

Factors Influencing Tax Compliance among TikTok Users Engaged in E-Commerce Activities in Malaysia

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ABSTRACT

The Covid-19 pandemic has catalysed the growth of e-commerce, including using social media platforms for business. However, the lack of a physical presence in e-commerce introduces tax issues, potentially risking tax revenue losses. This study aimed to understand tax compliance among e-commerce operators in Malaysia who use TikTok. It examined the level of tax compliance, awareness, knowledge, morale, and complexity among these operators and explored the relationship between these factors and tax compliance. Data were collected via an online questionnaire and analysed from 106 responses using SPSS. The results indicated that TikTok users demonstrated a high level of tax compliance, solid tax knowledge, and strong morale but displayed low levels of tax awareness and complexity. Tax knowledge and morale positively influenced tax compliance among TikTok e-commerce operators in Malaysia, while tax awareness and complexity did not significantly affect compliance. These findings aid in understanding the behaviour of e-commerce operators regarding tax compliance, thereby promoting tax compliance and minimising potential tax revenue losses for the government.

Keywords: tax knowledge, tax morale, tax compliance, tax awareness, tax complexity

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INTRODUCTION

Tax revenue is the lifeblood of a country's economy, financing government activities to develop the nation and provide services for its citizens. In 2021, tax revenue contributed 73.2% of the Malaysian government's income, with 54.4% from direct tax collections and 18.8% from indirect taxes, per the Fiscal Outlook and Federal Government Revenue Estimates 2022 report from the Ministry of Finance of Malaysia. The Inland Revenue Board Malaysia (IRBM), responsible for direct tax collection, targeted tax collections of RM139 billion for 2022 (Alzahrin Alias, 2023). Citizens must comply with their tax obligations to achieve the targeted tax revenue. In June 2022, the IRBM detected 31,598 non-compliant taxpayers comprising individuals and businesses who failed to declare their income, with tax losses estimated at RM665 million (Surin Murugiah, 2022). Non-compliance with tax laws is a serious offence, intentional or unintentional, especially since taxes are the main contributors to government income (Salawati et al., 2021). This is a widespread issue for traditional businesses with physical stores, but it is an even more significant challenge for e-commerce operations where physical presence is harder to identify.

The taxable gross income of e-commerce in Malaysia exceeds RM800 billion annually, but the compliance of many online entrepreneurs, including social media users on platforms like YouTube, Instagram, TikTok, and Facebook still worrying (Maisarah Sheikh Rahim, 2021). E-commerce is not limited to selling via websites or shopping platforms but includes using social media for transactions or merely as a marketing instrument. The growing trend of using information technology for business has prompted individuals to generate income online (Shahroni et al., 2022). The IRBM defines e-commerce transactions as any network activities to place or receive sales or purchase orders of goods or services (LHDNM, 2019). Similarly, a few researchers also refer to e-commerce as an online channel that changes the traditional way of conducting business for trading goods and services via the Internet mainly for income generation (Mat & Ya'akub, 2019; Khamis & Mastor, 2021; Lasmono & Urumsah, 2022). Like traditional businesses, e-commerce operators also have tax obligations, including registering tax files, calculating, paying, and reporting taxes on their income (LHDNM, 2019). This includes social media users who generate revenue from these platforms. As Vincente Gomez (2022) stated, money earned from social media and streaming platforms is income and, thus, subject to taxation.

The Covid-19 pandemic dramatically accelerated the growth and usage of e-commerce platforms worldwide (Adam et al., 2021). The swift increase in e-commerce activities has caused issues in taxation, such as defining taxable income and handling tax collection (Khamis & Mastor, 2021). The lack of a physical presence among e-commerce operators makes tax enforcement challenging, creating a loophole for tax evasion (Shahroni et al., 2022). Abd Hamid et al. (2019) argued that online players evaluate the detection risk for tax evasion as low since detecting income or revenue associated with online transactions is somewhat challenging, making the probability of being caught perceived as low. Furthermore, the digitalisation in e-commerce has made it difficult for authorities to trace transactions, conduct audit tracking, decide the correct tax treatment, and address tax collection issues (Shahroni et al., 2022). These challenges may result in tax revenue losses if e-commerce operators do not comply with tax laws by failing to submit or understating liability in their tax returns (Abd Hamid et al., 2019; Khamis & Mastor, 2021). In general, the rapid growth of online businesses has indirectly opened more significant opportunities for e-commerce players to evade tax because tax enforcement for these players is more complex than for traditional businesses whose physical presence can be easily identifiable.

This study sought to understand tax compliance among e-commerce operators in Malaysia, specifically, those using TikTok as an e-commerce medium. Originally from China, TikTok has become globally popular and ranked among the top six social media platforms in 2022 (Louise Savoie, 2022), with more than 1.02 billion active users as of July 2022 (Werner Geysler, 2023). In Malaysia, TikTok user numbers are predicted to grow from over 6,990,081 in 2022 to 10,643,189 by 2026 (Shaun, 2023). There are a few ways to generate income using TikTok. The users can use TikTok to sell their products and services using a virtual shop. Another way is to be an affiliate and provide marketing services for the shop or product they would like to promote. Users can also do live streaming to sell their products or earn gifts from their viewers, which can be cashed out for money later. Many rely on TikTok to search for and discover products and their reviews. As reported on 23rd August 2022 by TikTok For Business, a study shows that 61% of the platform users have embarked on e-commerce via TikTok (Arooj Ahmed, 2022).

Therefore, the study objectives were fivefold. First, it aimed to identify the levels of tax compliance, awareness, knowledge, morale, and complexity among TikTok users (RO1). It then sought to investigate the relationship between tax awareness (RO2), tax knowledge (RO3), tax morale (RO4), tax complexity (RO5), and tax compliance among these users. The findings will contribute to understanding e-commerce operators' intentions and behaviours towards tax compliance and factors encouraging tax compliance. Additionally, the study will provide input for tax authorities to improve tax policies, enforce better compliance, increase tax literacy among e-commerce operators, and potentially reduce tax revenue losses.

LITERATURE REVIEW

Tax Compliance

According to Abdul Jabbar and Pope (2008), tax compliance is when taxpayers comply with tax law by filing tax returns and paying taxes promptly. On the other hand, failure to fulfil the responsibility by breach of tax laws or to underpay the amount of tax is considered non-compliance (Kirchler & Wahl, 2010). In Malaysia, a taxpayer is said to be non-compliance when the taxpayer fails to submit tax returns, under-reported income, overclaimed deduction, and does not pay tax within the stipulated period (Baldry & Kasipillai, 1996).

Kiow et al. (2017) described tax compliance as accurately and truthfully reporting, with precision in calculating the amount of tax liability, paying the tax liability before it is due to be paid, and submitting the tax return right on time. For Sitorus (2018), tax compliance is exercising taxation rights and willingly adhering to his/her/its responsibility to pay tax in line with the applicable tax provisions. A recent study by Abdul Hamid et al. (2020) defined tax compliance as fully paying all tax payables. Non-compliance is seen as not paying the right amount of tax, where the difference could be because of understating the income and overstating the expenses and allowable tax deductions due to errors in calculations or a lack of understanding of tax laws and regulations.

A taxpayer is responsible for registering tax files, reporting annual income, and paying income tax. The Malaysian tax authority (LHDNM) did not expressly state the meaning of tax compliance in any of its formal publications. However, through the tax audit framework, the main objective of tax audit is to encourage voluntary tax compliance, which is achieved by ensuring taxpayers report the correct amount of income and that the tax payables have been paid following tax laws and regulations (IRBM, 2022). In addition, through the 2022 Budget, the government introduced a Tax Compliance Certificate for suppliers or companies that want to get projects from the government, where taxpayers have to prove his/her/its tax compliance by filing and paying all taxes due accordingly. From the discussion, this study referred to tax compliance as the correct amount of income being reported and the correct amount of tax being paid to the tax authority.

Tax awareness and Tax Compliance

The idea of tax awareness refers to education and knowledge on taxation among taxpayers, in which knowledge of taxation enhances the awareness and the level of ethics of a taxpayer to be tax compliant (Palil et al., 2013). Kalgutkar (2018) defines tax awareness as the level of awareness of a taxpayer concerning the tax laws and provisions in terms of, for example, allowances, rebates, tax deductions, and exemptions. For Taing and Chang (2021), tax awareness is the taxpayers' comprehension of tax laws and regulations about certain tax matters that involve them. Tax awareness is linked to taxpayers fulfilling their obligation to submit and pay taxes, where it becomes clear if tax laws and regulations are understood, recognised, respected, and complied with (Khamis & Mastor, 2021).

Vyshak and Joobi (2020) believed that taxpayers are aware of many taxation issues, such as the due submission of tax returns, tax avoidance, tax evasion, and changes in tax provisions. Hamid et al. (2022) stated that it is good for taxpayers to be aware of taxation by enhancing their comprehension of the tax system, as they can declare their income and then calculate and pay the taxes. Hamid et al. (2022) also mentioned that those who lack tax awareness tend to be reluctant and avoid paying taxes, intentionally or not. Due to a lack of tax awareness, some taxpayers did not correctly report the amount of tax (Sitorus, 2018).

Taxpayers will likely comply with tax obligations if they know their tax responsibility (Adam et al., 2021). Asrinanda (2018) states that tax awareness positively correlates with tax compliance. Taxpayers with high tax awareness have high tax compliance, while those with lower awareness of taxation show lower tax compliance. Similarly, Nurkhin et al. (2018) found that tax awareness affects tax compliance positively, as tax awareness can increase tax compliance among taxpayers. This was seconded by findings from a study by Omondi and Theuri (2019) that tax awareness boosts tax compliance levels where taxpayers are aware of the requirements to declare and pay taxes.

Based on the above, tax awareness generally helps increase tax compliance among taxpayers. In the context of e-commerce, Khamis and Mastor (2021) and Adam et al. (2021) believed that tax awareness and tax compliance also have a positive relationship among players in the e-commerce industry. When e-commerce merchants have tax awareness by understanding and knowing their rights and responsibilities toward taxation, it affects their tax compliance (Wulandari & Mariana, 2022). Adhikara et al. (2022) found that tax awareness will not just increase tax compliance but increase tax revenue as well. Both tax awareness and compliance must be nurtured for taxpayers to be aware and willingly fulfil their tax obligations of paying taxes according to the tax provisions (Sitorus, 2018).

Tax Knowledge and Tax Compliance

Other than tax awareness, according to Bernard et al. (2018), tax knowledge influences the ability of taxpayers to understand and comply with tax laws and rules. Taxpayers are deemed to have tax knowledge when they understand the tax laws and rules (Ayuba et al., 2016). Their ability to comprehend the tax system is based on the taxpayer's knowledge of the laws and system (Abd Hamid et al., 2019). Ghani et al. (2020) believed that knowledge of taxation helps taxpayers better understand the tax system.

Tax knowledge is defined as a taxpayer's capacity to follow tax laws and rules, where tax knowledge comprises general and technical knowledge of taxation not only on tax compliance but the tax system as well (Salawati et al., 2021). For Bornman and Ramutumbu (2019), knowledge of taxation comprises awareness of general fiscal, comprehension of the procedures and

obligations to comply with tax and a particular understanding of tax laws and rules. According to them, general, legal, and procedural knowledge are the three components of tax knowledge.

Tax knowledge enables taxpayers to comprehend the tax system and rules. Thus, the difference in the level of knowledge of taxation among the taxpayers will undoubtedly cause them to have different depths of understanding of tax (Adhikara et al., 2022). By being knowledgeable in taxation, tax payable can be minimised with tax planning, and by managing taxes well, taxpayers can carry out the responsibilities to pay taxes with ease according to their ability to pay (Lasmono & Urumsah, 2022).

Tax knowledge can enhance taxpayers' behaviour in tax compliance, and as claimed by Abdul Hamid et al. (2020), the level of taxpayers' knowledge of taxation could affect tax compliance. This is in line with the statement made by Hamid et al. (2022), where knowledge of taxation is a valuable instrument to comply with the tax. Lack of tax knowledge would cause taxpayers to be non-compliant by making errors wilfully or not wilfully (Kio et al., 2017; Abdul Hamid et al., 2020). Bernard et al. (2018) stated that the viewpoints towards tax compliance could be boosted by improving tax knowledge. The authors also noted that an optimistic view on tax led to a decrease in the wrong impression of tax and increased tax compliance.

Mat Jusoh et al. (2021) found that the aspects of the construct of tax knowledge, such as the deadlines, tax rates, and penalties, influence tax compliance behaviour. In today's era of self-assessment systems, to be tax compliant, taxpayers are supposed to know the tax system (Salawati et al., 2021). Taxpayers who possess knowledge of taxation are inclined to conform to laws and regulations instead of finding a way to dodge taxes (Adhikara et al., 2022). This is also the same in e-commerce, as Abd Hamid et al. (2019) found that tax compliance behaviour among e-commerce players is also influenced by tax knowledge. Lasmono and Urumsah (2022) studied the factors influencing tax compliance in online transactions and found that since taxpayers from the e-commerce industry understand how tax revenue is used and receive tax benefits, they know the significance of discharging their tax responsibilities.

Tax Morale and Tax Compliance

As defined by the Organisation for Economic Co-operation and Development (OECD), tax morale is the “intrinsic willingness to pay tax”, which an article by ACCA Global described to include moral beliefs and actions by the individual (taxpayers). A taxpayer may be intrinsically motivated to pay taxes, or failure leads to feeling shameful and guilty (Luttmer & Singhal, 2014). In addition, OECD mentioned that tax morale could indicate taxpayers’ ethical behaviour when complying with taxes or avoiding taxes.

According to Kiow et al. (2017), tax morale refers to the perception of taxpayers that paying taxes is the right action, while the Inter-American Center of Tax Administrations interpreted tax morale as the autonomous drive that spurs a good tax attitude. A study by Alm and McClellan (2012) found that taxpayers with high tax morale believed it was wrong to evade taxes. An honest taxpayer will pay taxes; in contrast, a taxpayer with low tax morale would likely avoid paying taxes (Hardika et al., 2021).

Tax morale motivates tax payment intrinsically and is attributable to spiritual beliefs or moral values. A rise in intrinsic motivation will boost the desire to pay tax, while tax morale mainly relies on external factors beyond the taxpayer’s control (Mat Jusoh et al., 2021). Based on Ismail et al. (2022), the external factors include the government, tax administrator, culture, and the taxpayer’s behaviour derived from spiritual beliefs or moral values. Other than that, the attitude of surrounding’s taxpayers also affects tax morale. For example, if evading tax is considered an acceptable action for the surrounding, and the taxpayers believe it is fair to do so, then their morale on taxation will be diminished (Shahroni et al., 2022).

Tax morale influences taxpayers’ compliance level. A taxpayer with high tax morale tends to show high tax compliance behaviour (Abd Hamid et al., 2019; Taing & Chang, 2021). Hardika et al. (2021) agreed with this by saying that obtaining a high compliance level of tax requires high tax morale and that taxpayers with high tax morale levels are bound to be more compliant than those with a low level of tax morale.

Likewise, in the e-commerce industry, Abd Hamid et al. (2019) found that having high tax morale led the e-commerce players to conform to their obligation on taxation and to abide by the tax laws. In a study of tax compliance among e-commerce players on Facebook, Instagram, and YouTube, the findings confirmed that the increase in the level of tax morale would also boost the compliance level among taxpayers as they want to be viewed as having high tax morale by complying with the tax laws and rules (Shahroni et al., 2022).

Tax Complexity and Tax Compliance

Taxpayers presumed that tax laws are complex (Hamid et al., 2022). Tax complexity includes complex and hard-to-understand wordings used in the tax forms and other related materials and complex calculations in reporting tax, which to taxpayers is complicated and burdensome (Brainnyah & Rusydi, 2012; Abd Hamid et al., 2019). As a result, taxpayers will get assistance from professionals to help them prepare their tax returns (Marcuss et al. 2013), which would incur complying costs.

According to Evans and Tran-Nam (2013), cited in Gambo et al. (2014), there are three interpretations of tax complexity. The first interpretation is from the perception of tax accountants, where tax complexity refers to the time spent on tax planning, including getting tax consultations and time spent preparing tax returns. The second interpretation is from the perspective of tax lawyers. From the tax lawyers' point of view, the difficulties in reading, comprehending, and grasping the tax laws and provisions for their use in complying with tax laws reflect what tax complexity is. Lastly is the taxpayer interpretation, where tax complexity implies the time and cost spent abiding by tax laws and provisions.

According to Mat Jusoh et al. (2021), in Malaysia, taxpayers perceived tax complexity concerning documentation, the vagueness of taxation, and items in taxation deemed too many. Due to the complexity of tax procedures, taxpayers find it challenging to manage their tax obligations correctly, which is caused by the complexity in tax calculation and the tax return as well as the procedures (Hamid et al., 2022). In addition, the authors believed that there are issues regarding the comprehensibility of tax provisions as the understanding of tax laws have sparked difference of opinion among the users of the tax laws.

Kirchler et al. (2006) found that taxpayers are willing to comply with tax laws and regulations if it is less complex. This implies that a simple tax system leads to voluntary compliance, and a complex tax system can hinder voluntary tax compliance in a self-assessment environment. This is also supported by findings from Saad (2014), where the result of the study showed that tax complexity contributed to taxpayers' non-compliance.

Tax complexity influences tax compliance (Brainyyah & Rusydi 2012), where the more complex tax rules are, taxpayers will be more unwilling to pay their taxes. Gambo et al. (2014) found that the difficulties in comprehending the tax laws affect tax compliance. Whereas Mat Jusoh et al. (2021) discovered that tax compliance attitude is affected by the complexity of taxation in terms of the tax return wording, tax publication, the self-assessment system, and the online system. Taxpayers can understand and execute their tax obligations efficiently if the tax system and regulations are simple, which could increase tax compliance (Taing & Chang 2021).

On the other hand, taxpayers tend not to comply with the tax laws and provisions if executing tax obligations is challenging and complex (Mat Jusoh et al., 2021). Similarly, in the e-commerce industry, the complexity of tax affects tax compliance, where changes in tax laws are hard to keep up with, and the tax laws are complicated, thus could lead to non-compliance in tax. However, according to Shahroni et al. (2022), e-commerce players would engage tax experts to manage their tax returns if they felt taxation was complicated, suggesting that lower tax compliance is not caused by tax complexity.

Hypotheses Development and Research Model

The Theory of Planned Behaviour (TPB), proposed by psychologist Icek Ajzen (1991), is a robust framework for studying tax compliance behaviour. TPB suggests that an individual's behaviour is shaped by their intention to perform a specific behaviour, which is influenced by their attitude towards the behaviour, subjective norms, and perceived behavioural control. Several researchers have effectively utilised this theory to study human attitudes and behavioural intentions (Al-Maghrebi et al., 2016; Mat Jusoh et al., 2021; Taing & Chang, 2021; Adhikara et al., 2022; Hamid et al., 2022; Shahroni et al., 2022). TPB assumes that an individual's attitude

regarding their behaviour reflects their beliefs concerning the potential outcome of such behaviour (Ajzen, 1991).

In the context of TPB, studies like Bobek et al., (2007) suggested that individuals with higher tax awareness demonstrate more positive attitudes towards tax compliance, implying that tax awareness can effectively enhance tax compliance behaviour. Similarly, perceived behavioural control, reflecting the perceived ease or difficulty of performing a behaviour (Ajzen, 1991), can be influenced by an individual's understanding of that behaviour. Studies such as Blaufus et al. (2017) have discovered that a more profound tax knowledge leads to a higher perceived behavioural control, culminating in a stronger intention to comply with tax regulations.

Subjective norms, another essential component of TPB, refer to the perceived societal pressures about engaging in a behaviour (Ajzen, 1991). In relation to subjective norms, tax morale, dealing with societal and moral obligations, plays a significant role. High tax morale fosters a sense of duty to pay taxes, subsequently increasing tax compliance (Torgler, 2003). Perceived behavioural control also aids in understanding the impact of tax complexity on tax compliance. A high level of tax complexity might lead individuals to perceive tax compliance as challenging, thereby negatively affecting their intention to comply (Erard, 1993). Therefore, tax awareness, knowledge, morale, and complexity are crucial factors influencing tax compliance. This understanding, supported by TPB, is crucial for indicating the intention and behaviour of tax compliance, especially among e-commerce platform users like TikTok.

Based on the earlier discussion, the following hypotheses were developed.

- H1: Tax awareness is positively related to tax compliance among TikTok users who engage with e-commerce in Malaysia.
- H2: Tax knowledge is positively related to tax compliance among TikTok users who engaged with e-commerce in Malaysia.
- H3: Tax morale is positively related to tax compliance among TikTok users who engaged with e-commerce in Malaysia.
- H4: Tax complexity is negatively related to tax compliance among TikTok users who engaged with e-commerce in Malaysia.

The research model for this study is shown in Figure 1. Empirically, the relationship was tested based on the following equation:

$$TC = \alpha_0 + \alpha_1 AWARE + \alpha_2 KNOW + \alpha_3 MORALE - \alpha_4 COMPLEX + \varepsilon$$

where:

- TC = Tax compliance
- AWARE = Tax awareness
- KNOW = Tax knowledge
- MORALE = Tax morale
- COMPLEX = Tax complexity
- ε = error

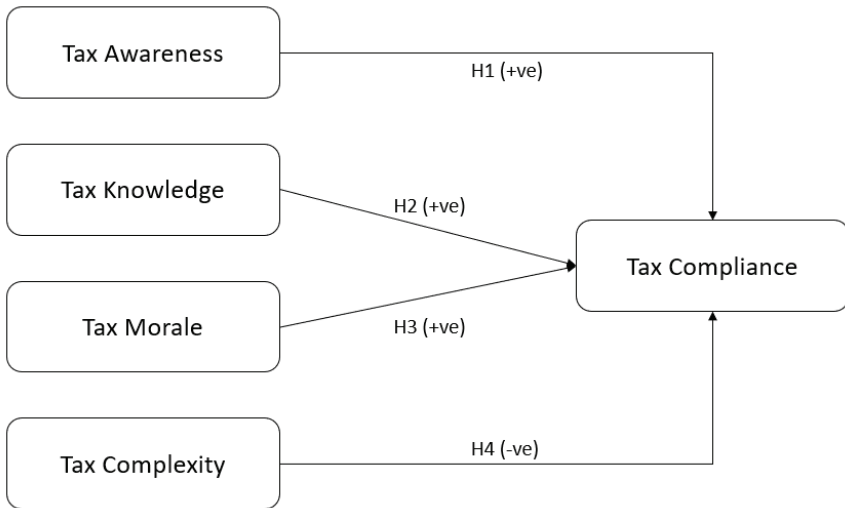


Figure 1: Research Model

METHODOLOGY

This study aimed to understand the level of tax compliance, tax awareness, tax knowledge, tax morale and tax complexity among Malaysian-based TikTok users engaging in e-commerce activities. The study then examined those variables, particularly the relationship between tax awareness,

tax knowledge, tax morale and tax complexity with tax compliance. A quantitative method using an online survey questionnaire was employed to gather the data to achieve the stated objectives.

The questionnaire consisted of two sections. The first section covered the demographic information of respondents, while the second section consisted of statements evaluating the study variables, namely, tax compliance, tax awareness, tax knowledge, tax morale, and tax complexity. A 5-point Likert scale measures the level of agreement with each statement, precisely the strength of respondents’ perception of the questions (1 = strongly disagree, 2 = disagree, 3 = neutral, 4 = agree, and 5 = strongly agree). The items used for measuring each variable were adapted from a few studies, as shown in Table 1 below.

Table 1: Variables and Measurement of Study

Variable	Items for measurement	Adapted from
Tax Compliance 1 (TC1)	I submit my tax return form on time.	Niemirowski & Wearing (2006)
Tax Compliance 2 (TC2)	I pay my tax liability on time.	
Tax Compliance 3 (TC3)	I submit the most accurate tax return form to my knowledge to IRBM.	
Tax Compliance 4 (TC4)	It is my responsibility to pay the correct amount of tax.	
Tax Compliance 5 (TC5)	I sometimes overstate deductions in my tax return form. (Negative item – dropped after factor analysis due to cross-loading issue)	
Tax Awareness 1 (AWARE1)	I know the amount of tax that I have to pay.	Taing & Chang (2021)
Tax Awareness 2 (AWARE2)	I know the type of tax that I have to pay.	
Tax Awareness 3 (AWARE3)	I know when I have to pay individual income tax.	
Tax Awareness 4 (AWARE4)	I know there is a chance of being audited by tax officials.	
Tax Awareness 5 (AWARE5)	I know the penalties for tax evasion.	

Tax Knowledge 1 (KNOW1)	I am responsible for informing and declaring actual income from all sources to the IRBM.	
Tax Knowledge 2 (KNOW2)	I am responsible for keeping records/ documents about income and expenditure for seven years.	
Tax Knowledge 3 (KNOW3)	I am responsible for paying tax liability before or on 30 April every year for employment income and before or on 30 June every year for business income.	Palil (2010)
Tax Knowledge 4 (KNOW4)	Resident individuals with chargeable income less than RM35,000 are entitled to a personal rebate of RM400.	
Tax Knowledge 5 (KNOW5)	In a separate assessment, a personal relief of RM9,000 is granted.	
Tax Knowledge 6 (KNOW6)	Zakat rebate is subject to a maximum of tax charged.	
Tax Morale 1 (MORALE1)	I will not evade paying taxes even if I have a chance to.	
Tax Morale 2 (MORALE2)	I think paying taxes is my obligation.	
Tax Morale 3 (MORALE3)	I think evading tax is wrong.	
Tax Morale 4 (MORALE4)	I think taxpayers should not underreport tax liability.	Taing & Chang (2021)
Tax Morale 5 (MORALE5)	I think I should honestly declare all my tax liability	
Tax Morale 6 (MORALE6)	I seldom obey and follow the tax law. (Negative item – dropped after factor analysis due to cross-loading issue)	
Tax Complexity 1 (COMPLEX1)	The content in the tax declaration forms is hard to understand.	
Tax Complexity 2 (COMPLEX2)	It is not easy to calculate to correct tax payable amount.	
Tax Complexity 3 (COMPLEX3)	The procedures for tax declarations are complicated.	Taing & Chang (2021)
Tax Complexity 4 (COMPLEX4)	The procedures for tax payments are complicated.	
Tax Complexity 5 (COMPLEX5)	Generally, I think the tax system in Malaysia is complicated.	

A pre-test was conducted with two taxation experts resulting in necessary modifications to the instrument. After completing a pilot survey on 20 e-commerce players from platforms other than Tiktok to improve validity and reliability, the online survey link was sent through Tiktok messages to 500 Malaysian-based Tiktok users having a virtual shop in Tiktokshop. A total of 173 surveys were returned during the survey

period from 1st November 2022 until 15th January 2023, representing 34.6 % response. However, out of the total response received, 67 respondents claimed they were not active e-commerce players in the application, leaving only 106 respondents as actively e-commerce players in TikTok, thus fitting for analysis of this study.

The data was analysed using SPSS version 28. The analysis started with the demographic profile of the respondents using descriptive analysis, meant to understand the background of the respondents involved in this study. The preliminary analysis, namely factor analysis, normality analysis, reliability analysis and multicollinearity analysis, was performed for data preparation purposes. Descriptive analysis was used to achieve objective one, specifically to identify the level of tax compliance, tax awareness, tax knowledge, tax morale, and tax complexity among e-commerce players using TikTok platforms in Malaysia (RO1). In addition to that, multiple regression analysis was also used to test the research hypotheses of this study, as illustrated in Figure 1, specifically to examine the relationship between the independent variable tax awareness, tax knowledge, tax morale and tax complexity with the dependent variable of tax compliance (RO2 until RO5).

RESULTS AND DISCUSSION

Respondents' Profile

Table 2 shows the demographic profile of the respondents. Of 106 respondents, 31.1% were male, and 68.9% were female. The respondents are mature since forty-one respondents are between 31 to 35 years old, twenty-five respondents are between 26 to 30, sixteen are between 36 to 40, and eight are above 40. Only sixteen respondents reported being below 26 years old. Most respondents were considered well educated, with more than half of respondents (67%) claiming to have a degree, 16% holding diploma certificates, 10% holding postgraduate certificates, and the remaining having high school certificates of either SPM or STPM.

Table 2: Demographic Profile of Respondents (n-106)

Categories	Frequency	Percentage (%)
Gender:		
Male	33	31.1
Female	73	68.9
Total	106	100.0
Age:		
18-25	16	15.1
26-30	25	23.6
31-35	41	38.7
36-40	16	15.1
≥ 41	8	7.5
Total	106	100.0
Education level:		
SPM	6	5.7
STPM	2	1.9
Diploma	17	16.0
Degree	71	67.0
Postgraduate	10	9.4
Total	106	100.0

Table 3 below shows the e-commerce economic characteristics of the respondents. The first concerns the period of involvement with e-commerce activities. Out of 106 respondents, 36.9% claimed as new e-commerce players within approximately a year, 23.6% claimed to have two years of experience, 21.7% had been engaged in e-commerce for three years, 9.4% had been involved between three to five years, and the remaining 8.5% had been engaged for six or more years in e-commerce. Concerning the importance of e-commerce income to the respondents, most respondents claimed that e-commerce activities were a supplementary income generator for 80.2% of respondents, while 19.8% carry out e-commerce activities as their primary income. Pertaining to income from e-commerce activities, 60.4% earned between RM3,000 to RM5,000 in a month, 17% of respondents get around RM5,001 to RM7,500 income monthly, and 10.4% gained more than RM7,500 but not more than RM10,000. Fewer respondents claimed to have achieved a higher income bracket, with four

making approximately RM10,001 to RM12,500 monthly, six pulling in RM12,501 to RM15,000, and only three claiming to have acquired more than RM15,000 in a month.

Table 3: Respondents' E-commerce Related Characteristics (n-106)

Categories	Frequency	Percentage (%)
Involvement in e-commerce:		
1 year	39	36.8
2 years	25	23.6
3 years	23	21.7
4 years	5	4.7
5 years	5	4.7
≥ 6 years	9	8.5
Total	106	100.0
Income categories:		
Main	21	19.8
Supplementary	85	80.2
Total	106	100.0
Monthly E-commerce gross income:		
RM3,000-RM5,000	64	60.4
RM5,001-RM7,500	18	17.0
RM7,501-RM10,000	11	10.4
RM10,001-RM12,500	4	3.8
RM12,501-RM15,000	6	5.7
>RM15,000	3	2.8
Total	106	100.0

Table 4 below shows the tax-related characteristic of the respondents. Most respondents (63.2%) claimed to have been exposed to tax knowledge. In line with that, most respondents (62.3%) also claimed to have been paying taxes for 1 to 3 years, followed by 11.3% of respondents who had experienced paying between three years to 6 years, 3.8% of respondents had experience doing so for 7 to 9 years, and 8.5% of respondents had been paying for ten years or more, while only 14.2% of respondents claimed no prior experience paying taxes. Consistent with tax paying experience, most respondents (65.1%) also claimed they had experience interacting with IRBM, while only 34.9% had no such experience.

Table 4: Respondents' Tax-Related Characteristics (n=106)

Categories	Frequency	Percentage (%)
Prior tax knowledge:		
Yes	67	63.2
No	39	36.8
Total	106	100.0
Tax payment experience:		
Never	15	14.2
1-3 years	66	62.3
4-6 years	12	11.3
7-9 years	4	3.8
≥ 10 years	9	8.5
Total	106	100.0
Interaction experience with IRBM		
Yes	69	65.1
No	37	34.9
Total	106	100.0

Preliminary Analysis

In achieving the objectives of this study, preliminary analyses, namely factor loading, normality, reliability, and multicollinearity analysis, were essential to provide a solid foundation for multiple regression analysis. Factor loading analysis is a tool employed to uncover the latent structure (dimensions) of a set of variables where it reduces attribute space from a larger number of variables to a smaller number of factors (Hair et al., 2010). Factor loading analysis allows researchers to identify groups of variables that cluster together, suggesting that they represent a specific underlying dimension of the dataset, where this information is then often used to construct scales or indexes or to reduce data complexity for further analysis (Costello & Osborne, 2005). A rule of thumb suggested by a few researchers is that the minimum factor loading value should be 0.5 and above (Hair et al., 2013; Zainudin, 2019). Therefore, based on the result shown in Table 5 below, two items, TC5 and MORALE6, were dropped from further analysis due to cross-loading issues.

Table 5: Factor Lading Analysis

Variables	Component				
	1	2	3	4	5
Tax Compliance 1 (TC1)				.867	
Tax Compliance 2 (TC2)				.899	
Tax Compliance 3 (TC3)				.894	
Tax Compliance 4 (TC4)				.832	
Tax Compliance 5 (TC5)			cross-loading		
Tax Awareness 1 (AWARE1)			.745		
Tax Awareness 2 (AWARE2)			.819		
Tax Awareness 3 (AWARE3)			.831		
Tax Awareness 4 (AWARE4)			.757		
Tax Awareness 5 (AWARE5)			.767		
Tax Knowledge 1 (KNOW1)					.521
Tax Knowledge 2 (KNOW2)					.624
Tax Knowledge 3 (KNOW3)					.513
Tax Knowledge 4 (KNOW4)					.677
Tax Knowledge 5 (KNOW5)					.703
Tax Knowledge 6 (KNOW6)					.689
Tax Morale 1 (MORALE1)	.702				
Tax Morale 2 (MORALE2)	.772				
Tax Morale 3 (MORALE3)	.845				
Tax Morale 4 (MORALE4)	.821				
Tax Morale 5 (MORALE5)	.783				
Tax Morale 6 (MORALE6)			cross-loading		
Tax Complexity 1 (COMPLEX1)		.858			
Tax Complexity 2 (COMPLEX2)		.895			
Tax Complexity 3 (COMPLEX3)		.915			
Tax Complexity 4 (COMPLEX4)		.900			
Tax Complexity 5 (COMPLEX5)		.903			

The normality test is an essential step in almost every multivariate analysis. Based on Table 6, the data of this study were normally distributed since the range value for skewness was between -2 and +2, and the range value for kurtosis was between -7 and +7 for all variables, as suggested by Hair et al. (2010) and Bryne (2010).

Table 6 Normality Analysis

Variables	Skewness		Kurtosis	
	Value	Std. error	Value	Std. error
Tax compliance	-1.665	0.235	3.421	0.465
Tax awareness	-0.495	0.235	0.173	0.465
Tax knowledge	-0.209	0.235	0.077	0.465
Tax morale	-0.791	0.235	0.376	0.465
Tax complexity	-0.263	0.235	-0.209	0.465

Next, reliability analysis was performed to determine the consistency of the measured variables, showing how well the items used to measure a variable hang together as a set (Sekaran, 2006). Based on the result shown in Table 7, tax compliance scored the highest Cronbach’s alpha of 0.966, followed by tax complexity, tax awareness and tax morale of 0.961, 0.935 and 0.932, respectively. The remaining variable, tax knowledge, attained the lowest Cronbach’s alpha value of 0.879. All reliability measures exceeded the minimum value of 0.6 (Zainudin, 2019), reflecting that measuring items under each variable of this study provided a reliable measure of internal consistency.

Table 7: Reliability Analysis

Variables	No. of item	Cronbach’s Alpha
Tax compliance	4	0.966
Tax awareness	5	0.935
Tax knowledge	6	0.879
Tax morale	5	0.932
Tax complexity	5	0.961

Table 8 shows the Pearson correlation matrix for the study’s variables used for the multicollinearity analysis. The correlation coefficient for all variables generally did not exceed the rule for multicollinearity detection, which is above 0.9 (Tabachnich & Fidell, 2013), indicating that no multicollinearity issue existed in this study.

Table 8: Multicollinearity Analysis using Pearson Correlation Matrix

Variables	Tax compliance	Tax awareness	Tax knowledge	Tax morale	Tax complexity
Tax compliance	1				
Tax awareness	0.460**	1			
Tax knowledge	0.598**	0.610**	1		
Tax morale	0.609**	0.516**	0.761**	1	
Tax complexity	-0.139	-0.487**	-0.206*	-0.194*	1

** significant at the level of 0.01 level (2-tailed)

* significant at the level of 0.05 level (2-tailed)

Descriptive Analysis

Table 9 below presents the findings for the first part of this study, specifically to achieve objective one of the study, which was to identify the level of tax compliance, tax awareness, tax knowledge, tax morale, and tax complexity among e-commerce players using TikTok platforms in Malaysia.

Table 9: Descriptive Statistics of Study Variables

Variables	Mean	Std. Deviation	Minimum	Maximum
Tax compliance	4.37	0.847	1.00	5.00
Tax awareness	3.37	0.994	1.00	5.00
Tax knowledge	3.51	0.867	1.00	5.00
Tax morale	3.78	1.022	1.00	5.00
Tax complexity	3.34	1.076	1.00	5.00

Based on the result, on average, tax compliance was high (4.37), demonstrating a high tax compliance attitude among the respondents. On average, the taxpayers had a good level of tax knowledge and tax morale, with an average score above 3.5. The highest average score was on tax morale, with a score of 3.78. This indicated that most respondents held a good level of tax morale. The tax knowledge score was slightly above 3.50 (3.51), reflecting that most respondents of this study held a good level of tax knowledge. This might be because 63.2% of respondents claimed to have been exposed to prior tax knowledge. Finally, the tax awareness and complexity score recorded a relatively low average value of below 3.50 but above 3.00. Tax awareness recorded an average score of 3.37, while tax complexity recorded an average score of 3.34.

These findings suggest that the respondents are also reasonably aware of tax and have a good knowledge of taxation. The respondents also had a good level of tax morale, which was consistent with the high level of tax compliance. The respondents also perceived tax complexity as moderate. This proposes that the respondents can manage the complexity of tax, and perhaps they get assistance from the officers of IRBM or the professional to manage their tax matters. However, this section is limited only to descriptive analysis. The relationship of each independent variable towards tax compliance can only be ascertained by analysing the findings in the next section.

Multiple Regression Analysis

Multiple regression analysis was employed to achieve objectives two to five of this study, specifically to examine the relationship between independent variables, tax awareness, tax knowledge, tax morale and tax complexity, with the dependent variable of this study, tax compliance. Table 10 shows the multiple regression analysis result of this study. Based on the result, the R square (R^2) reported for the research model was 0.425, which reflects that the independent variables of this study, namely tax awareness, tax knowledge, tax morale and complexity, explained 42.5% of the dependent variable of this study, tax compliance. The remaining were explained by other variables not included in this study.

Table 10: Multiple Regression Analysis

Variables	Coefficient	t	Sig.	Result	Tolerance	VIF
Constant	1.827	4.207	<0.001			
Tax awareness (H1)	0.132	1.432	0.155	Not supported	0.488	2.049
Tax knowledge (H2)	0.241	1.939	0.050**	Supported	0.352	2.843
Tax morale (H3)	0.292	3.012	0.003*	Supported	0.416	2.403
Tax complexity (H4)	0.044	0.641	0.523	Not supported	0.750	1.334

R = 0.652 $R^2 = 0.425$

* significant at the level of 0.01 level (2-tailed)

** significant at the level of 0.05 level (2-tailed)

Based on Table 10, the first hypothesis in this study was that Tax awareness is positively related to tax compliance among TikTok users who engaged with e-commerce in Malaysia (H1) was not supported since the

p-value is 0.155. This result suggested that tax awareness among TikTok's e-commerce players did not directly impact their tax compliance. This contradicts the findings from studies conducted by Omondi and Theuri (2019) and Wulandari and Mariana (2022). However, the outcome aligns with the findings from studies conducted by Hartikayanti and Siregar (2019) and Zanaria and Lestari (2020) that tax awareness did not influence tax compliance. From the TPB perspective, this could suggest that while awareness (a form of knowledge and potentially an attitude) is present, it may not be the most influential factor. The "attitude" component of TPB includes individuals' evaluations of the perceived consequences of the behaviour and their assessment of the behaviour's desirability. In this context, the attitude towards tax compliance might not be sufficiently affected by increased tax awareness alone. The result from this study suggested that e-commerce players were relatively aware of their responsibility to fulfil their tax obligations, the probability of being audited, and penalties for evading tax, but the level of awareness is insufficient. In spreading more tax awareness to e-commerce players, the IRBM should utilise information technology, especially social media, to provide awareness and tax information. Using social media in communicating tax awareness is appropriate as social media is so close to people nowadays and gives users easy access to new and essential information.

Next is to test Hypothesis 2 of the study, tax knowledge is positively related to tax compliance among TikTok users who engaged with e-commerce in Malaysia (H2). Based on Table 10, this hypothesis was supported at a p-value of 0.05, reflecting that tax knowledge is positively related to tax compliance. The result aligned with previous studies by Asrinanda (2018) and Mat Jusoh et al. (2021). This result can be interpreted through the lens of TPB as an element of "perceived behavioural control," which relates to individuals' perceptions of their ability to perform a behaviour. Here, the more tax knowledge an individual possesses, the more control they feel over their tax-compliant behaviour. They believe they can navigate tax rules effectively, leading to improved tax compliance. The result signifies that tax knowledge has a significant positive relationship with tax compliance. The IRBM has provided taxpayers with many publications via the issuance of the Income Tax Act 1967, public rulings, notices of assessments, instructions, publications, and other correspondence to help taxpayers understand more about tax. Apart from that, with the establishment of MyTax, making tax

information only one click away, e-commerce players should play their role to learn more about tax and increase their tax knowledge.

The third hypothesis was that tax morale is positively related to tax compliance among TikTok users who engaged with e-commerce in Malaysia (H3). The result proved that tax morale significantly influences tax compliance with a p-value less than 0.01 ($p=0.003$), resulting in the third hypothesis being supported. 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. The finding from this study expressed that the respondents were honest when they paid taxes voluntarily according to the right tax amount and considered the act of evading taxation as immoral. Taxpayers with good morals will adhere to tax and will not try to avoid tax (Hardika et al., 2021). From the TPB perspective, the result of reflecting an essential aspect of “subjective norms” in the TPB framework. Subjective norms refer to perceived social pressures to engage or not engage in a behaviour. In this case, tax morale could be considered an internalised societal norm - a reflection of one’s perceived societal pressure to comply with tax laws.

The fourth hypothesis, tax complexity, is negatively related to tax compliance among TikTok users who engaged with e-commerce in Malaysia (H4). As shown in Table 10, H4 was not supported since the reported p-value is 0.514 reflecting that tax complexity insignificantly influenced tax compliance. Findings from this study indicated that e-commerce players did not find the tax system and its procedure complex. Thus, it does not affect their compliance with tax. From the TPB perspective, the tax system’s complexity in the studied sample did not hamper perceived behavioural control. E-commerce players did not seem to find the tax system overwhelming, implying they feel capable of managing their tax obligations. However, Shahroni et al. (2022) believed that if taxpayers feel that performing and fulfilling tax obligations is complex and complicated, there is a chance that they will not adhere to tax laws and provisions. A simplified and sound tax system will prompt taxpayers to comply with taxation on an acceptable level (Gambo et al., 2014). Regardless, the IRBM always welcomed taxpayers who wished to get advice and explanation from them on tax matters. Taxpayers may also opt to get help from a professional

in the taxation field as the professionals understand tax laws and terminology better, making taxation matters easier to handle.

Overall, by aligning the findings with the TPB, the results suggested a complex interaction of attitudes (partly formed by tax awareness), subjective norms (influenced by tax morale), and perceived behavioural control (affected by tax knowledge and the perceived complexity of the tax system). The findings underlined the importance of targeted educational initiatives to improve tax knowledge, which could enhance perceived behavioural control over tax matters. They also pointed to the necessity of fostering a positive societal perception (or norm) of tax compliance, promoting higher tax morale, and encouraging tax compliance behaviour. Nevertheless, the importance of simplifying the tax system should not be underestimated, even if the perceived complexity does not presently impede compliance. It could lower the entry barriers for novice e-commerce players and ensure more comprehensive, inclusive tax compliance.

CONCLUSION

This study was carried out to identify the level of tax compliance, tax awareness, tax knowledge, tax morale, and tax complexity among e-commerce players using TikTok platforms in Malaysia. From the results, e-commerce players from the TikTok application appeared to have a high level of tax compliance with a good average of tax knowledge and morale and a low average of tax awareness and complexity. This study also examined the tax compliance behaviour of e-commerce players by investigating the relationship it has with tax awareness, tax knowledge, tax morale, and tax complexity. From the related literature review and also finding from this study, it can be concluded that tax knowledge and tax morale played a vital role in shaping tax compliance. E-commerce players were willing to pay taxes without pressure from the public, provided they had the knowledge within them. Apart from that, they also tended to comply with their responsibilities since evasion is considered immoral.

Meanwhile, tax awareness did not significantly influence tax compliance behaviour among e-commerce players. They understood that taxpayers are responsible for paying taxes, are also reasonably aware of tax

obligations, and have average knowledge of taxation, but the level of tax awareness and knowledge of tax is insufficient. Also, tax complexity was not insignificant to tax compliance because e-commerce players perceived taxation as moderately complex. Tax complexity did not necessarily affect tax compliance behaviour among e-commerce players as they can get help from the IRBM or the professional on their tax matters.

In improving tax compliance among taxpayers, e-commerce players urge IRBM to be more responsive and accessible to taxpayers. They asked IRBM to increase technological facilities for taxpayers' convenience and help ease the process of fulfilling their tax obligation. The IRBM also needs to raise awareness of taxation to the public in a more people-friendly way without making taxpayers feel uncomfortable and burdened with penalties. Using mass media and social media platforms to reach more audiences is necessary to create tax awareness among e-commerce players, especially in reaching those actively using information technology and digital platforms to generate income.

This study, however, has a limitation. The respondents were only e-commerce players from the TikTok platform. Since there are many e-commerce mediums, the result cannot be generalised to represent the majority of e-commerce players. Thus, future studies might increase the number of samples by including e-commerce players from other platforms, such as Shopee and Lazada, and examine other aspects regarding taxation and e-commerce with more detail to gain a more comprehensive understanding and perception of e-commerce players.

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