

The Effects of Tax Knowledge, Tax Complexity and Tax Morale Towards Tax Compliance Behaviour Among Salaried Group in Malaysia

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Abstract

This study examines the relationship between tax knowledge, tax complexity and tax morale with the tax compliance behaviour among salaried group in Malaysia. A structured questionnaire was distributed to the private and government sector employees throughout Malaysia. The data analysis from 152 completed responses revealed that tax knowledge, complexity and morale proved to have significant influences on the tax compliance behaviour among the salaried group. The findings of this study not only contribute to literature in exploring determinants that encourage voluntary compliance among the taxpayers under the Self-Assessment System (SAS) in Malaysia, they also provide insights to the governing bodies and the tax authorities of the needs to improve the current tax policy and develop strategic movement in improving tax literacy among the taxpayers. This present study, however, has limitations due to the use of closed questionnaires that might not capture further information completely on the understanding of tax regulations and other factors causing non-compliance.

Keywords: Tax knowledge, tax complexity, tax morale, tax compliance behaviour, theory of planned behaviour.

1. Introduction

Globally, the topic of tax fairness has gotten a lot of attention. Tax fairness is critical as to achieve a high level of tax compliance, the tax structures must be equitable. It is significantly important for the governing bodies, especially tax authorities to have a clear understanding of how taxpayers perceive tax fairness, in order to strengthen the tax collection system and subsequently promote voluntary compliance. Tax compliance is important because higher compliance means more tax revenue can be collected and results in more funds available for the development of countries and welfare of the society (Mamun et al., 2014). Taxation is the main component of national income, peculiarly in developed countries and it has played an important role in civilized societies since a

long time ago (Lymer & Oats, 2009). Even though there are various taxes in Malaysia, the main types are corporate and individual tax, property tax, sales and service tax and petroleum tax. For example, direct taxes generated 50.6 percent of gross national income from all sources from the income collected by the country in 2020 (Treasury Report, 2021). Table 1 below exhibits the list of the total revenue for the Malaysian Federal Government Revenue from the year 2017 to 2020.

Table 1: Federal Government’s Revenue from year 2017 to 2020

Year	Direct Tax		Indirect Tax		Non-Tax Revenues		Total Revenues
	(RM billion)	%	(RM billion)	%	(RM billion)	%	(RM billion)
2017	116.0	52.6	61.6	27.9	42.8	19.5	220.406
2018	133.4	56.4	41.3	17.5	61.7	26.1	236.460
2019	134.7	50.9	45.8	17.4	83.9	31.7	264.415
2020	115.1	50.6	38.1	16.8	74.0	32.6	227.270

(Source: Malaysia Treasury Report, 2020)

Based on Table 1, Malaysia enjoyed more than 50% of tax collection to fund and finance the expenditure. However, in implementing the Self-Assessment System (SAS), voluntary compliance among the taxpayers remains a big challenge for IRB. This is due to the fact that taxpayers need to be tax literate to be able to discharge their tax liability responsibly, precisely and timely (Hassan, Nawawi & Puteh Salin, 2016).

Table 2: Number of Audited Cases and Tax Imposed

Salaried Group Taxpayers	Year of assessment	2013	2014	2015	2016	2017
	Number of files		748,044	784,443	735,337	815,420
Tax and Penalties (RM million)		1,624	1,718	1,447	1,895	2,199

(Source: Ghani, Hamid, Sanusi & Shamsuddin, 2020)

The 2017 Annual Report of the Inland Revenue Board (IRB) reported that there are 9,097,425 registered taxpayers under the salaried group in Malaysia. However, Table 2 above portrayed the increasing numbers of individual files being audited from the year 2013 (748,044 files) to 2017 (784,453 files). The audit activities conducted to this group had increased around 36,000 files in five years’ time. Meanwhile, the tax and amount of penalty charged for this group showed an increasing trend throughout the year under observation. This trend indicates that the tax compliance level among salaried group taxpayers is still low even though the country has implemented the SAS since 2004. In response to that, this study set out to examine how tax compliance factors (tax knowledge, tax complexity and tax morale) affects the tax compliance behaviour among salaried group taxpayers in Malaysia. It is hoped that the result of the study shall provide some insights on how issues on tax compliance could be tackled and solved. This paper is organized as follows. The first part discusses the literature review and the research hypotheses. Then the paper shall discuss the survey methodology that was used throughout this study. Subsequently, there will be discussion on the findings, focusing on tax knowledge, tax complexity and tax morale that influence the tax compliance behaviour of salaried group taxpayers. Finally, the paper concludes and discusses some limitations as enlightenment to future research.

2. Literature Review

2.1 Theory of Planned Behaviour

Theory of Planned Behaviour (TPB) was introduced by Ajzen (1991) which asserted that the behavior is a real action which is based on intention and the desire to perform a particular behavior is formed by the attitude towards that behavior, subjective norms, and perceived behavioral control. The first component is the attitude, which can be described as a person's overall judgement of an object, person, or place that has a significant impact on intentions and subsequent actions (Ajzen, 1991). It is how an individual evaluates certain objects, people, events, behaviour or intentions which are generally being derived from the behavioral beliefs. A positive attitude is caused by behaviour that results in positive outcomes, and a negative attitude is caused by behaviour that results in negative outcomes, and vice versa (Ajzen, 2005). The second component in TPB is the subjective norms which can be explained as the external or social forces that are taken into account when making behavioural decisions. It is how an individual perceives the behaviour of the doer. According to Ajzen (2005), if a person believes that the people around him allow him to act, he will feel social pressure to do so, and vice versa. Meanwhile, perceived behavioural control determines the ease or difficulty for individuals in carrying out certain behaviour, depending on the availability of resources necessary to execute certain behaviour, as well as the time and opportunity to implement them (García & Gaytán, 2013). This variable is usually determined by an individual's experience or others' experience.

The TPB originated in social psychology and has since moved to a variety of domains, including taxation. For instance, Trivedi, Shehata and Mestelman (2005) proved this theory in explaining the relationship between the intention towards tax compliance in Canada while Bobek and Hatfield (2003) demonstrated the same thing in the United States. There are few past studies in Malaysia built upon the framework of TPB which state that attitudes, subjective norms, and perceived behavioural control exert influences on the intention to behave and act, which then drives compliance behavioural (Palil, Malek & Jaguli, 2016; Saad, 2011; Kasipillai & Abdul Jabbar, 2003; Mohdali & Pope, 2014; Ghani et al., 2020).

2.2 Tax Compliance Behaviour

Tax compliance remains a big challenge for many taxes governing bodies all around the globe, and making sure taxpayers comply with tax requirements is difficult (James & Alley, 2004). Andreoni and Diego (1998) described tax compliance as taxpayers' willingness to follow laws relating to taxation in realizing the goal of achieving a balanced economy. Basically, it refers to the fulfillment of all taxpayers' obligations based on tax law and regulations that apply (Palil & Mustapha, 2011). Some empirical studies have been carried out within the scope of the TPB and tax compliance behaviour in many countries such as Australia (Langham, Paulsen & Hartel, 2012), Canada (Trivedi, Shehata & Mestelman, 2005), Ghana (Razak & Adafula, 2013), Indonesia (Mustikasari, 2007; Alim, 2009; Damayanti, Subekti, & Baridwan, 2015) and the United States (Bobek, Hageman, & Kelliher, 2013; Bobek & Hatfield, 2003). For instance, the results of the study conducted by Taing and Chang (2021) confirmed that tax morale, tax fairness, and tax complexity have a statistically significant influence on the tax compliance intention of the Phnom Penh citizens, while the power of authority, trust in government, tax information, and tax awareness do not show a statistically significant relation to tax compliance intention. In another

study, Putra and Osman (2019) adopted TPB to examine the factors that influence the compliance behaviour in settling the tax of micro, small and medium enterprises (MSME) taxpayers in Sleman Regency, Indonesia.

Focusing on taxpayer compliance, the current study adopts these components to examine tax compliance behaviour among salaried group taxpayers. Based on the components discussed by Ajzen (1991), individual attitude is linked to tax morale in the sense of planned behaviour on tax compliance. Tax morale is recognised as part of intrinsic motivation from religious beliefs or moral values to pay taxes (Mohdali & Pope, 2014). Meanwhile, tax knowledge and tax complexity are the controlling factors of individual action to comply with tax law (Jimenez & Iyer, 2016). Therefore, tax knowledge, tax complexity and tax morale are used as determinants to determine the tax compliance behaviour within the scope of this study.

2.3 Tax Knowledge and Compliance Behaviour

Prior studies suggested tax education as an effective approach to further encourage tax compliance (Loo, Evans & McKerchar, 2010). Through education, the taxpayer will obtain the necessary knowledge, become more informed on how the tax system works which then results in more voluntary compliance with the law requirement. More studies undertaken in Malaysia provide supporting evidence that tax knowledge is the influential factor in order to overcome tax compliance issues among the taxpayers (Damajanti & Karim, 2017; Salawati, Sritharan, Sheung & Mohamed, 2021). According to Palil et al. (2016) and Saad (2014), tax knowledge is an important element in a voluntary compliance towards the tax laws. This is consistent with studies undertaken in Malaysia by Loo, Evans and McKerchar (2010) who mentioned that tax knowledge is the most influential factor to ensure all the taxpayers' compliance behaviour under self-assessment system. Salawati et al. (2021) stated that tax knowledge refers to one's perception of the ability to comply with tax laws, which includes technical tax knowledge and general tax knowledge about the tax system and tax compliance. This notion is further supported by empirical findings by Kirchler, Hoelzl and Wahl (2008) and Kasipillai and Abdul Jabbar (2003) that revealed that tax knowledge would influence enhanced tax compliance level. However, Savitri (2015) mentioned that the absence of tax knowledge among taxpayers may lead to non-compliance behaviour either intentionally or not. For small business taxpayers, they are responsible to submit personal income tax including their profit from the business and any other income received by them. However, there are taxpayers who were not aware of their tax knowledge inadequacy which consequently led to unintentional non-compliance behaviour.

Meanwhile, other researchers have shown that it is more worthwhile to assist taxpayers to act in accordance with their tax requirements, rather than incurring more costs in combating tax evasion. Damajanti and Karim (2017) revealed that assisting taxpayers by educating them into becoming more responsible citizens has the potential to yield greater revenue for the tax administration rather than spending it on pursuing non-compliers. Kasipillai and Aripin (2003) documented that possessing tax knowledge would lead to higher compliance rates. Apparently, a study by Abd Hamid et al. (2019) claimed that tax knowledge has mixed significant effects on taxpayers' compliance behaviour. However, Tan and Chin-Fatt (2000) argued that the existence of tax knowledge is not necessarily inclined with taxpayers. Similarly, Ghani et al. (2020) argued that higher knowledge and understanding of the taxpayer did not lead to a better conformance with the tax regulations. Given this ambiguity in findings, this study hypothesizes that;

H1: Tax knowledge does significantly influence tax compliance behaviour among salary group taxpayers.

2.4 Tax Complexity and Compliance Behaviour

Another factor that needs to be considered is the tax complexity. Ghani et al. (2020) found that tax complexity significantly affects tax compliance level among the self-employed taxpayers. This study is supported by Saad (2011) and Gambo, Masud, Mustapha and Oginni (2014), whereby they found that the tax rule is the major contributor to tax compliance due to the fact that the rule is difficult to understand. Her Majesty Revenue and Customs UK also claimed that removing the ambiguity from tax return forms would help people to better understand and comply with tax laws. In Malaysia, the tax law is based on the ITA 1967, Public Rulings and its associated Schedules which are important for tax obligation by taxpayers. A study has been done by Isa (2014) and Saad, Udin and Derashid (2014) regarding the Readability Assessment of Complexity of Malaysian Income Tax Act 1967 whereby using the Flesch Reading Ease Score (FRES) and Flesch-Kincaid Grade Level (FKGL) analysis, they have found that the ITA 1967 and its Schedules are complex to understand. Subsequently, one of the determinants of tax compliance within the tax system or structure is the complexity of the tax system that has been identified for a long-time being (Saad et al., 2014). In addition, Isa (2014) further highlighted that tax complexity can influence tax compliance.

Basically, the dimension of tax complexity is a multidimensional concept whereby O'Donnell, Koch, and Boone (2005) stated that tax complexity concept can be defined by different people with different viewpoints. According to Gambo et al. (2014), they have given three different definitions of tax complexity in a way of tax accountants', tax lawyers' and taxpayers' perceptions. From the perspective of tax accountants, tax complexity is the time taken to prepare those income tax returns, tax planning or even the time taken to give tax advice and consultancies. Whereas the tax lawyers refer to tax complexity from the viewpoint of difficulty in reading, understanding, and interpreting tax laws for their application in tax compliance. Meanwhile, the third definition of tax complexity from taxpayers' perspective is the time taken and cost incurred in complying with the relevant tax legislations. Despite this, Ratto, Thomas and Ulph (2013) explained the meaning of tax complexity has not been given any precise definition which certainly is a concept that does not figure in standard economic analysis of tax systems. However, the author further discussed tax complexity uses the term "complexity" as a catch-all term that might consist of several different features such as lack of transparency rather than complexity per se. Moreover, Ratto et al. (2013) suggested, to think about what one might mean by tax complexity, the first issue to address is what does it mean by "the tax system".

In addition, tax complexity also exists in Malaysia particularly in terms of record-keeping, too much detail in the tax law and ambiguity. Alm, Jackson and McKee (1992) examined the effects of institutional uncertainty on taxpayer compliance using laboratory experiments. The results provided mixed support for the hypothesis that greater uncertainty increased compliance. They found out that there were six potential causes of complexity labelled as ambiguity, calculations, changes, details, forms and record keeping. Their findings were supported by Hajah Mustafa (1996). In addition, a study undertaken by Isa (2014) also found the presence of tax complexity, which are categorized into tax computations, record-keeping and tax ambiguity. In this particular study, the author interviewed 60 tax auditors and surveyed a number of corporate taxpayers. Therefore, based on the above suggestions, the current research would investigate how

tax complexity influences salary group taxpayers' compliance attitude. In fact, it is generalized that the tax system in Malaysia is rather complex since there is an issue on readability of tax legislation (Saad et al., 2014). Therefore, the current study hypothesizes that;

H2: Tax complexity does significantly influence tax compliance behaviour among salary group taxpayers.

2.5 Tax Morale and Compliance Behaviour

According to OECD (2019), tax morale can be described as a measure of the ethical behaviour of a taxpayer when complying or evading tax. Thúc (2013) explained several factors that influence tax compliance attitude, which include factors like tax knowledge and tax morality. The self-assessment system in fact, is very much depending on taxpayers to self-assess and be responsible to file their own tax return. However, taxpayers tend to avoid tax because of the negative perception towards the system fairness and equality issues. A study conducted by Spicer and Becker (1980) discovered that there is a significant relationship between the perception of taxpayers towards tax system fairness with the decision to avoid tax. Based on the study, people will try to avoid tax and tend to behave in a manner of non-compliance towards tax obligation if they feel injustice in the system enforced by the government. These findings were supported by Faizal, Palil, Maelah and Ramli (2017) who suggested that the positive perception of justice and trust in the tax system could increase tax compliance attitude. A negative perception and loss of trust towards the tax system will affect the taxpayers' confidence, thus may impair the tax compliance attitude. The loss of confidence towards the system will lead to immorality in tax compliance attitudes (Jaidi, Ahmad, Noordin & Kassim, 2019).

Mohdali and Pope (2014) suggested that the tax morale is related to tax compliance. Tax morale is one aspect of intrinsic motivation to pay taxes stemming from religious convictions or moral ideals. Improvements in intrinsic motivation are expected to increase tax willingness. On the other hand, tax morale is largely determined by factors outside of the taxpayer's control. External factors such as the government, the tax authority, culture, and an individual's own attitudes formed by moral and religious beliefs influenced tax morale. Kirchler et al. (2008) argue that providing good governance and treating people equally by the government would encourage citizens to comply voluntarily. On the other hand, according to Mohdali and Pope (2014), Malaysian taxpayers have been well informed of their responsibility in the SAS and it is quite fair for people who knew their tax responsibility and their obligations, to be penalized if they acting immorally and unethically failed to comply with the regulations (Kasipillai, Noraza & Zaimah, 2003). Therefore, this study hypothesizes that;

H3: Tax morale does significantly influence tax compliance behaviour among salary group taxpayers.

Based on the above discussion, Figure 1 below is developed to illustrate the framework which presents the relationship between independent and dependent variables.

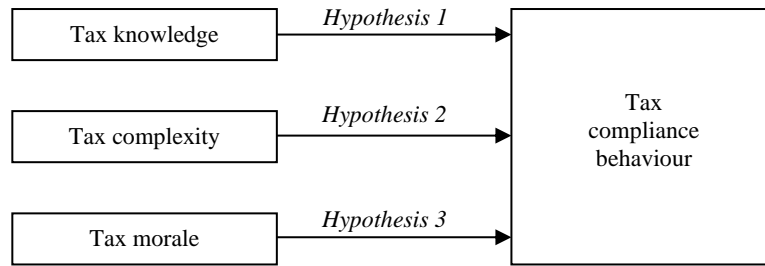


Fig. 1 Theoretical Framework

3. Research Methodology

The present study focused on the taxpayers within the salaried group in Malaysia, hence the samples were selected based on taxpayers’ registration identity group as recorded by IRBM under salaried group (individuals with non-business source). Considering the numbers of taxpayers registered under the salaried group, 384 of respondents would make a good sample size for this number of population (Krejcie & Morgan, 1970). The present study implemented a non-probability sampling method and the collection of data is conducted via a developed structured questionnaire. These questionnaires are distributed to the private and government sector employees in the online platform of Google Forms. As a result, the present study recorded the response rate of 152 respondents, which exceeds the threshold of 30%, as suggested by Frohlich (2002).

As for research instruments, the present study uses survey questionnaires to identify relationships between the constructs. The questionnaires employed in this study are adopted from Kasipillai and Jabbar (2003) and Saad (2011) as it focuses on tax compliance attitude. The questionnaire contains two major sections, the first section collects the demographic information about the respondents, while the second section comprises questions regarding three factors which are the tax knowledge, tax complexity, tax morale towards tax compliance behaviour. The study employed a corresponding 5 Likert scale (1 for “Strongly Disagree”; 2 for “Disagree”; 3 for “Neither Agree or Disagree”; 4 for “Agree” and 5 for “Strongly Agree”). The variables, dimension and questions are shown in Table 3.

Table 3: Research Variables

<i>Variable</i>	<i>Dimension</i>	<i>Question</i>
Tax knowledge	Responsibility	Paying tax is a responsibility to the people for the government to collect revenue to manage a country.
	Tax rate	To my knowledge, individuals are <i>not</i> subject to flat rate of income tax under the current tax system.
	Penalties charges	Like other offences, I know that individuals can be penalty and prosecuted for not complying with the Income Tax Act.
	Deadlines	I know that, I do have to abide by the deadline for the submission of tax return forms.
	Record keeping	I find it tedious to maintain all my relevant records for the whole year for tax purposes.
Tax complexity	Form wording	The sentence and wording in the Individual Income Tax Return are clear and easy to understand.
	Tax Publication	The tax publication and IRB Guidebooks are difficult for people like me to understand.

	Tedious recording	To reduce the complicated of maintain records, IRB needs to provide a database to upload the document.
	System: Self-Assessment	I find the self-assessment system is easy.
	System: Online	Instead of hard copy form, online system is more user-friendly.
Tax morale	Overclaim rebate	I feel guilty to myself if I make an unauthorized claim/rebate.
	Payment motivation	I feel comfortable if I make income tax payments within the period allowed.
	Understate reported	I feel guilty to myself if I under declare of my income.
	Satisfaction distribution	I believe the government fair distribute of my tax paid to the low-income group to achieve social goals.
	Trust on government	I believe the government utilizes a reasonable amount of tax revenue to achieve social goals
Tax compliance behaviour	Evasion intention	I had the intention to evade taxes because the deduction and rebate given were unfair to taxpayer.
	Voluntary disclosure	I will take part of voluntary disclosure program when I fail to comply with the tax law.
	Honesty intention	I feel satisfied when I make an honest declare in the income tax return.
	Tax audit/ desk audit	I think the likelihood of being audited by the Inland Revenue Board is high when tax return incorrect.
	Tax investigation	I know the incompliance of my tax return led to tax investigation and penalties together with imprisoned.

4. Results

4.1 Socio-Demographic Characteristics

Table 4 demonstrates demographic data extracted out from the present study. As indicated below, a total of 79 (52%) respondents from this study are males, while the remaining are females with age range between 25 and 56 years and above. 52.6% of the respondents fell in the age range of 26 to 35, whereas 22.4% of the respondents are within the age range of 46 to above 56 years old. 80.3% of respondents are married. The education level of respondents 98% are from undergraduate and professionals meanwhile another 2% are from postgraduate. The annual income of the respondent majority fell in the income range between RM36,000 to RM108,000 (78.3%), whereas 21.7% of respondents are within income above RM108,001. In terms of the employment sector, 56.6% of respondents worked in the government sector meanwhile 43.4% from the private sector.

Table 4: Demographic Characteristics of Respondents

<i>Gender</i>	<i>Number</i>	<i>Percentage (%)</i>
Male	79	52
Female	73	48
Total	152	100
<i>Age</i>	<i>Number</i>	<i>Percentage (%)</i>
Below 26 years	20	13.2
26 to 35 years	80	52.6
36 to 45 years	18	11.8
46 to 55 years	14	9.2
Above 56 years	20	13.2
Total	152	100

<i>Marital Status</i>	<i>Number</i>	<i>Percentage (%)</i>
Single	30	19.7
Married	122	80.3
Total	152	100
<i>Employment Sector</i>	<i>Number</i>	<i>Percentage (%)</i>
Government	86	56.6
Private	68	43.4
Total	152	100
<i>Education Level</i>	<i>Number</i>	<i>Percentage (%)</i>
Diploma	31	20.4
Technical/Professional	56	36.8
Degree	62	40.8
Postgraduate	3	2
Total	152	100
<i>Level of Income</i>	<i>Number</i>	<i>Percentage (%)</i>
RM3,000 to RM5,000	9	5.9
RM5,001 to RM7,000	59	38.8
RM7,001 to RM9,000	51	33.6
RM9,001 to RM11,000	24	15.8
Above RM11,001	9	5.9
Total	152	100

Table 5 shows the descriptive result to measure the variables of the research. For the tax knowledge variable, the dimension of technical and recordkeeping shows a low score indicating that most of the respondents' lack of knowledge about technical tax and record keeping. The same low score is also recorded by a complexity variable which comprises tax complexity, tax wording form and tax law. This score indicates that the components in tax complexity are complicated to be understood by the respondents.

Table 5: Descriptive Statistics of Variable Dimension

<i>Variable</i>	<i>Dimension</i>	<i>Mean</i>	<i>Median</i>	<i>Std. Deviation</i>
Tax knowledge	Responsibility	3.70	4.00	0.898
	Tax rate	3.64	4.00	0.960
	Penalties charges	3.86	4.00	0.916
	Deadlines	3.61	4.00	0.921
	Record keeping	2.51	3.00	1.400
Tax complexity	Form wording	2.34	2	1.277
	Tax Publication	3.36	3	1.205
	Tedious recording	3.62	4	1.352
	System: Self-Assessment	3.69	4	1.203
	System: Online	3.73	4	1.218
Tax morale	Overclaim rebate	4.16	4	1.036
	Payment motivation	4.03	4	0.959
	Understate reported	4.15	4	0.933
	Satisfaction distribution	3.86	4	0.973
	Trust on government	3.24	3	1.399

Compliance behaviour	Evasion intention	2.86	3	1.168
	Voluntary disclosure	4.38	5	0.799
	Honesty intention	4.43	5	0.752
	Tax audit/ desk audit	4.05	4	0.944
	Tax investigation	4.28	4	0.807

4.2 Common Method Variance

The nature of data comes with a potential for a common method variance (CMV). Hence, in order to overcome this, the present study adopted the statistical method of a full collinearity test. Kock and Lynn (2012) proposed the full collinearity test as a comprehensive procedure for the simultaneous assessment of both vertical and lateral collinearity. Through the procedure variance inflation factors (VIFs) are tested. The VIFs greater than 3.3 is proposed as an indication of pathological collinearity, and indication that a model may be contaminated by common method variance (Kock, 2015). Therefore, if all VIFs resulting from a full collinearity test are equal or lower than 3.3, the model can be considered free of common method bias. Table 6 shows the variance inflation factors (VIFs) for all variables ranging from 1.058 to 1.254, revealing that the model used in this study to be free from common method bias as the acceptable threshold suggested by Kock and Lynn (2012) is 3.3.

Table 6: Full Collinearity of Variance Inflation Factors (VIFs)

<i>CMV</i>	Compliance behaviour	Tax knowledge	Tax complexity	Tax morale
VIFs	1.254	1.058	1.127	1.137

4.3 Assessment of Measurement

The research model is examined using Partial Least Square (PLS) analysis. The SmartPLS 3 Version 3.3.3 was employed (Ringle, Wende & Becker, 2015). The study used two-stage analytical processes to refine the structural equation models, testing the measurement model and structural model as indicated by Hair, Ringle, and Sarstedt (2014). Prior to structural modelling, the study must first assess the measurement model of latent constructs for their dimensional, validity and reliability. The measurement used in the study included four constructs which are: Tax Compliance Behaviour (TAXCB), Tax Knowledge (TAXK), Tax Complexity (TAXC) and Tax Morale (TAXM). In addition, upon assessing the model reliability, the loading associated latent variable must be calculated and compared to a threshold. Generally, the loading which is higher than 0.6 for indicator reliability to be considered acceptable (Hair, Risher, Sarstedt & Ringle, 2019). A loading lower than 0.4 indicates that an item should be considered for removal, and items with a loading of 0.4-0.6 should be considered if they decrease the composite reliability (CR) and Average Variance Extracted (AVE) above the threshold (Hair, Black, Babin & Anderson, 2010).

4.4 Validity Assessment of Measurement

Convergent and discriminant validity were used to determine validity. The degree to which the scale correlates positively with other measures of the same constructs is known as convergent validity (Marcoulides, 2014). According to Hair et al. (2010), the factor loading, average variance extracted (AVE), and composite reliability (CR) are commonly used to determine the measurement model's convergent validity. The values that were above 0.5 are said to have shown the convergent

validity. The convergent validity can be evaluated by examining the loading that is greater than or equal to 0.5, AVE is greater than or equal to 0.5, and CR is greater than or equal to 0.7 (Hair et al., 2019). Table 7 shows the results of factor loading threshold level above 0.5, CR more than 0.7 and AVE greater than 0.5 indicating a correlation between measurements, and hence convergent validity is accomplished, as recommended by Hair et al. (2019).

Table 7: Factor Loading, CR and AVE

<i>Construct</i>	<i>Items</i>	<i>Factor Loadings</i>	<i>Cronbach Alpha</i>	<i>Composite Reliability</i>	<i>AVE</i>
Tax Knowledge	Responsibility	0.854	0.906	0.934	0.779
	Tax rate	0.862			
	Penalty charges	0.899			
	Deadlines	0.915			
Tax Complexity	Tax Publication	0.794	0.930	0.948	0.822
	Tedious recording	0.918			
	System: Self-Assessment	0.955			
	System: Online	0.948			
Tax Morale	Overclaim rebate	0.845	0.873	0.909	0.716
	Payment motivation	0.904			
	Understate reported	0.768			
	Satisfaction distribution	0.861			
Compliance Behavior	Voluntary disclosure	0.877	0.903	0.932	0.775
	Honesty intention	0.895			
	Tax audit/ desk audit	0.830			
	Tax investigation	0.918			

Besides assessing the convergent validity, the study also evaluated the discriminant validity. Discriminant validity is known by definition as the degree to which a measure diverges from another measure whose underlying construct is conceptually unrelated to it. Discriminant validity can be assessed by observing the Heterotrait-Monotrait Ratio (HTMT) (Henseler, Ringle & Sarstedt, 2014). Comparing predetermined thresholds is used to evaluate HTMT as a criterion. If the HTMT value is greater than this threshold, it can be concluded that there is a lack of discriminant validity. Hair et al., (2019) proposes a value of 0.90. Table 8 shows the results of the discriminant validity assessment of the measurement model using the HTMT ratio, which shows that the model has acceptable discriminant validity.

Table 8: Heterotrait-Monotrait Ratio (HTMT)

<i>Constructs</i>	<i>Compliance behaviour</i>	<i>Tax knowledge</i>	<i>Tax complexity</i>	<i>Tax morale</i>
Compliance behaviour				
Tax knowledge	0.252			
Tax complexity	0.259	0.085		
Tax morale	0.279	0.083	0.171	

4.5 Assessment of Structural Model

Table 9 was developed to show Structural Equation Modelling (SEM) results for this study. The R² value for compliance behaviour is 0.186 indicating that the 18.6% of the variance (tax knowledge, tax complexity and tax morale) could explained the compliance behaviour of the taxpayers. Since the value of R² is considerably low, it indicated that the model provides little predictive value.

Table 9: Hypotheses Testing and Path Coefficient

<i>Constructs</i>	β	<i>S.E.</i>	<i>t-value</i>	<i>p-value</i>	<i>R²</i>	<i>VIF</i>	<i>Decision</i>
Hypothesis 1	0.203	0.054	5.294	0.000	0.187	1.006	Supported
Hypothesis 2	0.288	0.072	3.062	0.002		1.023	Supported
Hypothesis 3	0.301	0.068	4.409	0.000		1.023	Supported

Based on Hypothesis 1, tax knowledge is expected to significantly influence tax compliance behaviour among salary group taxpayers. The results as per Table 9 provide full support of the hypothesis with the significant impact at Beta ($\beta = 0.203$) and p-value found to be 0.000. This finding provides evidence that the dimension within the tax knowledge construct (responsibility, tax rate, penalties charges, deadlines, technical and record keeping) have a significant impact on the tax compliance behaviour of Malaysian salaried taxpayers. The findings are found to be consistent with Loo et al. (2010), Salawati et al. (2021), Kasipillai and Abdul Jabbar (2003) as well as Kirchler et al. (2008) who adopted TBP in examining the tax compliance behaviour and revealed that higher tax knowledge would enhance tax compliance level. This is consistent with TPB as the knowledge alters the myths and misperception towards the imposition of tax, the individual attitudes towards taxation also change while the tax regulations remain unchanged (Eriksen & Fallen, 1996). The results of this study can enlighten policymakers on the scope to which tax knowledge is essential in a self-assessment system and in what ways it can affect compliance.

On the other hand, Hypothesis 2 posited that tax complexity will significantly influence tax compliance behaviour among salary group taxpayers. Based on the results portrayed in Table 8 above, Hypothesis 2 is accepted with a significant level of $\beta = 0.288$ and p-value of 0.002. Therefore, despite the mixed results as found by Alm et. al, (1992) and Hajah Mustafa (1996), the present study manages to prove that tax complexity (form wording, law, tax publication, tedious recording, self-assessment system, and online system) would significantly influence tax compliance behaviour by the taxpayers. The present study's result is, however, consistent with the generalization made by Saad et al. (2014) who contended that the complexity arose due to readability of tax legislation. As indicated in descriptive results in Table 5, the mean scores for tax complexity (form wording 2.34 and law 2.16) indicated that respondents agree that tax complexity does influence their tax compliance. Hence, it can be generalized that the higher level of complexity in tax components such as tedious recordings and SAS will result in higher levels of tax non-compliance. The findings could be explained by TPB which contend that individual's decision to engage or not in a particular behaviour is determined by the degree of individual control (Bobek & Hatfield, 2003). If the taxpayer perceived that the behaviour of performing tax obligation as difficult and complicated, there is high tendency of him not being compliant with the tax rules and regulations.

Hypothesis 3 posited that tax morale does significantly influence tax compliance behaviour among salary group taxpayers. Hypothesis 3 is accepted with a significant level of $\beta = 0.301$ and p-value

of 0.000. The tax morale in the present study comprises the component of overclaim rebate, payment motivation, understate reported, satisfaction distribution, institutional governance and trust on government. The results obtained indicating the significant influence of tax morale towards the tax compliance behaviour among these taxpayers. The positive perception of justice and trust in the tax system could increase tax compliance attitude. A negative perception and loss of trust towards the tax system will affect the taxpayers' confidence, thus may impair the tax compliance attitude. The study's results are consistent with previous studies (Jaidi et. al, 2019; Faizal et. al, 2017; Thúc 2013; Spicer & Becker, 1980). People will try to avoid tax and tend to behave in a manner of non-compliance towards tax obligation if they feel injustice in the system enforced by the government. As a conclusion, it is concluded that tax morale serves to increase intrinsic motivation to pay taxes, implying that the trust in paying taxes is based on intrinsic motivation instead of just compliance with applicable laws and regulations. Poor tax morale results in a low level of tax compliance.

5. Conclusion, Limitations and Future Research

In a nutshell, the present study is using Theory of Planned Behaviour by Ajzen (1991) which stated that individual behaviour is a force of three components which are attitude, subjective norms, and perceived behavioural control to empirically prove that they posed a significant influence on tax compliance behaviour among the salaried taxpayer group in Malaysia. Adapting to the present study, the three components are further narrowed to tax knowledge, tax complexity and tax morale to study tax compliance behaviour among salaried taxpayers. As a result, the study managed to empirically prove significant influence of the independent variables which comprises tax knowledge, tax complexity and tax morale to the dependent variable of tax compliance.

This study however, identified some limitations of the use of closed questionnaires that do not collect all of the details needed to fully understand tax regulations and the factors that lead to non-compliance by taxpayers. In addition, the present study did not employ control variables in examining the influence between independent and dependent variables. The variables or contributing factors that are fixed or omitted in order to clearly identify the relationship between an independent variable and a dependent variable are known as control variables. Therefore, there might be other factors such as tax ethics, tax fairness and compliance costs that could influence compliance behaviour amongst salaried group taxpayers in Malaysia. As for future research, it might be fruitful to add control variables such as gender in examining the factors why people are motivated to comply with tax rules and regulations. In addition, it may make a difference if researchers are able to obtain more samples for the study, so that a stronger deduction can be made.

On a final note, the present study's results may have contributed practically and theoretically. The relevant authorities may use the result of this study as a guide to develop programs necessary in understanding how intention could influence the behaviour of taxpayers' compliance. Furthermore, the results may provide guidance for policy makers in using their power as the tax authority in making sure taxpayers fulfil their tax obligations.

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