). Osterloh & Frey (2000) suggested that incentives and trust are important determinants of tax compliance. However, a study by De Neve, Imbert, Spinnewijn, Tsankova, and Luts (2021) found that trust did not always trigger an immediate shift in compliance, but it does increase taxpayers' appreciation of services provided to them. Hence, building trust through fair treatment, maintaining integrity, and establishing mutual goals can strengthen the relationship between taxpayers and the tax authority, leading to higher compliance rates. Therefore, based on prior literature, the following hypothesis was proposed:

H1b: There is a positive relationship between trust in the tax authority and taxpayers' compliance behaviour via SVDP.

Trust is an essential factor in strengthening the relationship between tax commitment and tax compliance. It is seen as an indicator to assess the authority's level of justice and can mediate this relationship. Faizal *et al*., (2019) suggested that procedural justice and trust have a positive impact on

tax compliance, with trust could be a mediator in the relationship between procedural justice and tax compliance. The mediating effect of trust towards relationship between compliance, knowledge and respectful treatment was also suggested by Albab & Suwardi (2021) and Prastiwi & Diamastuti (2023). Therefore, besides having a direct impact on tax compliance, the relationship between commitment and tax compliance is also correlated to trust in the SVDP treatment. The following hypothesis was then established:

H2: Trust in the tax authority has a mediating role in the relationship between commitment and compliance behaviour via SVDP.

Fairness Perception on the Tax Treatment

Fairness is one of the characteristics that must be vested in any tax system as it seen to influence the level of compliance of taxpayers. Fairness refers to a situation where a taxpayer is taxed according to their capability and can generally be distinguished by horizontal fairness, by treating individuals with the same income equally and vertical fairness, considering different income levels. Mustafa (2010) and Saad (2011) proved that fairness influences taxpayer compliance, as taxpayers are more inclined to comply when they perceive the tax system as just. Unfairness only weakens the tax system and causes resistance from the taxpayers to pay their taxes. Previous studies have also highlighted the importance of fairness in tax amnesty played an essential role in elevating the intention to comply (Rechberger *et al*., 2010). The Procedural Justice Theory (Fuller, 1961) suggests that the acceptance or non-acceptance of a decision made by the tax authority is motivated by the procedures used, meaning that taxpayers tend to accept a decision by obeying rules if the system treats them fairly, and resist if they perceive the treatment as undeserved or unfair. In an earlier study by Noked (2018), established findings that proposed unfair treatment towards taxpayers can potentially discourage compliance. Several studies have also supported the notion that procedural fairness is positively related to taxpayers' compliance (Hassan *et al*., 2021; Rachmawan *et al*., 2020).

In line with the fairness perception, SVDP includes a clear element of fairness by offering a good faith acceptance on taxpayers' disclosure beside a very low tax penalty or 100% remission of penalty for those who participate. This approach aims to encourage prolonged non-compliance while, as a fair

method, warning non-compliant taxpayers of the consequences that they will face a severe penalty of 45% - 300% if caught after the period lapsed. The offenders will also be exposed to more detailed investigation through the adoption of Big Data and Automatic Exchange of Information (AEOI). Nevertheless, there is a risk that the reprieve program might potentially causes a sense of injustice among compliant taxpayer, potentially reducing overall tax compliance (Baer & Borgne, 2008; Gerger, 2012; Saracoglu & Caskurlu, 2010). Consequently, the following hypothesis was proposed:

H1c: There is a positive relationship between fairness perception and taxpayers' compliance behaviour via SVDP.

Fairness perceptions have the potential to mediate the relationship between several compliance factors with compliance behaviour. Batool, Hasan & Shazia (2022) found that fairness perception significantly mediated tax awareness and tax knowledge towards compliance. In addition, Febrian & Islami (2020) concluded that perception of fairness also succeeded in bridging or mediating gender and trust in government towards compliance decisions. This study hence posits that fairness has the following mediator properties:

H3: Fairness perception has a mediating role in the relationship between commitment and compliance behaviour via SVDP.

In explaining the theoretical assumptions, previous studies used conventional theoretical models in empirical studies as an idea behind the fundamental assumption (Yusoff, 2013). The research framework was formed based on the underpinning theory and past studies conducted by the researcher on the tax amnesty program and factors that influence taxpayers' future compliance attitudes via SVDP. The conceptual framework as in Figure 2 applied the Theory of Planned Behaviour (Ajzen, 1991) approach, which complimented by the Three-Component Model of Commitment (Meyer & Hercovitch, 2001). This study focused on the three independent variables which are commitment to comply, trust in tax authority and fairness perception on the tax treatment. In addition, the researcher also aimed to identify whether each of the factors had an influence towards the independent variable which is the taxpayers' future compliance attitudes via the implementation of SVDP.

The TPB suited the framework as it related to the perception of tax fairness and trust in the tax authority. The key components of this theory were crucial in elucidating the behavioural intention of taxpayers and ultimately in understanding the tax compliance behaviour of the individuals. Meanwhile, the Three-Component Model of Commitment relates to commitment or motivation to comply due to their desire to do the right thing, fear of consequences for non-compliance, and adherence to societal norms around tax honesty. Further exploration was needed to fully understand the dimensions of commitment, as it plays a great role in shaping individual's behaviours and decisions.
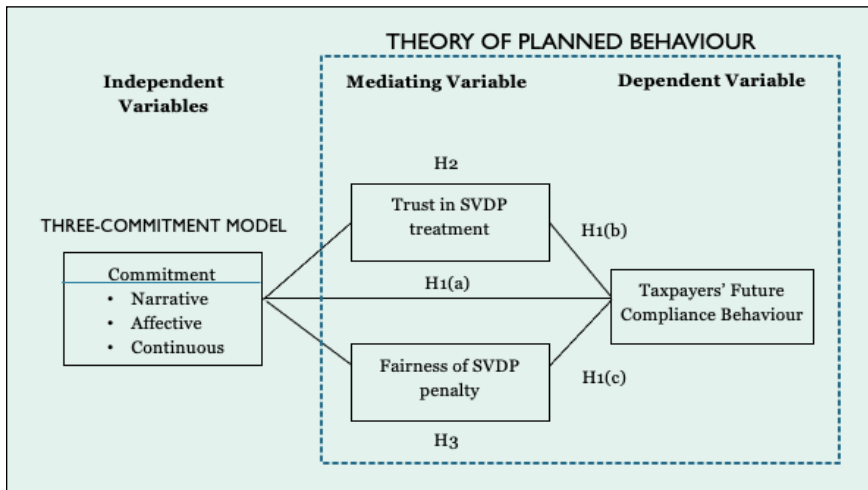

Figure 2: Research Framework

RESEARCH METHODOLOGY

Instrumentation

A questionnaire was employed for data collection, as it was crucial to ensure the confidentiality of participants when dealing with a delicate subject like taxation. The taxpayers' overall views on various aspects including commitment, trust in tax authority, perception of fairness in the SVDP treatment, and the tax compliance, were sought. Responses were recorded using a five-point Likert scale, ranging from 1 (strongly disagree)

to 5 (strongly agree). The questionnaire was developed based on previous studies with some modifications.

The instrument was structured into five main sections. Section A was dedicated to gathering demographic information from participants, including age, gender, education level, income level, and annual tax payment status. Section B assessed commitment through fourteen items adapted from Mohamad *et al.,* (2013), Razak & Bidin (2019) and Mangoting *et al.,* (2020). For the independent and mediator variables, trust in authority was measured by ten items adapted from Kastlunger *et al.,* (2013) in Section C. Section D focused on fairness perception, utilising eight items adapted from Verboon & Van Dijke (2007), Anggraeni (2011) and Kastlunger *et al.,* (2013). Lastly section E evaluated voluntary tax compliance, the dependent variable, with fifteen questions adopted from Gangl *et al.,* (2013), Niemiriwski & Wearing (2006) and Alm & Torgeler (2011).

Data Collection Method

Sekaran and Bougie (2016) characterized a population as a particular set of individuals or entities that a researcher chooses to examine. This current study was focused on examining the factors that impacted the future tax compliance behavior of taxpayers through SVDP. Therefore, the initial sample population was composed of 286,482 taxpayers who had previously taken part in the program. However, due to the confidential and sensitive nature of taxpayer information unable to be acquired through the IRBM, this research opted for randomly choosing individual Malaysian taxpayers and responses were on a voluntary basis. Sekaran and Bougie (2016) noted that through simple random sampling, every element of the population has a known and equal probability of being chosen as a sample. This method also has the least amount of bias and provides the greatest amount of generalizability of results. The study utilized tax agents and tax firms across Malaysia as intermediaries via drop-off and postage modes to distribute questionnaires to taxpayers. Tax agents are commonly sought out by taxpayers for guidance on tax-related matters, making them a valuable resource for reaching a wide range of clients and facilitating the distribution of the questionnaires. Therefore, the study targeted to get respondents from every state in Malaysia almost equally to gain a better representation from every state.

As a result of no sampling frame available, the study employed non-probability sampling to determine the minimum sample size through power analysis. By convention, the G*Power application (Meyer *et al*., 2007) is a valuable statistical tool used to determine the sample size for a research study through priori analysis. This method allows for the calculation of the sample size N based on the required power level, making it an efficient way to establish the sample power before conducting the actual study (Faul *et al*., 2007). G*Power 3.1.6 software for this study's priori sample size was set at a 5% probability level, 95% confidence interval and effect size of 15%, and considering three predictors (commitment, trust in tax authority, and fairness perception). Based on G*Power, the minimum sample size needed was 119 respondents and the study's primary units of analysis were the individual respondents, from employed and self-employed taxpayers.

Data Analysis Method

Data cleaning was done upon receiving the completed questionnaire. The data underwent checking for completeness, discarding unclear and incomplete questionnaires, and arranging them logically. Inconsistent and imprecise data was excluded to uphold the study validity, following ethical guidelines to prevent emotional harm. In the initial pre-analysis stage, all collected data are first entered for data cleaning and screening using the IBM SPSS 25, including the descriptive and inferential analyses. Data analysis was conducted using Partial Least Squares (PLS) path modeling using Smart-PLS Version 4.1.0 to investigate connections between dependent and independent variables, incorporating mediating variables structured with the formulation of the research problem. This approach was chosen due to the model's complexity, including both direct and mediating effects (Hair *et al*., 2011; 2012; 2013). PLS path modeling includes a measurement model for data validity and reliability, and a structural model for hypothesis testing and evaluating estimations' robustness (Hair *et al.,* 2011).

DATA ANALYSIS

Demographic Profile

The female composition was higher (59.2 %) than male (40.8%). Approximately 36 people or 35% were aged between 26-35 years which

were young and still in their earlier stage of their tax journey. The majority of the respondents had a degree or diploma (76.7%) while 13.5% had postgraduate and professional qualifications. More than half of the respondents received RM3,000 – RM6,000 in a month while the balance of 34% of the respondents had a 30-day salary of more than RM6,000. Seventy percent of the respondents did pay their income tax every year, followed by 30.1% of the respondents that did not. The demographic profile of the respondents is presented in Table 2, which indicates an appropriate composition in terms of age, gender, education level, income level, and annual tax payment status.

Table 2: Demographic of the Respondents (*n* = 103)

Demographic	Descriptions	Frequency	Per cent
GENDER	MALE	42	40.8%
	FEMALE	61	59.2%
AGE	20 -25 YEARS	22	21.4%
	26 - 35 YEARS	36	35%
	36 - 45 YEARS	29	28.2%
	46 - 55 YEARS	14	13.6%
	ABOVE 55 YEARS	2	1.9%
EDUCATION LEVEL	SPM	10	9.7%
	DIPLOMA	19	18.4%
	DEGREE	60	58.3%
	MASTER	6	5.8%
	PHD	2	1.9%
	PROFESSIONAL CERTIFICATE	6	5.8%
MONTHLY INCOME LEVEL	RM3,000 - RM6,000	68	66%
	RM6,001 - RM8,000	15	14.6%
	RM8,001 - RM10,000	11	10.7%
	ABOVE RM10,000	9	8.7%
ANNUAL TAX PAYMENT	YES	72	69.9%
	NO	31	30.1%

Reflective Measurement Model Analysis

The analysis started with convergent and discriminant validity prior to hypothesis testing. A construct is considered valid if the factor loading

score is between 0.5 to 0.7 (Hair *et al.,* 2019), but if the value is less than 0.5 then the indicator must be removed from the model. All the loading factors in this research were above 0.5 and all the indicators were valid. Next, Hair *et al.,* (2019), suggested a value of 0.70 in assessing the Cronbach's alpha and Composite Reliability (CR), and 0.50 in evaluating Average Variance Extracted (AVE). The following results were obtained upon inspection; Cronbach's Alpha value in this research ranged from 0.918 to 0.946, meanwhile, the composite reliability (CR) values ranged from 0.933 to 0.955. The AVE values reported ranged between 0.545 to 0.702, and the lowest AVE values were Commitment (0.599) and Compliance (0.545). Table 3 indicates the summary of the reliability and validity assessment of the data.

Table 3: Internal Consistency Reliability and Convergent Validity

Construct	Item	Loadings	AVE	CR	Cronbach's Alpha
Commitment	CMT1	0.760	0.768	0.930	0.899
	CMT2	0.845			
	CMT3	0.782			
	CMT5	0.891			
	CMT6	0.892	0.830	0.951	0.931
	CMT7	0.899			
	CMT8	0.863			
	CMT9	0.795			
	CMT10	0.669	0.518	0.811	0.695
	CMT12	0.500			
	CMT14	0.510			
Trust in Tax Authority's Treatment	T1	0.883	0.702	0.955	0.946
	T2	0.893			
	T3	0.905			
	T4	0.870			
	T5	0.814			
	T6	0.787			
	T7	0.735			
	T8	0.802			
	T9	0.837			
Fairness in Penalty Rate	F1	0.696	0.638	0.933	0.918
	F2	0.718			
	F3	0.853			
	F4	0.843			

	F5	0.831			
	F6	0.834			
	F7	0.834			
	F8	0.762			
Compliance	CP1	0.873	0.545	0.933	0.921
	CP2	0.897			
	CP3	0.879			
	CP4	0.783			
	CP5	0.512			
	CP7	0.683			
	CP8	0.749			
	CP9	0.755			
	CP10	0.696			
	CP11	0.722			
	CP12	0.535			
	CP14	0.665			

Hair *et al.,* (2020) suggested test for discriminant validity was determined through Heterotrait-Monotrait (HTMT) ratio. A threshold of 0.90 was recommended (Henseler *et al.,* 2015) but it could also be tested at a lower threshold value such as 0.85 or less to establish discriminant validity (Franke & Sartstedt, 2019; Hair *et al.,* 2019). Table 4 shows that all HTMT values were lower than 0.85 showing that the studied variables fulfilled the discriminant validity.

Table 4: Discriminant Validity Heterotrait-Monotrait Ratio of correlations (HTMT)

	CMT	CP	F	T
Commitment				
Compliance	0.871			
Fairness	0.786	0.852		
Trust	0.813	0.818	0.926	

Structural Model Analysis

Structural model evaluation is used to determine the model's capabilities to predict one or more target constructs (Hair *et al.,* 2017) and was proceeded to assess the hypotheses developed. It started with assessing the collinearity issue (VIF), the path coefficient, the coefficient of determination (R2), the

effect size (f2), and the predictive relevance assessment (Q2) (Hair *et al.,* 2019). The lateral collinearity issue is crucial to be addressed during the initial stage of structural model assessment. It was evaluated by examining the variance inflation (VIF) value. Specifically, the model requires the VIF value to be less than 5 to ensure that no multicollinearity occurred before hypotheses testing. As shown in Table 5 there was no potential of multicollinearity in the model as the VIF values were within 2.484 to 4.635. Furthermore, the findings suggested that commitment, fairness perception, and trust on tax authority, explained 0.756 of variance (R2) in taxpayers' compliance behaviour in the tax system indicating substantial explanatory power (Hair *et al.,* 2017).

For this study, six (6) direct hypotheses were formed between the constructs. Hypotheses testing examines the structural model, which involves the path coefficients indicating the parameter coefficients and their corresponding t-statistics. In addition, Hair *et al.,* (2017) suggested finding the effect size (f2) and not purely disclosing the p-value, which only shows the existence of an effect. Cohen (1988) offered three categories representing effect size, namely values greater than 0.02 (small effect size), greater than 0.15 (medium effect size), and greater than 0.35 (large effect size). In addition, mediation or indirect effect occurs when the effect of an independent variable (X) on a dependent variable (Y) is relayed by a mediator (M). For this study, it was 'trust in tax authority' and 'fairness perception'. In testing the mediation effects, this study followed the recommendation by Preacher and Hayes (2008) to execute the mediation analysis using bootstrapping as shown in Table 7.

Table 5: Lateral Collinearity Assessment

Item	VIF	R square	f square
Commitment	2.484		0.399
Trust	4.635		0.003
Fairness	4.109		0.147
Compliance		0.756	

The Malaysian tax authority's implementation of the SVDP reflects a continuous effort to enhance compliance level and tax collection of the country. It serves as a medium to examine the effect of taxpayers' commitment toward tax compliance through reprieve program. Research

has shown that psychological factors do matter in achieving voluntary tax compliance (Kemme *et al.*, 2020), with taxpayer's commitments towards the tax institution and contribution to general goodness being highly depended (Koessler *et al*., 2019). This research has evidently shown that taxpayers' commitment is vital, as the special features provided in SVDP constitute what it takes to develop the three components of commitment towards correcting taxpayers' compliance behaviour. SVDP treatment is perceived as an appropriate method as it combined a deterrence approach and an accommodative approach to ensure fairness perception towards the tax system and trust in tax authority. Specifically, the results from the assessment of the path coefficient in Table 6 between CMT and CP (β = 0.492, t = 6.393, p = 0.000) indicated a significant and positive effect of taxpayers' commitment to comply with the tax system. As suggested by Cohen (1988), the effect size was considered large (f2 = 0.399). This result formed significant statistical support for H_{1a} Therefore, this supports the current study's first objective in determining the relationship between commitment and compliance behaviour.

This finding evidently showed that taxpayers' commitment played a very significant role in enhancing compliance level through SVDP program. As supported by Jimenez & Iyer, (2016), that showed that the strength of social norms in favour of tax compliance increases, personal norms of tax compliance also increased, and this led to subsequent increase in compliance intentions. Meanwhile, according to Mangoting *et al.,* (2020), the commitment factor can be used to test the effect of taxpayer compliance, as well as commitment in research by Koessler *et al.* (2019) that was shown to have an impact on breakthroughs in the dynamic of tax compliance. The positive and significant relationship between commitment and compliance showed that taxpayers do have a desire or internal drive to correct their compliance behaviour through the SVDP. The program was seen as a good opportunity for them to 'repent' and starts fresh as a compliant taxpayer. The high moral level and strong emotional bond with the tax organization through the mindset of 'affective commitment' drove taxpayers' right action to comply with tax through positive benefits received from the program (Abdurrosid et al., 2021). Based on studies by Mat Jusoh *et al.* (2021) and Shahroni *et al.* (2022), tax morale positively affected tax compliance, meaning that when tax morale increases, the behaviour to comply with tax will increase too and vice versa. Meanwhile, taxpayers

with good morals will adhere to tax and will not try to avoid tax (Hardika *et al.,* 2021). Implementation of SVDP 2.0 in 2023-2024 also showed IRBM's continuous efforts to assist taxpayers solving their unsettled tax affairs. Normative commitment, based on the taxpayer's obligation after knowing that the program provides many benefits, influenced taxpayers to participate. The fair treatment provided through the program, such disclosure acceptance in good faith and assurance of no further audit or investigation, increased taxpayers' commitment to comply. SVDP balances accommodative and deterrence approaches, deterring tax non-compliance through hefty penalties imposed on non-compliant taxpayers' post-deadline. Continuance commitment further support the link between commitment and compliance, as taxpayers feel 'it would be costly to discontinue their course of action'.

Next, taxpayers' intention to comply with tax the system was influenced by the fairness of tax penalty. The path between F and CP ($\beta = 0.063$, $t = 3.361$, $p = 0.001$), which illustrated the fairness perception, was positive and had a significant effect towards compliance; this delivered the support to accept H1c with medium effect size (f2 = 0.147). Several findings in the tax compliance field have offered a similar result. Hsu & Kan (2020) showed that compliance seemed to rise due to the less severe auditing environment as more than half of the subjects voted for the low rate and the low fine rate. Meanwhile Rahmayanti *et al*. (2020) explained that external factors and internal factors, namely financial penalties, tax audits, and awareness did make taxpayers compliant with taxes. The findings of Bangun *et al*. (2018) also mentioned that penalties imposed on taxpayers who violate must be fair and appropriate for raising awareness of taxpayers to be compliant of tax. The current finding implied that fairness was not only important to motivate taxpayers to commit, but also in deterring non-compliance. This also suggests that tax penalty is vital in compelling participation in SVDP, either by significantly lowering the penalty rate to attract participation or imposing a hefty rate for tax offences among non-participants. In turn, perceived fairness was directly related to the tax compliance intentions.

Next, fairness perception of the tax treatment under SVDP influences taxpayers' commitment to comply. The results showed that perception of fairness as a mediator in the relationship between commitment and tax compliance behaviour (H3) was supported because there was a mediation

effect. The bootstrapping analysis showed that 'fairness perception' was a mediator between taxpayers' commitment and their compliance behaviour with an indirect effect β = 0.278, *t*-value of 3.224. In addition, the 95% bootstrapping confidence level [LL : 0.116, UL : 0.449] showed that there was no 0 straddle in between (Preacher & Hayes, 2008), which meant that the mediation effect was significant. The Procedural Justice Theory explains the acceptance of decisions made by the tax authority is motivated by the procedures used. The accommodating treatment provided through SVDP was perceived as fair, such as low penalties and exclusion of audit and investigation, since taxpayers believed their high commitment to voluntarily disclose unsettled tax affairs will be compensated. They also perceived that the high penalty imposed on delinquent taxpayer after the program expired was fair, due to the taxpayers' failure to take advantages of special offers provided. This study confirmed that fairness perception on tax treatment under the SVDP managed to mediate taxpayers' commitment to comply. In implementing a tax reprieve program, it is important to note that, if taxpayers believe that tax program's treatment is biased or unjust, or the treatment is seen as overly punitive or arbitrary, they may be less inclined to engage and comply with the program voluntarily. Such a finding was consistent with Sritharan & Salawati (2019) since the taxpayers will weigh the costs and benefits if they evade the taxes, hence there was a positive relationship between fairness in tax treatment and tax compliance. Mat Jusoh *et al.* (2021) also suggested that some reasons for tax compliance could be due to perceived fairness of the tax system, the perceived likelihood of getting caught and facing penalties for non-compliance, the perceived benefits of paying taxes and the perceived costs and difficulties of complying with tax rules and regulations.

On the other hand, there was a lack of statistical evidence to suggest that trust in the tax authority (β = 0.384, *t* = 0.620, *p* = 0.535) was significantly associated with taxpayers' compliance. As such, H1b was rejected. Previous studies suggested that taxpayers' trust in authorities is dependent on their perception whether the authorities were responsible, transparent, and trustworthy (Alhempi *et al.*, 2020). It is important to note that the presence of trust in authorities alone without power of authorities to detect evasion and punish evaders, may not improve tax compliance. Similarly, the power of authorities alone, without trust in authorities by citizens, also may not improve tax compliance (Mas'uda *et al.*,2014). The

effect of trust on tax authority through SVDP may be insignificant due to burning criticism from compliant and obedient respondents who feel that delinquent taxpayers are not adequately being penalized, leading to compliant taxpayers losing trust as well. The low penalty rate was seen as a reward rather than a punishment for non-compliance, leading to concerns that the non-compliant taxpayer may take advantage of the SVDP by making false declaration or lower their unreported income. This is because non-compliant taxpayers will benefit from the tax authority's promise that their declaration will be accepted on a good faith basis without any justification. At the same time, compliant taxpayers worry that SVDP might create an unintended consequence among other taxpayers who may decide to defer paying taxes in hopes of such tax programs to be regularly made available. Frequent implementation of SVDP may further cause taxpayers to lose trust in the tax authority which leads to a reduction of their fairness perception and commitment to comply in the long run.

Finally, the correlation between trust and compliance via the SVDP setting was found to be low and non-significant, and subsequently found as non-impactful as a mediating factor between commitment with compliance, hence the H2 was not supported. Despite previous studies suggesting that fairness perception leads to a feeling of trust (Faizal *et al.*, 2017), the finding of this study tends to contradict due to the lacked trust on tax authority's promises stemmed from the previous taxpayers' experience with SVDP, where the assurance of not to conduct a tax audit and investigation on the year of assessment disclosed, was provided only in the form of a "tax clearance letter". This document has no legal authority and therefore, in certain situations, taxpayers might lose their trust in the event the IRBM reneges on its promise. A study by Timothy and Abbas (2021) showed a weak association between trust and tax compliance that indicated that it was not a greater importance factor compared to the other intrinsic motivation, although trust in a tax authority could result with higher compliance. Trust in the tax authority can negatively impact tax compliance when taxpayers lose faith in the tax authorities' ability to administer and enforce tax laws fairly and effectively. As suggested by Alm *et al.* (2020), deterrence action may shrink taxpayers' intrinsic motivation to pay taxes as they act to defend themselves in response to the government's pervasive compulsion to enforce compliance with penalties, audits and imprisonment. Maintaining integrity and establishing mutual benefits with taxpayers are vital for building a

high level of trust and satisfaction, leading to effective tax administration and collection. Trust in the authorities' fairness and integrity is essential for taxpayers to perceive the value in participating in SVDP and becoming compliant taxpayers. This is because, compliance is often based on a reciprocal relationship between the taxpayers and the government; thus, if the authorities do not uphold their promise of the social contract, their trust dwindles, and with it, their voluntary compliance.

Overall, the findings highlighted that taxpayers' commitment and the economic elements, i.e., fairness perception, significantly motivated taxpayer's intention to comply in the tax system in the long run through programs like SVDP. Meanwhile, the psychological element, namely, taxpayers' trust in the tax authority, was not a significant factor at the time of this study.

Table 6: Path Coefficient Analysis

Hypothesis		Path Coefficient	Standard Error	t Values	p Values	Decision
H1a	CMT > CP	0.492	0.077	6.393	0.000	Supported
H1b	T > CP	0.384	0.101	0.620	0.535	Not supported
H1c	F > CP	0.063	0.114	3.361	0.001	Supported

Table 7: Mediation Analysis

Relationship		Path Coefficient	Std Error	t Values	p Values	Confident Interval		Supported
						LL	UL	
H2	CMT > T > CP	0.048	0.078	0.613	0.540	-0.120	0.190	Not supported
H3	CMP > F > CP	0.278	0.086	3.224	0.001	0.116	0.449	Supported

CONCLUSION AND RECOMMENDATIONS

Research on temporary initiatives of the tax authority such as SVDP, is gaining attention. This study explored how fairness in tax treatment and trust in the tax authority influences taxpayers' commitment to comply with the SVDP. By aligning the findings with the TPB, the results suggested a complex interaction of attitudes (partly formed by commitment as

explained through the TCM), subjective norms (influenced by perceived fairness), and perceived behavioural control (affected by the trust on tax authority). The results revealed that fairness in SVDP treatment significantly affected taxpayers' commitment to comply in the future, while the trust in tax authority is statistically insignificant. Hence, it can be concluded that taxpayers are generally attracted to comply due to the fair lower tax penalty rate imposed but deterred by their lack of trust in the tax authority's approach in the implementation of SVDP. Overall, the findings highlighted that taxpayers' commitment and the economic elements, i.e., fairness perception, significantly motivate taxpayer's intention to comply in the tax system in the long run through programs like SVDP. Meanwhile, the psychological element, namely, taxpayers' trust in the tax authority, is not a significant factor at the time of this study.

Several recommendations are put forward. Firstly, the trust in the tax authority through SVDP was found to be insignificant in influencing compliance behaviour, consistent with previous research. It is recommended to consider strengthening the two dimensions of trust (trust in central government and trust in tax authorities) in enhancing tax compliance globally. This means that the central government needs to ensure that the taxpayer monies are used judiciously in executing infrastructural projects and for the provision of public goods. For the tax authorities, they must ensure fairness and equity among the taxpayers by making it possible for each taxpayer to pay tax with honest without having no fear of being scrutinize by the authority. Meanwhile, in context of SVDP treatment, IRBM is urged to elucidate the issue, particularly associated with the legal standing of the 'tax clearance letter'. It is suggested that IRBM consider issuing a composite assessment as prescribed under section 96A of the Income Tax Act, 1967 (ITA), to foster trust in the execution of SVDP 2.0. This is because a composite assessment is deemed to be final and conclusive, hence there is no avenue for any party to reassess taxpayers' disclosure in the year of assessment covered under the composite assessment.

This study also highlighted the importance of developing fairness perception among both delinquent and compliant taxpayers to increase trust in the tax authority. Trust among SVDP's participants should be enhanced through the promises and implementation process of the program, whereas trust among compliant taxpayers needs to be developed by ensuring the

scale of equality of the offers made. Firstly, the tax penalty rate for the second and third offences can be streamlined or simplified into a single but substantial rate. A substantial penalty rate for a tax offender must be in place to deter habitual evaders. Nevertheless, the tax authority must be cautious in using the punitive approach. Instead, an accommodative approach should be integrated, so that taxpayers are well informed about the benefits and procedures under future tax amnesty. This study also suggests that IRBM should only accept disclosure with a reasonable basis and supporting documents, rather than solely on pure good faith. This will relief the assumption that delinquent taxpayers are able to manipulate their tax adjustment and enjoy low penalty rate when participating in SVDP. As for compliant taxpayers, they believe that they will always be exposed to audit and investigation process and if non-compliance is detected, they will suffer a higher penalty rate of 45% compared to SVDP participants. Therefore, to ensure fairness perception, it is recommended that IRBM expand the accommodation approach by providing a more desirable concession rate. Suggesting such as a tax remission and waiving off 100% of the tax penalty to compliant taxpayers who participate in SVDP 2.0 in order to review their past tax position, and possibly attracting taxpayers' continuous future tax compliance after SVDP.

This study however, has several limitations. Previously, the first round of SVDP witnessed around 286,000 taxpayers, including 11,000 new taxpayers participated in the program, delivering roughly RM7.8 billion in additional taxes to Malaysia's coffers. As for SVDP 2.0, IRBM anticipated at least 50,000 new taxpayers and an estimated RM1 billion tax collection. Interestingly, by 29 February 2024, SVDP 2.0 has managed to receive 72,534 submissions and collected RM652.4 million from both new and existing taxpayers (KPMG, 2024). However, there is no detail information on participation number breakdown and amount collected, since SVDP 2.0 combined both direct and indirect taxes, including the difficulty in identifying respondents who have participated in the SVDP due to confidentiality. Responses of this study were gathered from general taxpayer based on random distribution by tax practicing firms. The results may be different if the responses come from taxpayers who have practically participate in the SVDP. Yet, the questionnaire was set in a context to gather taxpayers' responses towards their commitment to comply through SVDP, regardless of their experiences. Hence, with SVDP 2.0's outcome,

future research should be conducted with IRBM's collaboration, as it will be able to directly focus on SVDP participants to respond to this similar study, examining further analysis on its success to attract participation and ability in promoting correction of compliance behaviour among taxpayers. Another limitation is the use of overall commitment as a sole factor rather than analysing as three separate components. The result may be more interesting if the analysis is made based on individual component of affective, continuance and normative commitment, as this could help IRBM to distinguish between which commitment should be adhered to in formulating future tax policies.

In addition, this study presents several advantages of using a reprieve program for research on tax compliance, specifically providing insightful exposure on unexplored role of commitment towards compliance via SVDP. It is difficult to convert non-compliant to compliant behaviour, therefore, understanding the psychological aspect that contributes to compliance is vital for implementing effective reprieve program. Commitment covers wider reasons for taxpayers' intention to correct their compliance behaviour through the SVDP, encompassing factors such as the desire to repent and correct non-compliance, concern about the consequences if they fail to correct their behaviour, and the sense obligation to participate based on all the offers and privileges provided through SVDP. Understanding on the commitment components can enhance the effectiveness of such programs and can aid IRBM in developing a more appropriate tax policies to alleviate further revenue leakage. The results can also serve as valuable reference for future research in Malaysia and other nations that want to improve or have yet to implement the program.

Overall, it is essential to acknowledge these advantages and limitations as they can influence the interpretation and generalizability of the research findings. This research provides significant exposure and contribution on the critical factors that would motivate taxpayers' committal compliance behaviour via SVDP. Moreover, the empirical evidence that underscores the importance of trust in authority and fairness in tax treatment might be useful to better understand the strategies for future implementation of operational tax strategies to mitigate tax non-compliance and alleviate further revenue leakages. Future studies could consider specifically identifying and expanding the sample size and utilizing multiple data collection methods.

Another consideration in expanding the existing tax compliance model to be tested in other settings to gain further insights into the subject. As such, it will provide a more comprehensive understanding of the research topic.

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