

Does Tax Knowledge Influence Tax Compliance Behaviour Among Taxpayers in Malaysia?

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Taxes are one source of income for the government. Every nation has its unique set of tax laws. Tax is intended to increase national income, which is crucial for funding government operations, particularly in developed countries. A tax is an obligatory charge imposed by the government on a person or an entity. However, many people still fail to comply with tax regulations. This is because of how people behave and their attitudes toward paying taxes, which may vary from refusing to pay taxes at all to underpaying taxes. The rise of technological innovations such as self-assessment, the global economy, and e-commerce has amplified the significance of tax compliance issues within the global tax policy landscape. This article explores one of the factors that might affect the behaviour of the taxpayers, which is the tax knowledge. This understanding is crucial for developing efficient tax regulations and compliance-boosting strategies.

A major source of Malaysian income comes from direct taxes, which include income tax. Thus, it is vital to ensure that all taxpayers comply with paying tax, as it will increase the government's revenue. However, ensuring that people comply with the tax is a major problem, although a lot of actions have been taken by the tax authorities. According to Oladipo (2022), tax compliance is the process and procedure of convincing taxpayers to abide by the applicable tax rules. Based on the Theory of Planned Behavior (TPB), which is a psychological model linking beliefs to actions, an individual's actions are primarily driven by their intention to perform that behavior. This intention is influenced by three factors: the individual's attitude toward the behavior, perceived social pressure (subjective norms), and the degree of control they believe they have over performed the behavior (Sansom, 2021).

While tax non-compliance is defined as a behavior that intentionally or unintentionally does not comply with the tax system, which violates the Income Tax Act (Salawati et al., 2021). Hence, understanding the root causes of non-compliance is important for tax authorities.

Taxpayers may inadvertently forget to fulfill their tax requirements due to inaccuracies in filing tax returns, a lack of understanding or misunderstanding of various tax regulations, or similar reasons (James & Alley, 2002). Several prior studies have identified the issue previously, and they have come out with a few determinants that influence tax compliance behavior (Salawati et al., 2021; Jeyapalan et al., 2003). One of the factors is tax knowledge. Recognizing how taxpayers' understanding of the tax system influences their compliance is essential for enhancing revenue collection and mitigating tax evasion.

Since the implementation of the self-assessment system replacing the official assessment system, most studies have found that taxpayers' knowledge and the complexity of the tax system are key factors contributing to both intentional and unintentional tax evasion (Jeyapalan et al., 2003). Tax knowledge can be defined as basic knowledge of personal taxation, including taxability of income, deductible expenses, reliefs, rebates, and exemptions (Yahya et al., 2021). Improving taxpayers' knowledge can lead to a better understanding of the country's tax system and laws. Individuals with greater knowledge of tax laws and regulations tend to exhibit more positive attitudes toward tax compliance.

Referring to (Rahmayanti & Prihatiningtias, 2020), tax awareness raises taxpayers' understanding of their tax obligations and improves public welfare. Several factors can impact taxpayers' level of tax knowledge, including their educational background, experience with tax filing, and the complexity of tax regulations. Besides, people who have experience with tax filing would enhance taxpayers' understanding of tax law or regulations, as they already know how the system works.

Tax knowledge has an impact on three components, which are:

1. Influence taxpayers' attitude towards taxes
2. Helps to comprehend societal norms
3. Enhances their perception of control over tax matters.

Tax knowledge is the act of improving a taxpayer's thinking and behavior through instruction and training to help people evolve as human beings (Perdana et al., 2022). Taxpayers will gain a better understanding of why they need to pay taxes and how they can benefit directly or indirectly, which makes them more open-minded.

In conclusion, this study shows that tax compliance is significantly impacted by tax knowledge. The statement is supported by the research conducted by Kurniawan (2020), which states that individuals with a grasp of tax regulations tend to comprehend the tax system better and adhere to their tax responsibilities. Kurniawan (2020) also highlights the significance of efficient tax information distribution in encouraging compliance, given the moderating influence of taxpayer awareness.

The behavior of taxpayers is significantly influenced by tax knowledge. Enforcing tax compliance through education and awareness can have more lasting and beneficial effects,

although audits and fines are still required. It is crucial to provide citizens with sufficient tax knowledge as Malaysia progresses toward high-income status, so they can perform their responsibilities as taxpayers appropriately and effectively.

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