UNIVERSITI TEKNOLOGI MARA

Cawangan Negeri Sembilan
Kampus Seremban

FAKULTI PERAKAUNAN

BULETIN FPN

fa

Leveraging Behaviour for Tax Compliance

Siti Hawa Shuid

Tax compliance is a cornerstone of functioning societies, providing the necessary revenue for societal infrastructure and public services. However, the dilemma arises between individual behaviour and the societal obligation to contribute financially to the collective welfare.

The behavioural factors can be looked at in terms of perceptions of tax fairness, subjective norms, trust towards the government and tax authorities, as well as the role of tax professionals. The findings of Rashid's (2020) study in Bangladesh revealed that if the taxpayers perceived the tax system as fair, this would cultivate and affect their intention to comply with the tax laws. Similar findings were highlighted by Hayat et. al.'s (2022) study in Malaysia. In addition, if the taxpayers believed that the tax rate was appropriate for their income level, they would be willing to pay tax (Rashid, 2020).

Strong subjective norms are also one of the determinants of tax compliance. Górecki and Letki (2021), who carried out a study involving 14 countries in Europe, found that strong perceived norms of one's immediate reference group, often replace fines and punishment actions as a method of deterring tax noncompliance. According to a similar study by Sritharan et al. (2020), having a better positive referral group will boost a taxpayer's tax compliance on an individual basis. For example, in cases where an individual perceives that people around them, such as family members and friends, support tax compliance and view tax evasion as unethical, they will be more likely to comply with tax obligations themselves.

Furthermore, the trust of the taxpayers towards the governments and tax authorities also contributes to an intrinsic motivation to pay taxes (Ryšavá & Zídková, 2021; Dularif & Rustiarini, 2022). Taxpayers will be more inclined to pay taxes if they believe that the quality of the public facilities being offered is satisfactory and that the government is properly handling the money they have paid in taxes (Ryšavá & Zídková, 2021). Studies have shown that respect for authority is one of the components of trust that influences an individual's tax compliance behaviour. For instance, people who perceive an increase in respect for tax authority as a positive change have a greater incentive to pay their taxes willingly (Kumi &Kwasi Bannor, 2023; Ryšavá & Zídková, 2021).

Another behavioural factor that influences tax compliance is the facilitating role of tax professionals. Che Rosli et al. (2018) found a positive relationship between the influence of tax professionals and tax noncompliance. This study is consistent with the findings of Saad et al. (2021) who found that tax professionals do contribute to assisting high-net-worth individuals in overstating expenses (Saad et al., 2021). High-net-worth individuals have the perception that tax professionals will provide valuable assistance in strategic tax planning as well as during tax audit sessions.

In conclusion, understanding and addressing these behavioural factors are essential for policymakers and tax authorities in designing effective tax policies and enforcement strategies as well as promoting voluntary tax compliance. In addition, knowledge of these factors would help citizens to make informed decisions regarding their tax obligations.

References

Che Rosli, R., Ming Ling, L., & Embi, R. (2018). Tax malfeasance of high net-worth individuals in Malaysia: Tax audited cases. *Journal of Financial Crime*, *25*(1), 155-169.

Dularif, M., & Rustiarini, N. W. (2022). Tax compliance and non-deterrence approach: A systematic review. *International Journal of Sociology and Social Policy*, *42*(11/12).

Górecki, M. A., & Letki, N. (2021). Social norms moderate the effect of tax system on tax evasion: Evidence from a large-scale survey experiment. *Journal of Business Ethics*, *172*, 727-746.

Hayat, N., Salameh, A. A., Al Mamun, A., Ali, M.H., & Makhbul, Z. K. M. (2022). Tax compliance behavior among Malaysian taxpayers: A dual-stage PLS-SEM and ANN analysis. *SAGE Open*, *12*(3), 1-14.

Kumi, R., & Kwasi Bannor, R. (2023). Job performance, knowledge, and perceived power of tax officers on tax morale amongst agrochemical traders in Ghana. *Arab Gulf Journal of Scientific Research*, *41*(3).

Rashid, M. H. U. (2020). Taxpayer's attitude towards tax evasion in a developing country: Do the demographic characteristics matter? *International Journal of Applied Behavioral Economics*, *9*(2), 1-19.

Ryšavá, T., & Zídková, H. (2021). What are the factors of tax evasion? New findings in the EVS Study. *Review of Economic Perspectives*, *21*(4), 385-409.

Saad, N., Mas' ud, A., Aziz, S. A., Manaf, N. A. A., & Mashadi, M. A. (2021). Tax noncompliance of High Net-Worth Individuals (HNWIS) in Malaysia: Perspectives of tax professionals. *Jurnal Pengurusan*, *63*.

Sritharan, N., Salawati, S., & Cheuk, S. C. S. (2020). How social factors determine individual taxpayers' tax compliance behaviour in Malaysia? *International Journal of Business and Society*, *21*(3), 1444-1463.