Curtin Business School
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The Influence of Religiosity on Tax Compliance in Malaysia

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DECLARATION

To the best of my knowledge and belief this thesis contains no material previously published by any other person except where due acknowledgement has been made.

This thesis contains no material which has been accepted for the award of any other degree or diploma in any university.

Signature:

Date: 25 March 2013

ABSTRACT

This thesis examines the influence of an individual's internal value, religiosity compared to external values reflected in attitudes towards government, tax authority and society as well as the impact of threat of punishment on components of tax compliance, namely voluntary tax compliance, enforced tax compliance and tax avoidance attitude in Malaysia. This is the second study to include religiosity as one of the tax compliance variables but the first to explore religiosity in a single country setting, Malaysia. This study also compares the strength of religiosity to determine its importance as a variable of tax compliance. Thus the findings of this research make a significant contribution to the current dearth of literature on the role of religiosity in tax compliance, especially in developing countries.

A sequential exploratory mixed-methods research design was employed in this study. Data was collected using a self-administered survey which involved approximately 300 individual taxpayers via drop-off and online surveys in Malaysia. This was followed by face-to-face interviews with 14 individual taxpayers. A majority of the respondents in both the surveys and interviews were salaried taxpayers and the remaining were self-employed taxpayers. Religiosity appeared to have a statistically significant positive impact only on taxpayers' willingness to voluntarily comply with tax laws. A different religiosity commitment appeared to influence a different tax compliance component, and religiosity was also evident as a moderating variable. The findings of this study show that the taxpayers' perceptions of the government and tax authority had stronger influences on their willingness to voluntarily comply with the tax laws compared to their religiosity. In other words, these findings confirm the existence of the psychological tax contract between taxpayers and the government and tax authority in Malaysia. However, the impact of the external factors seems to be varied according to the tax compliance components.

The current study provides evidence regarding the importance of taxpayers' perceptions of government and the tax authority in encouraging their positive

attitudes towards taxation. Hence, it is important for the Malaysian Government to improve its integrity by addressing critical problems such as corruption and mismanagement of public money. This is necessary in order to increase the citizens' trust in the government which was found to be extremely fragile. Further, the current mission of the Inland Revenue Board of Malaysia (IRBM) to foster voluntary tax compliance in Malaysia may be feasible because of the positive impact of religious values held by almost all Malaysian citizens. Therefore, it is important for the Malaysian authorities to design policies that benefit citizens as a whole and develop common understanding between the stakeholders to increase taxpayers' willingness to pay taxes for the benefit of the country. This remains an important challenge for the relevant authorities.

The limitations of this study are also acknowledged. For example, the employment status of the majority of the respondents in this study as salaried taxpayers means that they may not represent the true perceptions of all individual taxpayers in Malaysia. Even with its limitations, this study provides evidence that religiosity is important in helping to explain the issue of tax compliance. In particular, the significant impact on tax compliance of taxpayers' perceptions towards government and of their interaction with the tax authority and society is evident, in addition to the negative effect of the threat of punishment on highly compliant taxpayers. The key direction for future research in this particular area would be to compare the impact on tax compliance of individuals' religious values with the impact on tax compliance of individuals' moral values that have no influence from religion. This could make valuable contributions to tax compliance research by further clarifying the distinction between these two values since no clear pronounced definitions of religious and moral values are available to date.

DEDICATION

To my beloved parents

My late father: Mohd Ali Yusof

My mother: Ramlah Mahat

for their unconditional love and endless prayer.

To my dearest family

My husband: Fadzil Omar

My sons: Fahim Raziq and Umair Haziq

My daughter: Farah Amni

for their sacrifices, unrelenting support and patience.

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PUBLICATIONS AND CONFERENCE PRESENTATIONS FROM THIS THESIS

Publications

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LIST OF ABBREVIATIONS

ACA	:	Anti-Corruption Agency
CPI	:	Corruption Perceptions Index
E-Filing	:	Electronic Filing
ETC	:	Enforced Tax Compliance
GDP	:	Gross Domestic Products
IRBM	:	The Inland Revenue Board of Malaysia
IRS	:	Internal Revenue Service
IwTA	:	Interaction with the Tax Authority
n.s.	:	not significant
PoG	:	Perception of Government
Rel	:	Religiosity
RM	:	Ringgit Malaysia
SI	:	Social Interaction
SAS	:	Self-Assessment System
SD	:	Standard Deviation
STD	:	Schedular Tax Deduction
SWT	:	Subhanahu Wata'ala (glorified and exalted)
TAA	:	Tax Avoidance Attitude
ToP	:	Threat of Punishment
USA	:	United States of America
VTC	:	Voluntary Tax Compliance
WVS	:	World Values Survey

KEY GLOSSARY

Enforced Tax Compliance	:	Taxpayers are forced to conform to tax law through rules and regulations.
Individual Taxation	:	A tax levied on the income of individuals.
Interaction with the Tax Authority	:	The way taxpayers are treated by a tax authority during their interactions.
Intrapersonal Religiosity	:	This religiosity dimension focuses on religious attitudes that stem from religious practices and faith.
Interpersonal Religiosity	:	This religiosity dimension focuses on religious attitudes that stem from interactions among members in a religion.
Perception of Government	:	The way the government is perceived by taxpayers from a number of aspects such as trust, equity and fairness.
Religiosity	:	The level of an individual's religiousness based on his/her religious activities and beliefs.
Ringgit Malaysia (RM)	:	The official currency of Malaysia. One Ringgit Malaysia is equivalent to 0.3367 AUD, 0.2365 EURO, 0.2042 GBP and 0.3134 USD as at 30 April 2010 (Bank Negara Malaysia, 2012).
Social Interaction	:	The perceptions and knowledge of other people's approaches towards managing their tax matters.
Tax Attitude	:	An expression of favour or disfavour of an individual towards tax paying issues.
Tax Avoidance	:	Actions to minimise tax liability within the legal limits of the tax laws and regulations.
Tax Compliance	:	The extent to which taxpayers comply with tax laws.
Tax Evasion	:	Actions to minimise tax liability outside the framework or tax laws and regulations.

Tax Morale	:	The intrinsic motivation to pay tax.
Tax Structure	:	The structural features of particular taxes such as tax rates.
Threat of Punishment	:	The use of sanctions as a threat to deter a non-compliance attitude.
Voluntary Tax Compliance	:	Taxpayers are willing to comply with tax laws and accurately report their income and deductions honestly.

CHAPTER 1

INTRODUCTION

1.1 Background

Tax compliance has long been an issue for governments throughout the world and there is a large and rich research literature in this field. Whichever specific aspect the research focuses on regarding the level of and reasons for individuals, companies and other entities to avoid or meet their legal tax obligations, the overall objective is effectively the same, namely to shed light on government and tax authority policies in raising revenue in order to finance government expenditure. This is because a basis for good government and a key to the wealth of a nation is tax. Within this broad field of tax compliance, historically the weight of research has been based on economic deterrence models using the economic factors in the tax structure, such as tax audits and penalties, to deter tax evasion. However, this focus has faced various criticisms particularly from researchers and tax administrators who understood the importance of both economic and non-economic factors in shaping taxpayers' attitudes.

The more recent research in tax compliance emphasises the importance of exploring the impact of non-economic factors on tax compliance from two perspectives. The first perspective is the external values of taxpayers such as the impact of government's actions and the tax authority's treatment of taxpayers as well as the influence of society on taxpayers' compliance attitudes. The second perspective is the internal values that come from an individual his/herself which mainly derive from his/her family values, culture and religion. One of the non-economic factors which has been neglected by most research and should be further examined is religiosity. The religious values held by most individuals are generally expected to effectively prevent negative attitudes and encourage positive attitudes in an individual's daily life and, hence, religiosity is presumed to positively motivate taxpayers to voluntarily comply with tax laws. In other words, religiosity might

provide a possible explanation for the observation of most taxpayers' strong positive compliance attitudes as apparent in the prior literature.

The veracity of this approach has been strongly supported by tax scholars since the 1990s who contend that the challenge of tax compliance is not to explain why people evade, but rather why people willingly pay taxes. This is because most people never miss paying their taxes, even though the chances of being audited are low or the penalties for evasion are small. For example, from more than 5.2 million registered non-company taxpayers, including individual taxpayers, over 1.6 million tax audit cases were resolved in Malaysia in 2010 (Inland Revenue Board of Malaysia, 2011a, p. 19). Even though the rate of tax auditing was considered reasonable, the total amount collected from these audits (which included taxes and penalties) was a relatively small figure of approximately RM1.8 million. This might indicate that Malaysians' tax attitudes are not fully influenced by the threat of punishment employed by the tax authority, such as tax penalties in this situation, but most probably by other factors that are more influential in encouraging their willingness to voluntarily comply with tax laws.

A blend of both the economic and non-economic factors might provide a better understanding of the way people make their tax compliance decisions. The research reported in this thesis compares the influence of individuals' internal values, particularly religiosity, with the influence of external values from the government, the tax authority and society and the impact of the threat of punishment in shaping taxpayers' compliance attitudes. The remainder of the chapter is organised as follows. The next section discusses the problem statement of this thesis, which covers the attitudes of taxpayers, the factors that influence taxpayers' compliance attitudes and the issue of individual taxation in Malaysia. This discussion is then followed by the presentation of the main research objective of the study alongside the specific research questions to address the main objective. Next, the significance of the study is presented and the key terms employed throughout this thesis are explained. The chapter ends with the outline of the thesis structure.

1.2 Problem Statement

1.2.1 Attitudes of Taxpayers

The trend in prior research to emphasise the negative attitude of taxpayers, reflected in "tax evasion" (for example: Allingham and Sandmo, 1972; Cowell, 1985), has changed recently to the focus on a more positive attitude, referred to as "voluntary tax compliance" (for example: Hofmann, Hoelzl and Kirchler, 2008; Kirchler, Hoelzl and Wahl, 2008) or "tax morale" (for example: Feld and Frey, 2002b; Torgler, 2007) in describing the attitudes of taxpayers towards taxation. This is because behavioural, sociological and psychological factors were recognised by researchers in the later tax compliance models to counterbalance the earlier economic deterrence models. For example, James and Alley (2000, p. 33) suggested two approaches that can be employed by tax authorities particularly in a country that adopts a self-assessment system (SAS) since the responsibility for calculating tax liabilities correctly is transferred from the tax authority to taxpayers. In Malaysia, such a system was implemented in stages since 2001; in 2004, the SAS was fully implemented for individuals.

The first approach is an economic approach with the assumption that individuals are prone to maximising their income. This is probably in line with the most significant criticism of the SAS that it increases taxpayers' non-compliance attitudes because a number of opportunities are available for taxpayers to avoid taxes, either through underreporting income or overstating deductions (James and Alley, 2000, p. 29). The second approach is a behavioural approach with the assumption that individuals are not self-centred but their attitudes rest on their beliefs and norms. This probably supports the experience of developed and developing nations that the implementation of the SAS is more likely to familiarise taxpayers with the tax system which may, in turn, increase their understanding and awareness and enhance their willingness to pay taxes voluntarily (Hanefah, 1998, p. 6). The elements of each approach are summarised in Table 1.1.

Table 1.1: Approaches to Tax Compliance

Tax Compliance	First Approach	Second Approach
Concept	Tax gap (100 percent compliance less actual revenue)	Voluntary (willingness to act in accordance with the spirit as well as the letter of the law)
Definition	Narrower	Wider
Tax compliance	Economic rationality	Behavioural co-operation
Exemplified by…	Trade-off: 1. Expected benefits of evasion. 2. Risk of detection and application of penalties. 3. Maximisation of personal wealth.	Individuals are not simply independent and selfish utility maximisers. They interact according to differing attitudes, beliefs, norms and roles. Success depends on cooperation.
Issues	Efficiency in resource allocation	Equity, fairness and incidence
Taxpayers seen as…	Selfish calculators of pecuniary gains and losses	"Good citizens"
Can be termed as…	Economic approach	Behavioural approach

Source: Adapted from James and Alley (2000, p. 33)

Similarly, the tax climate[1] in a society is described on a continuum (Kirchler et al., 2008, p. 211). On one end, taxpayers are perceived as tax evaders; hence, taxpayers are less likely to have a positive feeling and respect towards the tax authority. This forms what is called an antagonistic climate. On the other end of the spectrum, taxpayers are treated with respect and public goods are delivered to the community; thus, taxpayers are willing to comply with tax laws as part of their obligations to the nation. This forms what is called a synergistic climate. Similar to the second approach and the idea of the synergistic climate, many researchers have suggested tax morale as a factor that motivates taxpayers' willingness to pay taxes (for example: Kornhauser, 2007; Torgler, 2007).

The extent of tax non-compliance is basically measured with a number of approaches such as the tax gap since measuring the exact level of non-compliance is less likely to be possible (Graetz and Wilde, 1985, p. 356). For the period from 1971 to 1994, the size of Malaysian tax evasion was estimated at an average of 20

[1] A framework of tax compliance in a society that relates to the power of the tax authority and the trust of taxpayers in the tax authority (Kirchler et al., 2008, p. 210).

percent based on the cash transactions approach[2] (Kasipillai et al., 2000, p. 25). The tax gap approach[3] was used for the estimation of the income tax gap for the years 1995 to 1997, which was found to be on average of 48 percent (Abdul and Sheehan, 2003, p. 33). Thus an extreme increase was apparent from 20 percent (1971 to 1994) to almost 50 percent (1995 to 1997). This may be due to different methodological approaches being adopted in estimating the tax gap and different sources of data being used in the two studies. Even though the size of the actual tax gap is arguable and the latest data is unavailable, taken together this data probably indicates widespread evasion of tax in Malaysia in the 1990s.

Interestingly, the finding in recent research found that Malaysian taxpayers (predominantly salaried taxpayers) over-complied (Loo, McKerchar and Hansford, 2009, p. 191).[4] Similar empirical evidence was found in earlier research in the USA that strongly supported the view that taxpayers tended to over-pay taxes even though there was no chance of detection (Alm, McClelland and Schulze, 1992, p. 36). Reflecting this, it is crucial for the Malaysian Government and tax authority to fully understand taxpayers' attitudes in order to appropriately design relevant policies that can be tailored to taxpayer compliance patterns. Therefore, this thesis examines the tax compliance and non-compliance attitudes of a selected group of individual Malaysian taxpayers by reference to a number of tax components, namely voluntary tax compliance, enforced tax compliance and tax avoidance attitude.

1.2.2 Tax Compliance Variables

In earlier research, the economic factors related to the tax structure have been expected to be the main factors to discourage the negative attitudes of taxpayers towards compliance with tax laws. However, more recently, the non-economic

[2] The measurement of tax evasion is based on the difference between the amount of cash used and the amount of cash expected to be used (Kasipillai, Baldry and Rao, 2000, p. 28).

[3] The tax gap is measured by deducting the total estimated revenue with the actual revenue collected from taxes.

[4] Unfortunately, only this one source is available regarding this issue and since this research was conducted during the introduction of the SAS to Malaysian taxpayers in 2004, probably this finding is only significant at the time the research was conducted and inappropriate to be broadly interpreted.

factors related to the external and internal values that shape taxpayers' attitudes have been examined to fully understand the way taxpayers react towards tax laws. The range of non-economic factors is emphasised by many researchers to influence the positive attitudes of taxpayers (for example: Torgler, 2006; Bobek, Roberts and Sweeney, 2007). These non-economic factors were explored in recent research into tax morale (Feld and Frey, 2002b; Torgler, 2003a; Torgler, 2006). Even though the real elements that shape tax morale remain uncertain (Feld and Frey, 2002b, p. 89; Pope and McKerchar, 2011, p. 588), tax morale is suggested by Frey (2003, p. 391) to be a combination of extrinsic motivation that comes from the rewards and punishments imposed by the external environment and intrinsic motivation that comes from the inner values that guide taxpayers' behaviours and decisions. It is this combination of extrinsic and intrinsic factors which motivates taxpayers to incline towards positive or negative attitudes.

The external factors that have been examined in the tax compliance research particularly in the tax morale research include taxpayers' perceptions of government from the perspective of trust, equity, fairness and types of government and treatment received from the tax authority. Another element is social interaction or the impact of peer influence on taxpayers' compliance attitudes. The main internal factor that is considered to shape taxpayers' attitudes is morality which can be viewed from the perspective of individuals' own moral values and individuals' religiosity (that is, being an adherent of a particular religion). However, the tax compliance research in religiosity has been considered lacking and further research has been suggested to explore religious norms as one of the possible factors that influence tax morale to add to the current tax compliance theory in order to obtain a clearer understanding (Riahi-Belkaoui, 2004, p. 142). A detailed discussion regarding these factors is presented in Chapter 3.

Little is known about the elements that shape tax morale. This requires at least some understanding of the factors contributing to individual taxpayers' compliance or non-compliance decisions. The blend of cultural and religious factors might offer a better explanation of the elements that influence the morale of taxpayers in

Malaysia to meet their tax obligations besides the influence of the external factors from the government, tax authority and society and the impact of the threat of punishment. This is because cultures have been meeting and mixing in Malaysia (formerly known as Malaya) since the very beginning of its history. The influence of China and India during trade relations more than 1,500 years ago introduced Buddhism and Hinduism to the people of Malaya, and Arab traders played an important role in the widespread influence of Islam through the port city of Malacca. Colonial domination by the Portuguese, Dutch and English over the next 400 years also left a mark on Malaysian culture through the spread of Christianity as a new religion.

Exploring this new area of research should contribute to the body of knowledge and offer some new insights that could be useful to understand the reasons for taxpayers' willingness or unwillingness to voluntarily comply with tax laws. With a wide gap in the literature and a lack of studies to date, more studies are therefore needed to explore different styles of cultural and religious values and their influence on tax compliance. This thesis, however, does not attempt to explore the taxpayers' moral values that are free from religious influence. This is because even though non-religious persons are recognised, their number is relatively low in Malaysia (less than one percent) (Department of Statistics Malaysia, 2011). Thus the role of religiosity is solely studied in this thesis to investigate its strength against other variables, namely taxpayers' perceptions of government, tax authority and society, and the threat of punishment, through the employment of a mixed-methods study utilising surveys and interviews.

1.2.3 Individual Taxation in Malaysia

The responsibility of an individual Malaysian taxpayer is to declare his/her income to the Inland Revenue Board of Malaysia (IRBM) and as stated in Section 82, *Income Tax Act* 1967, he/she is responsible for: (1) obtaining and submitting a completed income tax return form before 30 April every year; (2) declaring income and claiming expenses; (3) computing income tax payable; (4) keeping records for audit

purposes for seven years; and (5) paying the income tax due. Sources of income include gains and profits from a trade, profession and business, salaries, remunerations, gains and profits from employment, dividends, interest or discounts, rents, royalties or premiums, pensions, annuities or other periodic payments and other gains or profits of another income nature; all these sources of income can be taxed as stated in Section 4 of the *Income Tax Act 1967*. Business income is the income derived from either a sole-proprietor business or partnership. Total income is calculated by deducting aggregate income with expenses incurred (wholly and exclusively in the production of the income), donations and gifts.

Generally, resident individuals are taxed on their chargeable income at rates varying from zero percent for those with chargeable income less than RM2,500 to 26 percent for those with chargeable income more than RM100,000. The chargeable income of an individual resident is obtained after deducting their personal reliefs from their total income. Based on the amount of the chargeable income, the tax rate will be determined according to the tax bracket to arrive at tax liability. The tax liability is then reduced by rebates to arrive at the taxable amount due to the tax authority. Information which is relevant to the calculation of individual income tax is shown in Appendices A, B, C and D and an illustration of the income tax calculation for a Malaysian taxpayer is presented in Appendix E for a salaried taxpayer and Appendix F for a self-employed taxpayer.[5]

Taxes from individual taxpayers are mainly collected either through the Schedular Tax Deduction (STD) scheme or by instalments. A schedular tax deduction is imposed on an individual who earns employment income where his/her income is deducted monthly by his/her employer in accordance with the schedule of monthly tax deductions or other methods approved by the Director General such as the "computerised calculation method" according to the provision under Rule 3, *Income Tax (Deduction from Remuneration) Rules 1994* (STD Rules). These deductions aim

[5] This information is offered to provide a broad understanding of the individual tax structure for salaried and self-employed taxpayers in Malaysia.

to minimise the employee's burden in paying the total amount when the actual tax is ascertained. An individual who earns business income or investment sources is required to pay his/her tax by instalments based on the estimation for the current year.

The growth of individual income tax has increased slightly between 2008 (15.8 percent), 2009 (17.6 percent) and 2010 (20.6 percent) by nearly five percent (Inland Revenue Board of Malaysia, 2010, p. 24; 2011a, p. 18). This comparison shows an increment of between two to three percent every year in individual income tax. Unfortunately, tax aggregate data is not made publicly available by Malaysia, as in Australia (Australian Tax Office, 2012b). The details most recently made available in Malaysia were for the collection of direct taxes in 2009 and 2010, and are shown in Table 1.2. Even though the tax collection seems to have improved considerably, the total individual income tax was merely around 21 percent of the total direct taxes or 11 percent of the country's total revenue in 2010. This is expected in developing countries where corporate taxpayers are a major contributor to the country's revenue collection (Abdul and Sheehan, 2004, p. 20) but it is evidently quite the opposite in developed countries (Burgess and Stern, 1993, p. 776).

Table 1.2: Collection of Direct Taxes for 2009 and 2010

Direct Tax Component	2010 (RM billion)	2009 (RM billion)	Change of Percentage (%)
Company	43.80	40.27	5.09
Petroleum	18.71	27.23	-9.17
Individual	17.80	15.57	2.97
Cooperative	0.38	0.55	-0.18
Stamp Duty	4.20	3.37	1.05
Withholding Tax	1.27	1.33	-0.03
Real Property Gain Tax	0.30	0.04	0.30
International Offshore Financial Centre	0.02	0.01	0.01
Other Taxes	0.02	0.03	-0.01
Total	**86.50**	**88.40**	**-2.20**

Source: Extracted from the IRBM Annual Report 2010 (2011a, p. 18)

With individual taxation appears to be the third highest contributor to the total revenue of Malaysia, keeping the motivation high for individual taxpayers in Malaysia to voluntarily comply with tax laws is crucial, particularly with the

implementation of the SAS. Examining their tax attitudes should provide essential information to fully understand trends in tax paying issues. Therefore, the research reported in this thesis only involved individual taxpayers, most of whom were salaried taxpayers and the remainder were self-employed taxpayers. Further, exploring the issue of religiosity among individual taxpayers was a more logical approach because an individual is more likely than a company to be identified with a religion.

1.3 Research Objective/Questions

The main objective of this study is to examine the influence of the internal value, religiosity, compared to external values derived from the attitudes towards government, tax authority and society, and the impact of threat of punishment on different components of tax compliance in Malaysia. Six research questions were developed to address this research objective:

RQ1. What is the strongest intention of Malaysian individual taxpayers in paying taxes?

RQ2. What are the perceptions of people with different degrees of religiosity regarding different components of tax compliance and external factors?

RQ3. What are the impacts of religiosity and external factors on different components of tax compliance?

RQ4. How strongly do religiosity and external factors influence different components of tax compliance (if any)?

RQ5. Which religiosity commitments influence different components of tax compliance the most (if any)?

RQ6. Is there any moderating effect of religiosity on the relationships between external factors and different components of tax compliance (if any)?

1.4 Significance of the Study

Even though the trend of tax compliance research has moved from strongly emphasising the non-compliance attitudes of taxpayers, such as tax evasion, to focusing more on taxpayers' willingness to voluntarily pay taxes, such as tax morale,

the concept of tax morale has to date been left open to wide interpretation (Pope and McKerchar, 2011, p. 588). Limited empirical evidence has been found regarding the elements that shape taxpayers' voluntary compliance, particularly from the perspective of religiosity. Based on evidence from 30 countries, Riahi-Belkaoui (2004, p. 142) recommended that social and religious norms should be included in future research to provide a clear picture of tax morale in building a complete theory of tax compliance. Further, most of the research on religiosity has been conducted in developed countries such as the USA (for example: Petee, Milner and Welch, 1994; Welch et al., 2005) and Europe (for example: Feld and Torgler, 2007; Torgler and Schneider, 2007) with almost all of the recent studies employing secondary data from cross-country surveys such as the World Values Survey (WVS) (for example: Torgler, 2006; Richardson, 2008).

Thus the present study not only adds to a limited international literature on the influence of religiosity on tax compliance but also extends the work of other researchers in Malaysia, such as Palil (2005), Loo (2006a) and Saad (2010), by adding religiosity as a variable to present a more complete model of tax compliance in Malaysia. This research is believed to be the second to examine religiosity as one of the factors that influence tax compliance in Malaysia. The first study included Malaysia in a survey of 47 countries drawn from cross-country data (Richardson, 2008). This thesis further extends the research by contributing more specifically to determining the real religiosity commitment (intrapersonal and interpersonal) that shapes taxpayers' compliance attitudes. This is similar to one religiosity study (Grasmick, Bursik and Cochran, 1991, p. 263) that examined an independent impact for every religiosity item on tax evasion; however, the religiosity items in that study were not specifically grouped as in the current study.

The current study also compared the strength of taxpayers' internal values of religiosity, with external factors including taxpayers' perceptions of the government, tax authority and society, and the threat of punishment representing the economic factor. A study by Bobek et al. (2007, p. 61) compared the strength of internal values and external values of taxpayers in regard to tax compliance but

with a specific focus on moral values and peer influence. Hence, the current study provides a clearer view of the effect of religiosity in comparison to other factors on tax compliance and indicates its importance in influencing tax compliance attitudes. In addition, this study contributes to the tax compliance literature by investigating the moderating role of religiosity with regard to the impact of the external factors on tax compliance. This research is believed to be the first in Malaysia to explore religiosity as a moderating variable in tax compliance research.

The present study aims to make a significant contribution to knowledge of tax compliance in an individual country. Such an approach was encouraged by Richardson (2008, p. 76) who recommended that future research should use appropriate survey methodologies in individual countries to explore taxpayers' attitudes towards taxation in more depth, and to understand the perspective of a developing country since many previous studies had focused more on developed countries. McKerchar and Evans (2009, p. 182) highlighted the need for research and practical experience to shape a compliance program that can work in developing countries. The findings of this research contribute to the current knowledge particularly in developing countries by filling a wide gap in the current literature which also can be generalised to other countries. This generalisability is possible since all of the world's major religions have a substantial representation in Malaysia where the majority of Malaysians are Muslims (more than 60 percent), and the remainder are Buddhists (19.3 percent), Christians (9.2 percent) and Hindus (6.8 percent) (Department of Statistics Malaysia, 2011).

Most of the previous studies have adopted a quantitative approach using subjective survey ratings such as the Global Competitiveness Report and World Competitiveness Year Book (for example: Riahi-Belkaoui, 2004; Richardson, 2008) and the WVS (for example: Torgler, 2006, 2012). However, the reliability of the data from secondary sources, particularly from the cross-country survey, is questionable because there is likely to be errors of measurement (Richardson, 2006, p. 165). In contrast, this study employed a mixed-methods research approach to provide more comprehensive evidence and help answer questions that cannot be answered by a

quantitative approach alone (Creswell and Plano Clark, 2011, p. 12). A qualitative approach offers explanations that enlighten the contrasting and similar findings in both approaches.

The specific insights from this study could enable the Malaysian Government and tax authority to gain a better understanding of the key variables that are significantly associated with tax compliance. The empirical evidence from this study could provide direction to the relevant authorities in designing and implementing appropriate strategies in a tax compliance program. For example, this study may significantly benefit the IRBM because it is in line with the authority's current mission to create a conducive environment to nurture voluntary tax compliance among Malaysians. This may also be relevant to other countries with a similar tax regime.

1.5 Analysis of Key Terms

1.5.1 Tax Compliance

There are several interpretations of tax compliance, but the definition provided by Roth, Scholz and Witte (1989, p. 2) is commonly cited; they define tax compliance as a situation whereby "the taxpayer files all required tax returns at the proper time and the returns accurately report tax liability in accordance with the rules, regulations and court decisions applicable at the time the return is filed". James and Alley (2000, p. 29) describe the meaning of compliance as a "continuum of definitions" from a narrow approach that focuses on the tax gap to a wider approach focusing on taxpayers' behaviour. In the USA, the Internal Revenue Service (IRS) defines tax compliance as "a system of compliance that relies on individual citizens to report their income freely and voluntarily, calculate their tax liability correctly, and file a tax return on time". Even though tax compliance is generally interpreted as paying taxes honestly, it depends on the underlying intention of taxpayers who are either voluntary or compelled by tax authorities (Kirchler and Wahl, 2010, p. 333). The distinction between voluntary and enforced tax compliance is explained in the "slippery slope" framework that involves a

dynamic interaction between taxpayers and authorities which leads to a "well-accepted duty" or "onerous duty" (Kirchler et al., 2008, p. 222). Similar to voluntary tax compliance, tax morale is commonly defined in the tax literature as the intrinsic motivation to pay taxes; or as defined by Torgler and Murphy (2004, p. 301), it refers to the moral principles or values held by individuals about paying their taxes.

1.5.2 Tax Avoidance and Tax Evasion

Tax avoidance is associated with minimising tax liability within the legal limits of the tax laws and regulations (Sandmo, 2005, p. 645) or understating tax liability due to misunderstandings caused by the complexity or ambiguity of the tax laws (Slemrod, 2007, p. 26). Tax evasion is illegal when it works outside the framework of tax laws and regulations by understating income or claiming ineligible deductions (Sandmo, 2005, p. 645). Understanding tax obligations can be complex and undoubtedly difficult for a layperson. Therefore, the distinction between legal and illegal avoidance is often quite difficult to differentiate (Sandmo, 2005, p. 646; Slemrod, 2007, p. 26). Some taxpayers may manipulate the ambiguity of tax laws to reduce their tax burden and some may interpret tax laws according to their understanding with the sincere intention to follow the rules. The tendency to make unintentional errors and mistakes is possibly due to these misunderstandings.

1.5.3 Religiosity

Religiosity is defined by Johnson, Jang, Larson and De Li (2001, p. 25) as "the extent to which an individual is committed to the religion he or she professes and its teachings, such that individual attitudes and behaviours reflect this commitment". Religiosity is also referred to as religious commitment which is defined as "the degree to which a person adheres to his/her religious values, beliefs and practices, and uses them in daily living" (Worthington et al., 2003, p. 85). Religiosity commitment is divided into two types: intrapersonal religious commitment that originates from the beliefs and attitudes of an individual; and interpersonal religious commitment that derives from the involvement of an individual with a religious community or organisation.

1.5.4 Perception of Government

The existence of the psychological tax contract between taxpayers and authorities depends on the policy of the government in ruling the country (Feld and Frey, 2007, p. 103). Taxpayers' perceptions are shaped based on the way policy is designed and managed by the government and the returns of their contribution either from the aspect of individual benefit or the benefit of the country as a whole. The positive or negative perceptions of taxpayers towards government are developed based on a number of reasons such as their trust in the government (Feld and Frey, 2002b), the fairness of the government and tax system (Kim, 2002), the exchange of equity between taxpayers and government (Feld and Frey, 2006) and the type of government (Torgler, 2005).

1.5.5 Interaction with the Tax Authority

The tax authority's treatment of taxpayers is considered to be part of the psychological tax contract between taxpayers and the tax authority. Feld and Frey (2002b, p. 91) proposed that a tax authority should treat taxpayers like partners with mutual respect and honesty. This was strongly supported by Kirchler et al. (2008, p. 211) who argued that the tax authority's provision of transparent procedures and respectful treatment were more likely to increase positive responses from taxpayers. This is called the "service and client" approach.

1.5.6 Social Interaction

Social interaction is measured based on taxpayers' perceptions of other taxpayers' attitudes in dealing with their tax matters as well as information about other taxpayers' attitudes in making their compliance decisions (Torgler, 2004a, p. 36). The perceptions of taxpayers regarding the widespread problem of tax evasion in a community may also influence their tax compliance attitudes (Welch et al., 2005, p. 45).

1.5.7 Threat of Punishment

Taxpayers are expected to be deterred by the threat of punishment from the tax structure, namely through tax audits, penalties and tax rates; and tax evasion research indicates that changes in the tax structure can change the way people behave in fulfilling their tax obligations (Slemrod and Yitzhaki, 2002, p. 1464). However, the only tax structure element employed in the present study was the tax audit and penalty to measure the threat of punishment variable. The tax rate element was excluded because the tax audit and penalty elements appear to be more influential in compelling taxpayers to make positive compliance decisions (Sandmo, 2005, p. 660).

1.6 Presentation of the Thesis

This thesis is presented in eight chapters. Chapter 1 provides an overview of the background of the study, together with the research objective and questions designed to address the problem statement and an explanation of the key terms. The theoretical concept of tax compliance from three approaches, namely the economic deterrence, social psychological and fiscal psychological approaches, is then discussed in Chapter 2. Chapter 3 reviews the extant research in relation to religiosity, perception of government, interaction with the tax authority, social interaction and the threat of punishment in the very broad tax compliance literature with a particular focus on tax morale. A review of Malaysian tax compliance studies is also presented. The research design and methodology from the quantitative and qualitative approaches employed in this study are discussed in Chapter 4. Chapters 5 and 6 present the results derived from the surveys and interviews, respectively. A discussion of the overall findings and their implications is presented in Chapter 7. In the final part of this thesis, Chapter 8, concluding comments are made alongside recognition of the limitations of the study and suggested directions for future research.

CHAPTER 2

THEORETICAL CONCEPTS OF TAX COMPLIANCE

2.1 Introduction

This chapter presents an overview of the theoretical concepts of tax compliance to provide the necessary background for the purpose of this research. Three main theoretical concepts are reviewed in this chapter that underlie the current study. It begins with a review of the economic deterrence approach, followed by the social psychological approach. The next concept, the fiscal psychological approach, is the central focus of this study with the aim to gain a comprehensive understanding of tax compliance issues.

2.2 Theoretical Concepts of Tax Compliance

2.2.1 Background

The growth of tax compliance research has accelerated since the 1990s with a number of theoretical concepts introduced from different disciplines. The growing interest in this area has contributed to the body of knowledge and enhanced the understanding of tax compliance issues. Tax compliance is commonly defined as the situation in which "the taxpayer files all required tax returns at the proper time and the returns accurately report tax liability in accordance with the rules, regulations and court decisions applicable at the time the return is filed" (Roth et al., 1989, p. 2). Moving further into a broader perspective, James and Alley (2000, p. 29) defined the meaning of compliance as a "continuum of definitions" from a narrow approach that focuses on the tax gap to a wider approach focusing on taxpayers' behaviour. This definition was extended from a traditional approach which initially only focused on economic deterrence factors. Then, it was blended with socio-economic and psychological factors to fully understand the unique behaviour of taxpayers. This blending of factors reflected the change in focus, from the concern that people will evade tax, to a focus on why many people willingly and voluntarily comply.

Generally, the economic deterrence approach was considered to be the main way to deter tax evasion (for example: Allingham and Sandmo, 1972; Reinganum and Wilde, 1985; Fischer, Wartick and Mark, 1992). In this approach, penalties and the prospect of audits are seen as effective tools in threatening people not to avoid taxes as evident in a number of studies (for example: Becker, Büchner and Sleeking, 1987; Beck, Jon and Jung, 1991). Underlying this approach is the assumption that higher penalty and audit probability are associated with less tax evasion. Conversely, other studies pointed in the opposite direction. For example, there was no significant impact of the incremental criminal penalty on tax compliance and tax audits had an insignificant impact on salaried taxpayers (Witte and Woodbury, 1985, p. 9). This is probably because the threat of punishment employed by the tax authority through tax penalty and tax audit may be only effective for certain group of taxpayers. Therefore, heavy reliance on the economic deterrence approach to explain tax compliance problems may not be appropriate.

It has also been argued that the real challenge of the tax compliance problem is not to explain why people evade paying taxes, but rather why people comply, given that the actual rate of tax audits and penalties imposed on taxpayers is quite low as compared to the percentage of people who comply (Alm, Sanchez and De Juan, 1995, p. 3). For this reason, the focus on the economic deterrence approach has shifted to the social psychological approach, in order to consider the non-economic factors and hence, gain a better understanding of taxpayers' complicated behaviours. The social psychological theorists believe that non-economic factors are the main factors influencing taxpayers in making their compliance decisions and not the economic factors as in the economic deterrence approach. Most of the studies of this approach focused on the elements that affected the process of taxpayers' decision-making such as peer influences and individual personal attitudes (for example: Song and Yarbrough, 1978; Kaplan and Reckers, 1985; Hite, 1988).

However, the use of each approach alone did not appear to adequately explain taxpayers' compliance behaviours. The fiscal psychological approach (for example: Schmölders, 1959; Hasseldine and Bebbington, 1991) was suggested to provide a

better picture by combining the prior two approaches.[6] This approach not only focuses on taxpayers' own behaviours and peer influences but also on the impact of government action and the effect of the tax authority's treatment on taxpayers' behaviour. Despite these attempts from a wide variety of disciplines, the grounds for non-compliance or compliance behaviours of taxpayers are still inconclusive due to the limitations of each model. Hitherto, it remains crucial to pull together all this information to develop better approaches to offer appropriate solutions to these ongoing issues. The underlying concepts of tax compliance are discussed in the following sections.

2.2.2 Economic Deterrence Approach

Fear has been used by tax authorities as a means to force taxpayers to conform to tax laws given that a taxpayer is viewed as a "perfectly amoral, risk-neutral or risk-averse, utility maximising individual who chooses to evade tax whenever the expected gain exceeded the cost" (Milliron and Toy, 1988, p. 85). This approach was developed based on the economics-of-crime model, introduced by Becker (1968) to optimise the public and private policies in fighting illegal behaviour since threats of punishment are expected to encourage lawful behaviour. Basically, in this approach it is assumed that the tax compliance decision is made by a taxpayer under uncertain circumstances, strictly due to the fear of the possibility of being caught and penalised (Alm and McKee, 1998, p. 260).

There is a large body of theoretical and empirical evidence to support the view that higher audit probabilities and penalties encouraged compliance and higher tax rates discouraged compliance. For example, the pioneering research in taxation by Allingham and Sandmo (1972, p. 338) suggested that one way to ensure people pay their taxes was to use a deterrence policy, such as the use of threat of punishment which involved the probability of audit, the severity of penalty as well as an increasing tax rate. Although most of the studies on the influence of audit probabilities on tax compliance were in accordance with the theory (for example:

[6] Even though the fiscal psychological approach had been introduced earlier, it only began to draw researchers' attentions in the 1990s.

Fischer et al., 1992; Scholz and Pinney, 1995), the findings of the influence of penalties (for example: Alm, Bahl and Murray, 1990; Park and Hyun, 2003) and tax rates (for example: Clotfelter, 1983; Etzioni, 1986) pointed in varying directions due to a number of reasons such as the type of taxpayers and the certainty of information regarding the probability of tax audit.[7]

In general, tax structures[8] can be used as a tool by tax authorities in improving tax compliance. It has been suggested that deterrence should be considered as an element in the process of decision-making by taxpayers but the influence of moral values in each individual should also be recognised (Slemrod, 2007, p. 45). The conceptual framework of this model should be expanded by taking into account the non-economic factors (Spicer and Lundstedt, 1976, p. 302) since it has been criticised as not being realistic and lacking human elements (Cullis and Lewis, 1997, p. 309). Alm et al. (1995, p. 15), for example argued that explaining tax compliance "requires recognizing the myriad factors that motivate individual behavior, factors that go beyond the standard economics-of-crime approach to include theories of behavior and other social sciences". Rather than relying heavily on the narrow economic approach to encourage tax compliance, it is better to explore other approaches to understand non-economic factors that might influence taxpayers' behaviours (James, Murphy and Reinhart, 2005, p. 188). For example, a social psychological approach is more appropriate to explore the willingness of taxpayers to comply with tax laws. In short, the deterrence model does not explain the reasons why many people willingly comply with tax laws.

2.2.3 Social Psychological Approach

The attempts to explore the issue of tax compliance from different views have resulted in diverting the focus from the deterrence economics approach to the social psychological approach. Social psychology is a "discipline that uses the scientific method to understand and explain how the thought, feeling and behavior

[7] A further discussion of these findings is discussed in Chapter 3, Section 3.3.

[8] The term "tax structure" covers the sources of public revenues such as direct taxes and structural features of particular taxes such as tax rates (Hettich and Winer, 1984, pp. 67-68). However, the term "tax structure" in this thesis only refers to the structural features of income tax, namely tax audit, tax penalty and tax rates.

of individuals are influenced by the actual, imagined or implied presence of other human beings" (Allport, 1989, p. 5). This approach assumes that “individuals are not simply independent, selfish and utility maximisers but they also interact with other human beings according to differing attitudes, beliefs, norms and roles” (James and Alley, 2000, p. 33). A number of social psychological approaches have been applied to tax compliance research such as the theory of inequity (Adams, 1965), prospect theory (Kahneman and Tversky, 1979) and reasoned action theory (Ajzen and Fishbein, 1980).

Friedland, Thibaut and Walker (1973, p. 104) argued that the notion of general deterrence was too simplistic and acknowledged the theory of inequity in their later research (Thibaut, Friedland and Walker, 1974, p. 801) as a relevant factor in influencing people to comply with sets of laws. Adams (1965, p. 280) defined this theory as the perception of an individual in terms of the proportion of outcomes to inputs being unequal as compared to others. The situation of inequality forms stress among the involved individuals, particularly the feeling of guilt in those who gain and the feeling of anger in those who lose (Homans, 1961, p. 267). Experimental research revealed that the equitable sharing of resources increased an individual’s tendency to comply, while among those who experienced inequality there was an increased tendency to evade (Thibaut et al., 1974, p. 801). This was also supported by Spicer and Becker (1980, p. 174) who postulated that an equitable relationship between taxpayers and governments will encourage tax compliance. Taxpayers may perceive unfairness based on the beliefs that there are no benefits from the taxes they have paid and on their perceptions of inequity in the tax system.

Prospect theory describes how people make their choices when risk is involved and how potential losses and gains are evaluated. The reference point in Figure 2.1 shows the uncertain situation faced by taxpayers in framing their compliance decision as gains or losses. If a loss is expected, taxpayers are assumed to be risk-seeking and if a gain is expected, taxpayers are assumed to be risk-averse. The applicability of this theory on tax decision-making processes has been acknowledged by a number of researchers such as Smith and Kinsey (1987, p. 649).

They argued that taxpayers were expected to comply with tax laws if a gain was anticipated through a tax refund, and those who expected to pay extra tax or incur a definite loss were predicted to evade tax.

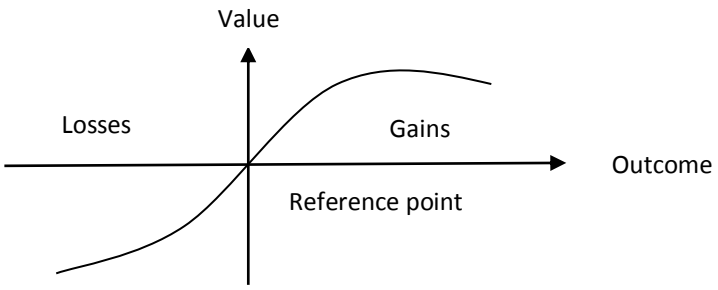

Figure 2.1. Hypothetical Value Function
Source: Adapted from Kahneman and Tversky (1979, p. 279)

Generally, few studies in tax evasion research (for example: Robben, Webley, Elffers and Hessing, 1990; Kirchler and Maciejovsky, 2001) have strongly supported this theory. The effect of a tax refund in determining the compliance decision is comparatively small, and losses are usually weighted more than gains (Smith and Kinsey, 1987, p. 648). This may be due to some taxpayers not being really aware of whether they were getting a refund or whether they would have to pay additional tax (Robben et al., 1990, p. 359). It is also argued that besides gains and losses, the taxpayers' type, such as salaried, self-employed or business enterprise, also has a significant impact on tax compliance decision-making (Kirchler and Maciejovsky, 2001, p. 188).

The reasoned action theory assumes that behavioural intention is a crucial determinant of an individual's behaviour. Behavioural intention is made up from the combination of the individual's attitude towards the behaviour and of social influences, as shown in Figure 2.2. In other words, the intentions of taxpayers to perform certain behaviours are based on their personal judgements as well as others' opinions. This is consistent with the suggestion of many sociologists that moral beliefs and peer influences are the two main factors that help taxpayers to decide whether to comply or not (Grasmick and Bursik, 1990, p. 857).

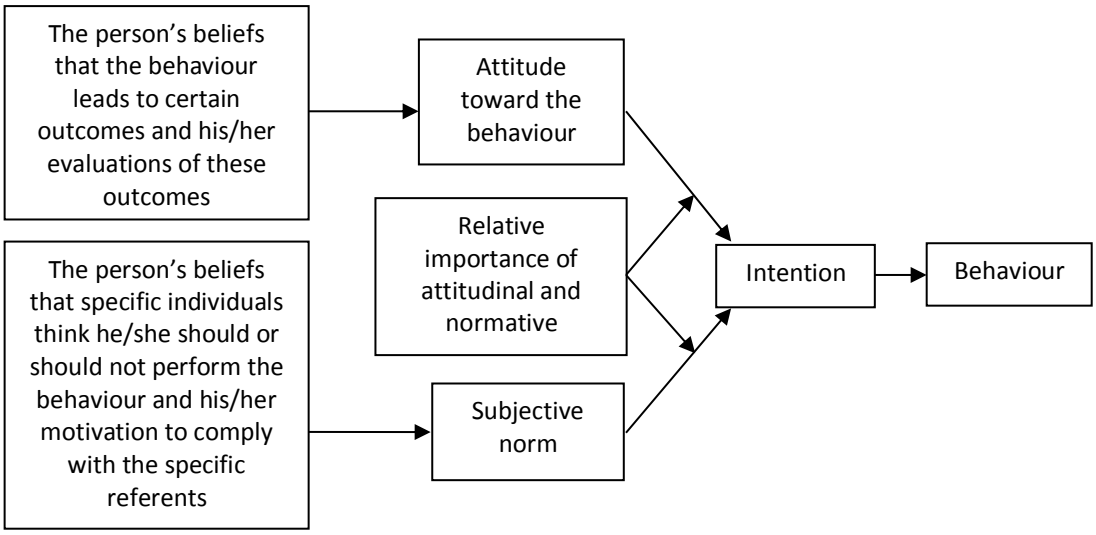

Figure 2.2. Factors Determining a Person's Behaviour
Source: Adapted from Ajzen and Fishbein (1980, p. 8)

Hanno and Violette (1996, p. 72) used the reasoned action theory in analysing moral and social influences upon taxpayers' behaviour. Their findings suggested that the compliant taxpayers were more concerned about their moral or civic obligations whereas the non-compliant taxpayers were more concerned about the threat of an audit from the tax authority and the financial output from their compliance decisions. Thus non-monetary and monetary factors may share the same weight in shaping taxpayers' compliance decision-making (Reckers, Sanders and Roark, 1994, p. 834). Further, in the compliance decision process, taxpayers may also tend to rely on how they perceive others (Kaplan and Reckers, 1985, p. 101).

Similar findings were also found in other studies (for example: Smith and Kinsey, 1987; Hite, 1988). Individuals were inclined to follow other people's thoughts, ideas and actions, simply defined as "conformity". There are a number of reasons for people to conform to their social environment such as to gain social acceptance or to avoid social rejection and to acquire useful information which leads to the right decision. Perceptions of others may have a profound positive or negative influence on a taxpayer. For example, once tax evasion becomes common, it becomes more

acceptable for some taxpayers to evade tax (for example: Witte and Woodbury, 1985; Sandmo, 2005) and this may be a concern to governments.

Some researchers have argued that the economic deterrence and social psychological approaches have overlooked some important elements which cannot be explained by economic and sociological approaches independently (Feld and Frey, 2002b, p. 89). This is probably consistent with an extended tax compliance model incorporating economic, sociological and psychological factors which was introduced by Fischer et al. (1992, p. 3), as presented in Figure 2.3. The model built on research by Jackson and Milliron (1986, p. 126) that identified the most commonly researched factors in tax compliance studies. Fourteen variables were categorised into four groups. However, the model is suggested to be partially modified to include environmental factors from taxpayers' cultural background such as social norms and ethical values (Chau and Leung, 2009, p. 38). This is probably because the researchers' tendency to study ethical values to explain tax compliance had increased significantly (Richardson and Sawyer, 2001, p. 177) since the earlier review by Jackson and Milliron (1986). Hence, none of these approaches seemed to provide a better solution to the puzzle of tax compliance.

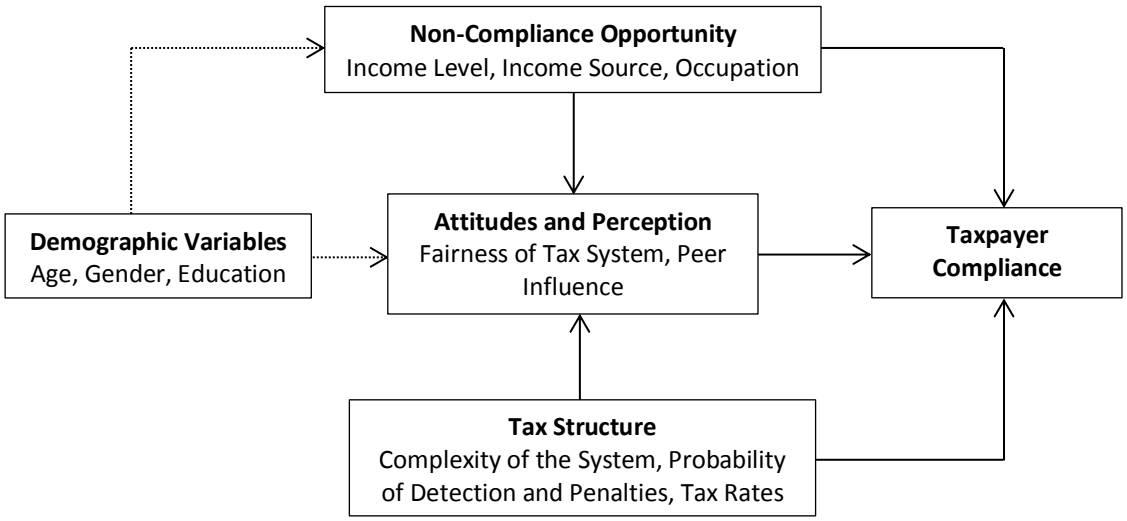

Figure 2.3. Tax Compliance Model
Source: Adapted from Fischer et al. (1992, p. 3)

2.2.4 Fiscal Psychological Approach

Most tax compliance research has focused mainly on the single theory in previous research that offered only a restricted analysis of the tax compliance problem (McKerchar, 2001, p. 126), except for a limited number of researchers who attempted to link these theories to get a better and more comprehensive view of taxpayers' compliance behaviours. The blend of both the economic and behavioural approaches, known as the fiscal psychological approach, was suggested by a number of researchers such as Schmölders (1959) and Hasseldine and Bebbington (1991) and has given us a clearer understanding of the major issues of tax compliance. The term "fiscal psychology" was first introduced by Schmölders (1959, p. 345) and emphasised the lack of motivation for taxpayers to pay taxes because there was no apparent gain from the benefit of tax payment either in the form of monetary or public goods.

The fiscal psychological approach provides better insight into the way people behave in economic situations by exploring the effects of economic issues and a government's actions on people's attitudes in an attempt to encourage positive behaviour in obeying tax rules. This approach stresses the importance of positive policies developed by a government to improve the cooperation between taxpayers and government. One example is the use of reduced tax rates, as an incentive to induce taxpayers' positive behaviour during the process of tax compliance decision-making. Tax enforcement is viewed as problematic in the fiscal psychological approach and can be improved with taxpayers' cooperation with government or tax authority.

Schmölders (1970) viewed the taxpayers' attitudes based on their responses to tax systems and tax enforcement. Surveys in Germany, Great Britain, France, Italy and Spain indicated that individuals' tax atitudes differed between countries due to differences in the tax systems. Even the word "tax" was grasped differently such as in Germany, it is called "stuer" which means "support" and in Latin, it is called "impot/imposto/impuesto" which means "impose" (Schmölders, 1970, pp. 301-

302). Taxpayers' understanding about tax systems and their responses to tax enforcement may influence their cooperation with tax authorities and consequently may shape taxpayers' attitudes towards compliance.

In the 1960s, the Swedish Tax Collection System was criticised for the excessive frequency of tax return filing (an average of three times a year), the complication of the tax return form and its confusing layout, the legalistic language used and the amount of information required. In order to provide recommendations regarding this issue, Vogel (1974) analysed taxpayers' attitudes and perceptions towards tax evasion based on a sociological survey of public opinion on taxation and public experience with the tax collection process. The findings showed the apparent widespread tax evasion in Sweden due to disappointment with its tax system. Vogel (1974, p. 511) identified two categories of tax evasion in the survey. The first and primary category of tax evasion is evasion that is inspired by the awareness of unlawful opportunities. The second category is evasion that is inspired by the need to compensate the further burden of taxes due to the primary category of tax evasion. Thus, even though many people expressed their disapproval of tax evasion, there were still many people who would evade for compensation. Vogel also emphasised the vital role of group support in influencing taxpayer's ethics and the tax evasion decision.

In a field experiment methodology, Schwartz and Orleans (1967, p. 299) found that the threat of sanction and appeals to conscience work effectively for different taxpayer groups. Non-Catholics, upper class and well-educated people were those who responded to the threat of sanctions, while appeals to conscience mostly only influenced those who were the best and least educated, salaried employees and Protestants and Jews. The incorporation of conscience was proposed in a rational decision-making model to include the effect of deterrence on taxpayer attitudes since shame was found to have the greatest direct effect on tax cheating (Grasmick and Bursik, 1990, p. 856). Thus it was proposed that internal controls should be conceptualised with the use of self-imposed threat of punishment to encourage conformity to tax laws.

Both taxpayers' basic orientations and the sanctions-rewards system were required to elucidate Israeli taxpayers' compliance behaviour in a study of 2,500 self-employed taxpayers (Dornstein, 1976, p. 1032). Their basic orientations were instigated by many factors such as socio-cultural background, their ideological predisposition towards the state and experience with bureaucratic institutions. Dornstein's (1976) study produced mixed findings; less efficient control seemed to motivate taxpayers to hide non-compliance, but at the same time they complied with tax laws in order to avoid being detected by the tax authority.

The choice to comply or to evade not only rests on the assessment of sanctions but also on a set of attitudes and norms towards the fiscal system (Spicer and Lundstedt, 1976, p. 302). In particular, taxpayers' perceptions towards the issue of inequity as well as the influence of others' behaviours might either strengthen or diminish taxpayers' commitments to social norms. The findings from an experimental approach supported the influence of fiscal inequity on tax evasion, whereby the percentage of evaded taxes was greater for those who were informed that their tax rates were higher than the average, as compared to those with lower tax rates than the average (Spicer and Becker, 1980, p. 174). In terms of tax burden distributions, a study by Song and Yarbrough (1978, p. 449) found that most middle-class Americans accepted the principle of ability-to-pay. The respondents believed that it was fair for the rich to bear the tax burden and contribute the most to government, rather than the poor who were incapable of doing so even though they enjoyed the same government benefits. However, it is interesting to note that the employment status, gender and religion of respondents had no relationship with their level of tax ethics (p. 447). Overall, Song and Yarbrough concluded that the level of tax ethics among the respondents only reached the "barely passing" mark of 60.3 percent (p. 451).[9]

In the fiscal psychological approach, tax mentality, tax tension feelings and tax morale are the three elements that shape taxpayers' attitudes (Schmölders, 1970, p. 301). The first element, tax mentality, describes a taxpayer who is feeling

[9] The actual passing level is not provided in this paper.

indecisive as to whether or not to obey tax laws. This is highly influenced by the social environment and individual experience. The second element, tax tension feeling, derives mainly from an unequal tax burden distribution leading to the taxpayer's discontent with the tax system. The final element, tax morale, is defined as an individual's internal motivation from religious beliefs or moral values to pay taxes, also referred to as "intrinsic motivation". An improvement in taxpayers' positive attitudes from these elements is expected to encourage their willingness to pay taxes.

Later research tended to explore tax compliance and non-compliance issues more heavily rather than be limited to tax evasion. For example, based on the IRS Taxpayer Compliance Measurement Program data, IRS actions were able to be implemented as strong motivators for taxpayers to comply given that policy must be designed according to the specific group of taxpayers in order to gain the utmost effect (Witte and Woodbury, 1985, p. 8). Despite the IRS actions, researchers also believed taxpayers' attitudes and opportunities for non-compliance played an important role in compliance. Based on the same data, Clotfelter (1983, p. 372) provided empirical evidence for a positive relationship between higher tax rates and tax evasion and he also supported the notion of the importance of non-complying opportunity. However, Clotfelter believed that taxpayers may use different items to reduce tax obligations subject to opportunities available to them, not only relying on certain factors such as tax rate, penalty rate or probability of audit.

Smith and Kinsey (1987, p. 651) proposed a conceptual framework of tax paying behaviour inclusive of compliance and non-compliance which involved four factors, namely material consequences of an action, normative expectations, socio-legal attitudes and beliefs, and expressive factors. The first factor, material consequences, is formed by constraints from taxpayers' employment status, sources of income and enforcement actions. Taxpayers' perceptions of other's expectations and taxpayers' inner values are said to shape the second factor, normative expectations. These two factors are related to taxpayers' behaviours in forming their tax paying intentions. The third group of factors, socio-legal attitudes

and beliefs, generally focus more on the attitudes and opinions of taxpayers regarding the present tax system and government. The final group, expressive factors, is focused on the subjective psychological and emotional costs arising from the decision-making made by taxpayers. These include the feelings of frustration and annoyance of completing the tax return forms, the inconvenience of keeping records and the sense of manipulating any available loop-holes to avoid or cheat.

Research has shown that there are a variety of factors influencing tax compliance, namely demographic factors (including age, gender and level of education), personal factors (including attitudes, experiences, morale and financial circumstances) and aspects of the tax system itself (including tax rate, penalties, audit probabilities, enforcement strategies, complexities and the cost of compliance) (McKerchar and Evans, 2009, p. 173). Even with these attempts, the complexities of tax compliance behaviours remain under-researched (Alm et al., 1992, p. 21). Based on observations made by Andreoni, Erard and Feinstein (1998, p. 855), exploring the influences of psychological, moral and social factors on tax compliance behaviour and incorporating these factors into a tax compliance model particularly from the economic approach, is critical. In line with that, researchers have been strongly encouraged to provide more evidence across disciplines and international borders in order to provide more information to policymakers and enhance the understanding of taxpayers' compliance attitudes (Hasseldine and Li, 1999, p. 101). The conceptual approach of tax evasion has expanded in the last two decades to include compliance and non-compliance and a variety of methodologies have been adopted to provide an in-depth understanding of the factors in tax compliance behaviour (McKerchar, 2001, p. 121). Integrating the economic and non-economic factors in a study might offer the most promising route to solve the puzzle of tax compliance.

2.3 Chapter Summary

The review of these three main research approaches has shown that the focus on economic factors in the deterrence approach has produced mixed findings. This

may indicate that the deterrence approach alone is insufficient to explain taxpayers' negative attitudes towards the tax paying issue. The social psychological approach, mainly focusing on non-economic factors, also seems to lack some important elements to fully understand taxpayers' complex attitudes. The fiscal psychological approach is essentially a blend of the earlier two approaches, and appears to offer a more meaningful way to explain tax compliance decisions by using both economic and non-economic factors. Due to a broad coverage of tax compliance variables in previous studies as recognised broadly in this chapter, only relevant variables are discussed extensively in light of the fiscal psychological approach used as the main approach in this study. The discussion of these variables in the international context and in the Malaysian setting is presented in the following chapter.

CHAPTER 3

REVIEW OF TAX COMPLIANCE STUDIES

3.1 Introduction

While the terminology used in tax research may have changed somewhat over the last twenty or thirty years, there is little doubt that much greater weight is now given to the role of non-economic factors. The term "tax morale" is now commonly used in the tax literature to explain taxpayers' compliance attitudes. A review of tax compliance variables that specifically relates to the current study is presented in this chapter. A combination of non-economic factors that shape individuals' tax morale and economic factors in the tax structure is discussed to provide a better understanding of the impact of these variables on taxpayers' compliance attitudes according to the findings in the international and Malaysian studies. This review is restricted to the tax compliance research involving individual taxpayers, regardless of their status of employment. Tax morale and five relevant variables for this study are discussed first, followed by the development of the tax compliance research in Malaysia.

3.2 Tax Morale

3.2.1 Background

Tax morale is commonly defined in the tax literature as the intrinsic motivation to pay taxes. It is defined by Torgler and Murphy (2004, p. 301) as the "moral principles or values held by individuals about paying their taxes". In order to explain tax morale as one of the factors influencing tax compliance, it is crucial to understand the elements that shape tax morale. Even though it seems critically important, no clear definition has been provided to describe tax morale. The term "black box" has been used to illustrate how tax morale has been treated by most studies without a clear picture of the actual factors influencing tax morale being drawn (Feld and Frey, 2002b, pp. 88-89). The broad picture of the tax morale concept is framed through the "carrot" factors rather than the "stick" factors in enforcing tax compliance (Kornhauser, 2007, p. 622). While tax morale is possibly

best defined by the "commitment to the responsibilities of citizenship and respect for the law" as explained by Graetz and Wilde (1985, p. 358), voluntary tax compliance is described as taxpayers' attitudes that "originate from spontaneous willingness to cooperate, emanating from the taxpayer's moral obligation to contribute to the public welfare" (Kirchler and Wahl, 2010, p. 343). It seems that there is a synergy between the terms "tax morale" and "voluntary tax compliance". Based on these definitions, the sense of responsibilities to other people and strong moral values are recognised as driving factors to influence taxpayers' attitudes towards making appropriate decisions according to tax laws. This is in line with the fiscal psychological approach that taxpayers' positive experiences with the external environment and individuals' intrinsic motivations are the two main factors that drive them to pay taxes voluntarily.

The effect of tax authority policies and treatment on taxpayers is analysed at two different levels (Frey, 2003, p. 393). The first effect is at the constitutional level, and relates to whether a citizen is given the right to be involved in the government's political process. The second effect is at the political-economic level, and relates to whether a taxpayer is treated well by the tax authority. Another element that underpins tax morale, as suggested in prior research, relates to social norms. Social norms are expected to be at their highest level when tax morale is high (for example: Torgler, 2002; Torgler, Demir, Macintyre and Schaffner, 2008). The focus of social norms here is more on personal moral beliefs and peer influence. Personal moral beliefs are found to be more influential in affecting tax compliance than peer influence (Bobek et al., 2007, p. 61) and different terms are used to elucidate morality in previous research such as ethics (Song and Yarbrough, 1978), civic duty (Slemrod, 1998), moral obligation (Bobek and Hatfield, 2003) and the willingness to obey (Torgler et al., 2008). The study of moral values in tax compliance research has been overlooked despite the fact that Andreoni et al. (1998, p. 855) pointed out the need to add moral and social dynamics to a tax compliance model since it was considered an undeveloped area of research. Indeed, there has been negligible study of social norms relating specifically to tax morale or even tax compliance. As argued by Alm et al. (1995, p. 7), "social norms may therefore be a dominant,

although also a largely unexplored, factor in unravelling the puzzle of tax compliance".

Furthermore, Riahi-Belkaoui (2004, pp. 141-142) has suggested adding social and religious norms as determinants of tax compliance to complete the contingency theory of tax compliance, which deals not only with economic factors but also the institutional and moral factors of tax compliance. Overall, tax morale is mostly influenced by these elements, as summarised in Figure 3.1, since the key ingredients for maximum voluntary compliance as argued by Ariff and Pope (2002, p. 371) are acceptance by taxpayers and respect for the tax system. This model has been extended in recent work to include other factors such as ideology, tax knowledge and education as important factors in influencing individuals' attitudes (Yucedogru, Grainger and Lymer, 2012, p. 6). However, they have placed the individuals' tax morale and religiosity under the umbrella term of tax ethics which differs from the approach in the current study because religiosity in this thesis is considered to be one of the factors that might influence individuals' tax morale. In other words, tax morale seems to provide an alternative way of explaining tax compliance, especially from a non-economic perspective to complement the economic approach. These issues are discussed in the following sections.

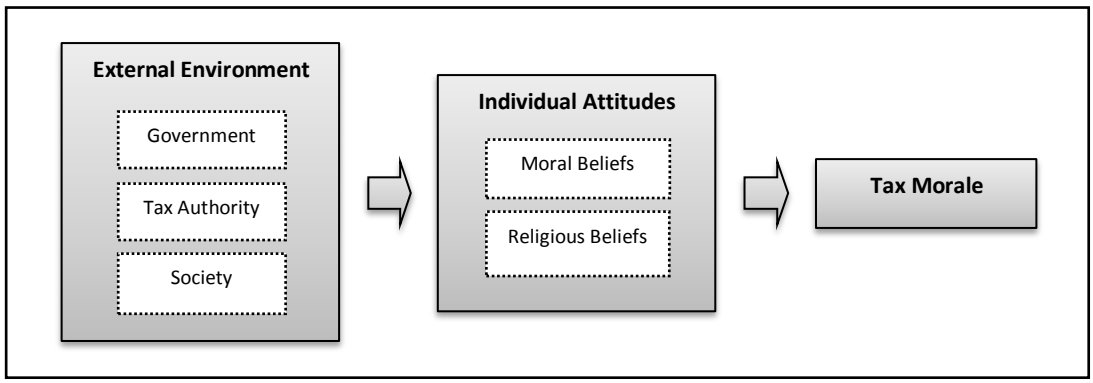

Figure 3.1. Main Influences in the Formation of Tax Morale
Source: Author

3.2.2 Religiosity

According to modernisation theory, economic development is believed to be responsible for the change of values during the process of modernisation within societies.[10] There are different schools of thought in this theory: some believe that traditional cultural values are replaced with modern values, whereas others believe that traditional values remain during the transition process. Inglehart and Baker (2000, p. 49) in their modification of modernisation theory proposed that "economic development tends to bring pervasive cultural changes, but the fact that a society was historically shaped by Protestantism or Confucianism or Islam leaves a cultural heritage with enduring effects that influence subsequent development". This approach emphasises the persistence of traditional values, with religion as one of the critical elements in a society's cultural formation which might have a significant impact on individuals' tax morale.

Religion and economy are believed to interact in two directions. The first direction is the extent to which religiosity responds to economic development. Barro and McCleary (2003a, p. 34) found that religiosity measurements, such as religious attendance and religious beliefs, decline when per capita Gross Domestic Product (GDP) increases. However, when specific economic developments such as education, urbanisation and life expectancy are held constant, religiosity is virtually unrelated to per capita GDP. The second direction is the extent to which religiosity influences economic performance. Barro and McCleary (2003b, p. 779) suggested that religion serves to encourage certain behaviours; for example, honesty and work ethics that enhance productivity indicate that economic growth responds positively to religious beliefs.

Lehrer (2004, p. 721) proposed religion as one of the determinants of economic and demographic behaviour by emphasising the effects associated with religious affiliation and how the positive outcomes of being a religious individual are related

[10] Modernisation theory is an explanation of the processes of transformation from traditional to modern societies (Eisenstadt, 1974, p. 225).

to well-being and health. This is expected from the self-enforcement moral rules based on each individual's belief in their religion as being a benefit not only to themselves but also to society at large. As Anderson and Tollison (1992, p. 373) suggested, moral capital is a vital requirement for a market economy to function efficiently. However, the study of the impact of religion on economic development has been neglected since many scholars believe the effect of religiosity decreases with higher economic development and improved technology, even though a number of researchers have disagreed (for example: Stark and Bainbridge, 1987, p. 283).

Religion, according to the Oxford Dictionary (2012), is a system of faith and worship or human recognition of a superhuman controlling power, and religiosity is defined as the quality of being religious. Apparently, the term "religion" is very complex to describe (Pargament, Magyar-Russell and Murray-Swank, 2005, p. 667). This is because "the roots of religion are so numerous, the weight of their influence in individual lives so varied, and the forms of rational interpretation so endless, that uniformity of product is impossible" (Allport, 1950, p. 26). However, it is interesting to note that religion in the form of specific religious beliefs and practices helps to define an individual's motivation and personality that go beyond the basic desires to gain rewards or to avoid self-punishment (Allport, 1961, p. 301).

Religiosity in prior research may be viewed from two main perspectives: religious affiliation and religious commitment. Religious affiliation refers to the particular religious group adhered to by individuals such as Islam, Christianity, Buddhism and Hinduism. Hirschman (1983, p. 147) argued that individuals are influenced by religious affiliation long before they are born. As suggested by Lenski (1961, p. 311), "religions are carriers of complex subcultures relevant to almost all phases of human existence and product of the social heritage of the group". Thus the historical values of different religious affiliations may affect individual behaviour differently. However, the term "religiosity" in this thesis does not refer to any

specific beliefs or affiliations. It only involves the level of religiosity[11] in individuals in general.

Johnson et al. (2001, p. 25) defined religious commitment or religiosity as “the extent to which an individual is committed to the religion he or she professes and its teachings, such that individual attitudes and behaviour reflect this commitment”. Religiosity may be divided into five dimensions (Glock, 1962, p. 98). Firstly, the ideological dimension refers to the extent to which the followers of the religion are expected to adhere to a certain set of beliefs. Secondly, the ritualistic dimension refers to the specific religious practices adhered to by the followers such as prayer, fasting and meditation. Thirdly, the experiential dimension stresses religious experience as the indicator of the level of religiosity. Fourthly, the intellectual dimension focuses on religious knowledge used to strengthen one’s religious beliefs. Finally, the consequential dimension identifies the effects of adherence to the first four dimensions that guide individuals to behave based on religious belief, practice, experience and knowledge.

The effect of religiosity on individual behaviour has been investigated by several researchers. Based on the results in those studies, religiosity is expected to influence certain behaviours, such as cheating behaviour (for example: Rettinger and Jordan, 2005; Bloodgood, Turnley and Mudrack, 2008), criminal behaviour (for example: Ellis and Peterson, 1996; Baier and Wright, 2001) and ethical behaviour (for example: Keller, Smith and Smith, 2007). Greeley (1963, p. 21) described the religion and behaviour relationship based on three different models. The Weberian model[12] suggests that religion influences a society through the values held by each individual; the influence occurs through a religious network not only between religious individuals themselves, but also between non-religious individuals and religious individuals (Adamczyk and Palmer, 2008, p. 733). The “need disposition”

[11] However, it could be argued that the level of religiosity is difficult to determine objectively.

[12] The importance of religion is to understand "the historical force of idea in the development of social life" (Weber, 1949, p. 54).

model[13] assumes that people use religion as a coping mechanism to meet life's challenges. Pargament, Smith, Koenig and Perez (1998, p. 720) found that religious coping methods work both ways, positively and negatively with life stressors. However, positive patterns of religious coping are used more than negative patterns. The third model views religion as a predictor of behaviour, but neither as a dependent nor an independent variable. This is because many individuals rely on religious values as a source of their morality to shape their attitudes and behaviour (Thornton and Donald, 1989, p. 642).

Religiosity had not been widely recognised in tax compliance research as one potential element that might explain the puzzle of tax compliance, until several researchers such as Torgler (2003b), Welch et al. (2005) and Stack and Kposowa (2006) emphasised its importance. It may be simply viewed as a belief in God (or gods) or other spiritual beliefs in determining the extent to which people fully meet their legal tax obligations within any developed or developing country.[14] This may be related to the argument made by Margolis (1997, p. 247) that religious faith can supposedly provide moral constraints to distinguish and choose between good and bad behaviour in any religion. This concept is important as much of the tax literature investigates the role of moral values held by individuals towards tax compliance. Whilst religious people would of course be expected to have high moral values, atheists may also have similar high values. An individual may use the internal elements such as moral beliefs and/or religious beliefs to decide whether or not to comply. Stalans, Smith and Kinsey (1989, p. 503) supported this by stating that normally, many taxpayers use their inner values in the decision-making process. Therefore, there is indeed moral belief without religion, which may be based on respect for other people, animals and the environment. In other words, in a tax compliance research context, the role of religiosity is different from that of

[13] Religion was condemned by Marx (1972, p. 12) as a form of escapism for people who are oppressed by the political system.

[14] This is based on the definitions of religiosity and religion as found in the Oxford Dictionary (2012). It is uncertain how Buddhism as one of the world's leading religions fits into this definition. The concept of spiritual beliefs probably needs to be included.

moral values,[15] although within any tax paying population there may well be some commonality.

Amongst the earliest studies, Tittle and Welch (1983, p. 676) explored individuals' perceptions of the relationship between religiosity and deviant acts, and one of those acts was tax evasion. They suggested that the characteristics of religious communities will determine the effect of an individual's religiosity on deviant behaviour in the future. Welch, Tittle and Petee (1991, p. 169) used data collected from Catholic parishioners and it was evident that tax evasion was negatively related to an individual's private religiosity. Likewise, the effect of informal sanctions was found to be effective in curbing certain types of deviance such as tax evasion in a socially integrated church community (Petee et al., 1994, p. 103). The findings were similar probably because the same source of data was employed in both studies. Strong religious beliefs were expected to prevent illegal behaviour through self-imposed guilt, particularly in the case of tax evasion (Grasmick et al., 1991, p. 263). Grasmick, Kinsey and Cochran (1991, p. 104) not only explored the effects of church attendance on tax cheating, but also measured affiliation as an index of religious importance. They discovered that those with no affiliation were more inclined to cheat.

Torgler (2003b, p. 297) has undertaken extensive research on the role of religiosity and initially revealed that tax morale depends positively on religiosity using the WVS data for 1990 in Canada. He also responded to the suggestion made by Riahi-Belkaoui (2004, p. 141) by covering more than 30 countries using specific data from the WVS (1995-1997) and confirmed the same findings (Torgler, 2006, p. 101). His research then explored the determinants of tax morale in various countries and found a strong impact of religiosity on tax morale in Germany (Feld and Torgler, 2007, p. 29), European countries except for Spain (Torgler and Schneider, 2007, p. 466), the USA and Turkey (Torgler et al., 2008, p. 335) and the USA (Torgler, 2012, p. 277). Findings by Stack and Kposowa (2006, p. 349) reinforced the conclusion that

[15] However, there is no clear distinction between moral beliefs and/or religious beliefs. This is probably because an individual moral judgement was found to have a strong relationship with his/her religiosity (Wright and Cox, 1967, p. 143).

people with no religious affiliation were more likely to view tax fraud as acceptable. A larger sample size of 47 countries by Richardson (2008, p. 75) confirmed a negative relationship between individuals with high levels of religiosity and tax evasion.

While research findings generally indicate positive relationships between religiosity and tax compliance or negative relationships between religiosity and tax evasion, the findings by Welch et al. (2005) and McKerchar, Bloomquist and Pope (2013) are notable exceptions. The perceptions of tax evasion within a community were found to have a similar effect on the community members regardless of their levels of religiosity (Welch et al., 2005, p. 47). This is probably because, as strongly emphasised in Christianity (McGee, 2012, p. 208) or even in Islam (Jalili, 2012, p. 192), tax evasion can either be perceived as ethical or unethical, depending on the way a country is administered and whether the government strictly or only partly follows the religion's laws. Similarly, no empirical evidence supported religiosity as one of the factors that influenced tax morale in the USA in a regression study of Internal Revenue Service's taxpayer data (McKerchar et al., 2013, p. 18). Given this study was based on tax return data, the true indicator of religiosity was not available and hence it was argued that the personal integrity of individuals may have a stronger effect on their tax compliance attitudes compared to their own religious beliefs. Although inconclusive, the overall literature shows that religiosity may play a vital role in helping authorities to meet their target in fostering voluntary tax compliance. A summary of religiosity studies is shown in Table 3.1.

Table 3.1: Summary of Religiosity Studies[a] Related to Taxation

Study (Year)	Method	Sample Size (sampling method)	Key Findings (relevant to tax and religiosity)
Tittle and Welch (1983)	Survey by National Analyst Inc. (interviews)	1,993 – USA (multistage)	Individual religiosity appears to impact only certain deviant behaviour and the effects are more moderate for tax evasion.
Grasmick et al. (1991)	Oklahoma City Survey (Spring 1989) (face-to-face interviews)	330 – USA (simple random)	Religious identity salience and church attendance are found to influence the inclination to cheat on taxes independently.
Grasmick et al. (1991)	Oklahoma City Survey (Spring 1989) (face-to-face interviews)	330 – USA (simple random)	People with no religious affiliation were more inclined to cheat in taxes than were moderate Protestants but only with little difference.
Welch et al. (1991)	Notre Dame Study of Catholic Parish Life (1983-84) (administered survey)	2,667 – USA (stratified)	Private and community religiosity have negative relationships with the intention to evade taxes.
Petee et al. (1994)	Notre Dame Study of Catholic Parish Life (1983-84) (administered survey)	2,667 – USA (stratified)	The threat of informal sanctions in religious community seems to be effective for inhibiting actions such as tax evasion.
Torgler (2003)	WVS (1990)	Canada	Trust in government, citizenship and religiosity have a significant positive impact on tax morale.
Welch et al. (2005)	Notre Dame Study of Catholic Parish Life (1983-84) (administered survey)	1,885 (white respondents only) – USA (stratified)	The perceptions of tax evasion within a community have similar effects on the community members regardless of their levels of religiosity.
Torgler (2006)	WVS (1995-97)	30 countries	There is a strong correlation between religiosity and tax morale particularly for Catholics, Hindus, Buddhists and people of another religion compared to people with no religion except for Muslims.
Stack and Kposowa (2006)	WVS (1990-93)	36 countries	The higher the level of religiosity, the lower the level of tax fraud acceptability. Tax fraud acceptability is highly approved by people with no religious affiliation.
Feld and Torgler (2007)	European Values Study (1990-99) and WVS (1990-99)	East and West Germany	Tax morale is significantly higher in East Germany compared to West Germany. However, the levels of their tax morale converged strongly after their reunification. Religiosity raises tax morale significantly.
Torgler and Schneider (2007)	European Values Study (1990-93, 1995-99) and WVS (1999)	Switzerland, Belgium and Spain	Religiosity appears to have a robust impact only on tax morale in Switzerland and Belgium.
Torgler et al. (2008)	Taxpayer Opinion Survey 1990 (USA data set) Face-to-face interviews conducted in Turkey (2007-08)	USA Turkey (cluster)	Positive attitudes towards tax authority and tax system, trust in public officials, the state and other people, a higher sense of obedience and religiosity lead to a higher tax morale. A high level of perceived corruption reduces the willingness to contribute.
Richardson (2008)	The Global Competitiveness Report (2002-04), World Competitiveness Year Book (2002-04), Hofstede (2001), World Bank (2002-04), WVS (1981, 1990 and 1995) and 2006 World Development Indicators	47 countries including Malaysia	The higher the level of tax evasion across countries, the lower is the level of religiosity.
Torgler (2012)	WVS (1982, 1990 and 1995)	USA	Religiosity has a strong effect on tax morale.
McKerchar et al. (2013)	Tax Return Data	USA	There is no strong support for the role of religiosity as an indicator of tax morale.

[a] Some of the studies in the table are a broader study of religiosity and/or tax compliance.

Based on this summary, it is apparent that nearly all of these studies drew on secondary data from several surveys, with the earlier studies using surveys carried out only in the USA. Most of the research extracted only parts of the data from large surveys, which were then used repeatedly in different studies. For example, a Notre Dame study of Catholic Parish Life between 1983 and 1984 was used three times in different research and surprisingly, the latest study by Welch et al. (2005, p. 47) came up with contradictory findings to previous research, even though the same original data was used. This may be due to a small number of respondents who were predominantly Caucasians. The WVS has mainly been employed in recent research alongside other surveys. The WVS is a worldwide network to study social, cultural and political changes. It started in 1981 and now covers almost 90 percent of the world's population with five waves of surveying using standardised questions completed up until 2008.[16] The WVS is currently carrying out a sixth wave of surveys for the years 2010 to 2012. The surveys provide a wide-ranging measurement of values including data from religion, politics, economics and social life. Face-to-face interviews were used to collect data by local field organisations and this was monitored by academic researchers using random probability samples whenever possible. It was compulsory for the core questionnaire to be translated into the local language.

Religion is one of the factors involved in the changing values. Based on the questionnaire in the fifth wave (World Values Survey, 2009), multi-dimensional questions were asked during the interviews such as religious affiliation, religious attendance, perceived religious, religious beliefs, religious practices and political-religious relationship (see Appendix G). With their large coverage, these surveys offer rich resources to explore cross-cultural studies. The outcomes of the WVS provide good insights from different angles, particularly in developed and developing countries, even though it is argued that the data may be less reliable due to a standard questionnaire being applied across countries with distinct cultural differences. Many studies that included religiosity as a determinant of tax morale or tax compliance have used data from the WVS (for example: Torgler, 2006; Feld and

[16] The five waves were undertaken in 1981-1984, 1989-1993, 1994-1998, 1999-2004 and 2005-2008.

Torgler, 2007). Torgler (2006, p. 86) took the view that the variations in the religiosity measurement from the WVS data can provide a clearer picture of how tax morale is shaped by religiosity. However, it is argued here that some issues in this survey may misrepresent the actual picture of the role of religiosity in tax compliance.

The first concern is the reliability of the answers provided by respondents since religion or religiosity is a sensitive issue for many people in the world. Allport and Ross (1967, p. 441) stated that individuals who answer religious items will use a "hit and run" approach since they have it set in their minds that "all religion is good". Therefore, they tend to provide all "yes" answers to positive religious statements. Likewise, "positives episodes" stored in people's long-term memories might be one of the reasons for over-reporting church attendance statistics in the USA, approximated at 40 percent of the population, which is probably almost double its actual rate (Hadaway, Marler and Chaves, 1993, p. 741). This concern also extends to the tax morale item. Even with only one question asked regarding tax morale (see Appendix F, question V200), Alm and Torgler (2006, p. 229) considered this single question to be an advantage because it reduces respondents' confusion especially in wide-ranging surveys. However, they also recognised the advantages of using multiple items to illustrate tax morale as used by Kirchler (1997, 1999). In the surveys, the background of the respondents varied in regard to the level of education, occupation and experience. Arguably, these differences might contribute to a misunderstanding of survey questions and so lead to different interpretations of the meaning of tax morale. Thus reliance on only one statement remains a delicate question of research methodology. This is outside the control of those researchers in the field of religiosity who rely upon a survey undertaken by other organisations such as the WVS.[17]

[17] Researchers in the religiosity/tax field essentially have a choice between an extremely large international survey such as the WVS in which they have no control over the questions (especially number and wording) and smaller, manageable and cost-effective surveys and/or qualitative research such as interviews or focus groups where they can control the whole research exercise. This thesis has taken the latter approach. This choice also of course applies to many other areas of research.

The second concern is the simplistic measurement employed in the WVS because, to some extent, Islam and other religions have been perceived to be identical. For example, church attendance is substituted with praying frequency for Muslims in question V186 of the survey in the fifth wave (Appendix F). It is obligatory for Muslims to pray five times a day, but it is not compulsory for them to perform their prayer rituals at mosques, only a clean place is required.[18] Therefore, if they only pray once or twice a day, their levels of religiosity may not be even close to those people who attend religious services once a week. This measurement might be simple but meaningless since these two practices are totally different and a comparison can only be made from a common perspective, that is comparing "apples to apples".

The final concern is related to the issue highlighted by Silver and Dowley (2000, p. 543), namely that many researchers using data from the WVS make an assumption that countries are culturally homogenous and so ignore the cultural differences especially within societies. Rich data from the WVS is very helpful for researchers to explore difference and so increase mutual understanding among countries and individuals regardless of ethnicity and religion. However, with each country holding different cultural values, questions may be interpreted differently. This may affect the quality of their data and sample representation and may lead to the wrong inferences and even conclusions being drawn.

In summary, the research discussed above reveals the overall positive impact of religiosity on tax morale that in turn affects tax compliance. Individuals seem to use religion to deal with their problems and they use religious beliefs to solve their problems (Keister, 2003, p. 178). This may indicate a new emphasis in dealing with tax compliance issues. This area of research provides a fertile avenue for investigation because it is apparent that religiosity has been largely neglected in earlier tax compliance work. Interestingly, some mixed results have been produced

[18] It is assumed that this question is related to the daily prayer of Islam: fajr, dhuhr, asr, maghrib and isha'a. The Friday prayer is performed in a congregation usually at a mosque just after noon in lieu of dhuhr, although it is only obligatory for Muslim men.

in the relatively few studies undertaken to date with recent studies placing a heavy reliance on the WVS data.

3.2.3 Perception of Government

The complicated interaction between taxpayers and governments, known as the psychological tax contract, has been used to explain the elements that make up tax morale (Feld and Frey, 2007, p. 103). The existence and survival of this tax contract is apparent in a number of circumstances in prior studies. Tax compliance is influenced substantially by trust in government and legal systems (for example: Torgler, 2003b, p. 297; 2004b, p. 36; 2004a, p. 262; Torgler and Murphy, 2004, p. 334; Richardson, 2008, p. 75; van Dijke and Verboon, 2010, p. 90; Torgler, 2012, p. 277) and this trust can only be gained if the government can assure that taxpayers' expectations are fulfilled (Hardin, 1998, p. 22).

Trust in government is suggested to have a greater impact on taxpayers' behaviour compared to the common assumption made by most economists (Kucher and Götte, 1998, p. 442). The taxpayers' opinions about whether the tax system is fair or unfair are also identified as influencing tax compliance behaviour (Chan, Troutman and O'Bryan, 2000, p. 98; Murphy, 2003, p. 234; Richardson, 2006, p. 164). Empirical evidence from the recent research strongly supports the importance of taxpayers' positive attitudes towards government based on trust in government and perceptions of tax fairness in encouraging their willingness to pay taxes (McKerchar et al., 2013, p. 18). However, separating the independent impact of these elements on taxpayers' attitudes is problematic and they are assumed to have equal impact.

Voluntary tax compliance may be increased if government achieves a policy exchange approach as promised to its citizens (Wallschutzky, 1984, p. 382). Taxpayers are inclined to comply with tax laws if they receive appropriate public services from the government (Alm et al., 1992, p.36) and when taxes paid and public services provided by government are regarded as equitable (Torgler, 2003a,

p. 137). Taxpayers are willing to pay taxes even though they are not given the exact value of public goods, as compared to the taxes they have paid, if they perceive the political process as fair and lawful (Feld and Frey, 2007, p. 104). It is argued that taxpayers' misperceptions towards the quality of the public services can be improved by highlighting the government's positive actions; however, if the public services are really poor, the only action to raise individuals' tax morale is to increase the quality of the public services (Molero and Pujol, 2012, p. 158).

As shown in many studies (for example: Pommerehne, Hart and Frey, 1994, p. 66; Torgler, 2005, p. 530; Torgler and Schneider, 2007, p. 465), the involvement of taxpayers in a political process has a positive influence on tax compliance, and taxpayers with direct democratic rights are found to be more compliant. The reverse was evident in transition countries such as Russia, Belarus and Latvia after the collapse of communism because of the "institutional crisis", where the citizens' tax morale was lower, compared to non-transition countries such as Bulgaria and Croatia (Frey and Torgler, 2007, p. 146). Overall, taxpayers' perceptions of government either from the perspective of the tax system or even the performance of the government appear to be very crucial to maintain or increase taxpayers' positive attitudes.

3.2.4 Interaction with the Tax Authority

The personal relationship between taxpayers and the tax authority is deemed to be a function of tax morale and part of the psychological tax contract (Feld and Frey, 2007, p. 115). These experiences may influence how individuals make their decision, either to comply or not to comply, based on their positive or negative experiences. Kirchler et al. (2008, p. 211) defined this circumstance as a "synergistic tax climate" where taxpayers and the tax authority are willing to cooperate in building a successful community partnership in order to enhance voluntary tax compliance.

The tax authority's positive treatment of taxpayers is found to have a positive effect on tax compliance (Feld and Frey, 2002b, p. 97; Hartner, Rechberger, Kirchler and

Schabmann, 2008, p. 150). For example, friendly treatment by the tax officer during any auditing processes (Feld and Frey, 2007, p. 115) and a gentle reminder letter to taxpayers that emphasises the fairness principle (Wenzel, 2006, p. 358) have a significant positive effect on taxpayers' compliance attitudes. Prior research indicated that Swiss citizens acknowledge respectful treatment by their government with higher tax compliance and that research confirmed the existence of a psychological tax contract in Switzerland (Feld and Frey, 2006, p. 149). Empirical evidence based on a taxpayer survey in Australia showed that the way taxpayers are treated may indicate an important influence on future levels of tax evasion (Wallschutzky, 1984, p. 383). However, the impact of the tax authority's treatment of taxpayers in every country most probably varies according to the culture commonly adopted by the tax authority.

Therefore, if taxpayers feel they receive disrespectful treatment or are suspected of tax evasion, the psychological contract between taxpayers and tax authorities deteriorates, since the "psychological contract is based on a relationship of trust" (Feld and Frey, 2002a, p. 97) and they are less likely to incline to a positive compliance attitude (Murphy, 2004, p. 203). Similarly, if the tax authority is perceived to be merely representative by taxpayers, there might be less compliance (Taylor, 2003, p. 85). The cooperation between the taxpayers and tax authority may provide a significant amount of information to the tax authority, to cater to taxpayers' needs and attitudes in motivating voluntary tax compliance.

3.2.5 Social Interaction

Society may influence the behaviour of its members in many ways. For example, an individual may observe and internalise values from his/her society. These values are then adopted and adapted as his/her personal rules of conduct and behaviour in life. The influence of societal perceptions of tax compliance is possibly best explained by pro-social behaviour theories where the behaviour of others is taken into consideration. One of the pro-social behaviour theories is reciprocity theory which refers to responding to a positive attitude with another positive attitude and

responding to a negative attitude with another negative attitude (for example: Rabin, 1998; Fehr and Falk, 2002). Reciprocity in a tax compliance context implies that a taxpayer will feel uncomfortable for not paying taxes if others are paying their taxes or vice versa. However, the effect of social interactions is argued to be neglected in most tax evasion research for two reasons (Fortin, 2007, p. 2107). First, the reference group that strongly influences taxpayers' attitudes is hard to identify. Second, it is difficult to separate the effects between taxpayers' own values and the values from the taxpayers' environment that shape taxpayers' attitudes.

Despite these difficulties, a growing number of researchers have begun to explore the effect of social interactions or peer influence on tax compliance (for example: Wenzel, 2004, 2005b; Bobek et al., 2007; Hofmann et al., 2008). The roles of individuals in society and accepted norms of behaviour are noted to have a strong influence on tax compliance. Social control in the community was one of the basic principles of the Swiss tax culture in the 19th century in order to complement tax auditing by tax authorities (Feld and Frey, 2006, p. 131). Taxpayers are willing to pay taxes voluntarily if they believe that other people are bound by the same social contract as they are (Scholz and Lubell, 1998, p. 411) or they are willing to evade if evading is evident in a society (Wallschutzky, 1984, p. 383).

Empirical evidence from a survey using students as respondents indicated that individuals' tax morale can be increased if they learn that only a small group of people is involved in the tax non-compliance problem (Molero and Pujol, 2012, pp. 158-159). It is revealed that the most influential factor in influencing taxpayers' compliance attitudes is a combination of taxpayers' own values together with the values of others in their surroundings (Bobek et al., 2007, p. 61). Thus the perception by a taxpayer of other taxpayers' behaviour gives a strong indication of his/her next action (Kaplan and Reckers, 1985, p. 101; Witte and Woodbury, 1985, p. 45; Trivedi, Shehata and Lynn, 2003, p. 191; Welch et al., 2005, p. 45). Likewise, taxpayers are expected to be influenced by information about how other taxpayers handle their tax matters (Torgler, 2004a, p. 36). For example, if taxpayers know many tax evaders, they are more likely to evade taxes (Hasseldine, Kaplan and

Fuller, 1994, p. 90). Further, the identification of any group that relates to a specific compliance pattern by taxpayers might also influence their tax compliance attitudes (Wenzel, 2007, p. 42). Findings from an econometric analysis based on the European Values Study[19] also pointed in the same direction (Frey and Torgler, 2007, p. 20). In other words, instilling the right values in a society is likely to yield positive results.

3.3 Threat of Punishment

The threat of punishment, consisting of tax audits, tax penalties and tax rates, is used in most countries to deter taxpayers' non-compliance behaviour. A review by Fischer et al. (1992, p. 32) of many different research studies suggested that, generally, these studies indicated a positive relationship between audit probability and compliance. However, the impacts of audit probabilities on tax compliance are varied depending on the group of taxpayers. For example, audit probabilities were found to have strong influences on tax compliance for sole proprietors but only little effect on salaried taxpayers (Witte and Woodbury, 1985, p. 9). Hence, tax audits that specifically target a certain group of taxpayers seem to be more effective in increasing tax compliance rather than random audits (Hasseldine, 1993, p. 431). Further, audit probabilities may only affect taxpayers who have the intention to evade (Scholz and Pinney, 1995, p. 508; Hanno and Violette, 1996, p. 71; Trivedi et al., 2003, p. 190). Spicer and Thomas (1982, pp. 243-244) suggested that taxpayers may only abide by tax laws when they have definite information about the possibilities of being audited. Beccaria's classic view[20] is widely accepted; that is that deterrence works effectively with the certainty of detection and punishment, not the severity of the penalty (Andenaes, 1966, p. 964).

The findings on the influence of penalties are more diverse. Even though a number of studies have consistently shown that penalties have a positive influence on tax compliance (for example: Beck et al., 1991, p. 552; Park and Hyun, 2003, p. 681),

[19] The European Values Study is a large-scale, cross-national and longitudinal survey in Europe (European Values Study, 2012).
[20] Beccaria (1819, p. 93) stated that "the certainty of a small punishment will make a stronger impression that the fear of one more severe".

other researchers have found that the use of greater penalties is ineffective in enhancing tax compliance (for example: Alm et al., 1990, p. 613; Alm, Jackson and McKee, 1992, p. 112). The severity of the penalty may only discourage taxpayers from reporting their true incomes because the possibility of gaining is greater than the possibility of losing (Slemrod, 2004, p. 882). However, the insignificant influence of the penalty rate on taxpayers' compliance attitudes can be improved if it is combined with other variables (Devos, 2009, p. 36). Raising the penalty rate is a risky option for governments to address tax evasion problems for two reasons (Skinner and Slemrod, 1985, pp. 348-349). Firstly, it may create an inequity issue between those who are caught and those who escaped detection. Secondly, it may penalise both those who deliberately made mistakes and those who made unintentional mistakes.

As emphasised by Schwartz and Orleans (1967, p. 300) "the threat of punishment appears to produce some resistance to compliance". The Cash Economy Task Force (1998, p. 15) encouraged the Australian Taxation Office to consider any "good" behaviour in the past before any penalty is imposed on taxpayers. In addition, other studies have pointed to the mixed influences of tax compliance depending on the group of taxpayers. For example, the severity of criminal fraud penalties was found to be positively related to the behaviour of high income self-employed individuals (Alm et al., 1990, p. 613). On the other hand, civil penalties appeared to have negative relationships with the behaviours of small proprietors and middle income individuals (Witte and Woodbury, 1985, p. 9).

Studies that examined tax rates as a compliance variable have produced mixed results. For instance, it is apparent that taxpayers are prone to understate their incomes when the marginal tax rate is increased (Clotfelter, 1983, p. 368). This is supported by other researchers (for example: Friedland, Maital and Rutenberg, 1978; Skinner and Slemrod, 1985; Witte and Woodbury, 1985; Alm et al., 1990). In other words, higher tax rates will pressure taxpayers to be less compliant. Feinstein (1991, p. 23), however, discovered conflicting findings which were in line with the findings by Etzioni (1986, p. 183), that is, despite the fact that the tax rate was

stable, the tax compliance rate was still low. Yitzhaki (1974, p. 201) suggested that the tax rate produced no deterrence effect on tax compliance if the amount of tax understated was equal to the amount of penalty. Sandmo (2005, p. 660) in his review of the theory of tax evasion believed that the tax rate was not among the main factors that influenced taxpayers' decision-making as compared to the penalty and audit rate. Overall, the threat of punishment remains significant in deterring the negative intentions or attitudes of taxpayers.

3.4 Review of Malaysian Tax Compliance Studies

3.4.1 Background

The issue of tax non-compliance is a major concern of most governments and tax authorities in any country. Uncollected taxes can have a large impact on the equity and the efficiency of the economy, particularly in developing countries. As discussed earlier, based on the findings of the prior research until year 1997 (Kasipillai et al., 2000, p. 36; Abdul and Sheehan, 2003, p. 33),[21] the level of tax evasion in Malaysia is considered rather high (between 20 and 50 percent). Even though the tax evasion figures represent the level of the non-compliance attitudes of all groups of taxpayers, this may indicate that Malaysian individual taxpayers are inclined towards negative compliance attitudes. However, information about the size of the tax gap in the years 1998 and onwards in Malaysia is unavailable (Abdul-Jabbar, 2009, p. 5).

Even with the audit and compliance program planned and implemented by the IRBM to increase taxpayers' voluntary compliance in Malaysia, tax evasion is perceived by Malaysians to be the least serious offence as compared to another 29 crimes and violations (Abdul-Manaf and Abdul-Jabbar, 2006, p. 193). This is probably a warning to the government and tax authority that taxpayers may not fear cheating on their tax return. Despite the fact that tax evasion is perceived to be common, the first Malaysian tax compliance study was only carried out in the mid-1990s. Based on a review by Abdul-Jabbar and Pope (2009, p. 204), there were only

[21] See Chapter 1, Section 1.2.1.

17 Malaysian tax compliance studies conducted between 1994 and 2008. The mail survey was the main way of collecting data for most of these studies (Abdul-Jabbar, 2009, p. 27). Research in this area is still in its infancy and many other issues remain unexplored. To date, only certain variables have drawn researchers' interest in exploring the issue of tax compliance in Malaysia. It must be emphasised that the following sections only discuss studies that sought responses from individual taxpayers, tax professionals and students in order to provide an overview of the development of the tax compliance research in regard to individual taxpayers in Malaysia.

3.4.2 Perception of Government

A number of studies in Malaysia only explored the impact of tax fairness and equity on taxpayers' compliance attitudes. These elements form the taxpayers' perceptions of the government. Taxpayers perceive the Malaysian tax system to be somewhat reasonable or fair but the dimensions of tax fairness in Malaysia are slightly different compared to Western countries which may be due to the differences that exist between the East and West in terms of culture (Azmi and Perumal, 2008, p. 18). In a comprehensive study regarding tax fairness in Malaysia, the perceptions of individual taxpayers regarding tax fairness derived from a self-administered study involving more than 800 salaried taxpayers were considered multi-dimensional and these fairness perceptions were positively influenced by tax knowledge (Saad, 2010, pp. 57-58). In other words, the more knowledgeable the taxpayers are, the fairer they perceive the tax system in Malaysia to be.

It is surprising to note that most of the fairness dimensions appeared to have no significant impact on tax compliance attitudes except for horizontal fairness (Saad, 2010, p. 58). Similar findings were found in another study that even though compliant taxpayers' seem to incline towards fairness perception, there is no significant difference with the non-compliant taxpayers (Sia, Salleh, Sambasivan and Kasipillai, 2008, p. 9). However, a recent study found that there was a relationship between taxpayers' perception of tax fairness and their compliance attitudes (Loo

and McKerchar, 2012, p. 100). In terms of the equity issue, the non-taxpayers' perceptions of government were examined in a survey that used undergraduate students from public and private universities. It was apparent that the inequality issues such as the mismanagement of public money and unnecessary spending in wasteful projects were perceived by most of the respondents to be among the main reasons for some of the taxpayers' preference to avoid paying taxes (Ho, Loo and Lim, 2006, p. 56). Overall, the perception of taxpayers of government either from the fairness or equity perspective is likely to influence their actions in paying taxes.

3.4.3 Tax Treatment

Taxpayers' perceptions of the IRBM officers were examined in a survey, before and after the implementation of the SAS. These perceptions were considered among the items to represent the taxpayers' attitudes towards tax in the surveys. It was found that taxpayers' attitudes towards tax have a significant influence on their tax compliance behaviour (Loo, 2006a, p. 223; Loo et al., 2009, p. 201). Similar findings were found in a case study conducted with 64 salaried and 10 self-employed taxpayers (Loo, McKerchar and Hansford, 2010, p. 21). The taxpayers' attitudes towards tax administration as well as their experiences with the tax officers were found to have a significant impact on their compliance behaviour. In a survey distributed to the participants of tax seminars organised by the Malaysian Institute of Accountants, Choong and Lai (2008b, p. 15) observed that almost 70 percent of the tax practitioners believed that the aim of tax auditors is to look for taxpayers' mistakes so that penalties can be imposed on the incorrect tax returns. Furthermore, they believed that most of their clients were not pleased with their tax treatment during the process of tax auditing by the IRBM. This can be interpreted as either taxpayers being unfairly treated or the tax auditors being unprofessional during the process. Overall, these studies indicate that tax treatment appears to be an influential factor in influencing taxpayers' compliance attitudes.

3.4.4 Peer Influence

The influence of the behaviour of other people or the perceptions of taxpayers towards others in terms of tax compliance behaviour is found to be mixed. Most of the non-taxpayers believed that some taxpayers considered tax evasion to be tolerable because other people were perceived to evade taxes (Ho et al., 2006, p. 52). However, the effect of peer influence can also have a positive impact if taxpayers who have a strong motivation to comply are surrounded by a positive referent group (Saad, 2010, p. 58). Therefore, since peer influence can have a positive as well as negative effect on taxpayers' compliance attitudes, it causes no significant difference between compliant and non-compliant taxpayers (Sia et al., 2008, p. 9).

3.4.5 Tax Structure

The tax structure, consisting of tax rate, audit rate and penalty rate, is apparently influential on taxpayers' compliance behaviours as evident in an experimental study involving two groups of undergraduate students (Loo, 2006b, p. 139). A mixed-methods study (a survey and an experiment) also demonstrated the same findings except for tax audit which was found to be less effective for salaried taxpayers (Loo et al., 2009, p. 191). This may be because the schedular tax deduction is imposed on the majority of salaried taxpayers in Malaysia. However, the penalty rate appeared to be the most influential tax compliance determinant of tax compliance attitudes in a comparison study of taxpayers' compliance attitudes before and after the implementation of the SAS (Loo, 2006a, p. 223).

From the perspective of the non-taxpayers, more than half believed that it was unlikely for taxpayers to be caught by the IRBM if they were to evade (Ho et al., 2006, p. 52). The complexity, ambiguity and uncertainty of the tax system were also indicated to be among the factors which shaped individual tax compliance behaviour (Loo et al., 2010, p. 21). Despite the tax structure being evident to deter the non-compliance behaviour of taxpayers, the enforcement of the rules was viewed to be rather loose which may reduce the integrity of the IRBM in the eyes of

taxpayers. This was evident in a recent study that enforcement, in a form of monetary and non-monetary penalties and imprisonment, appeared to have no relationship with tax compliance in Malaysia (Loo and McKerchar, 2012, p. 100). A summary of the relevant Malaysian studies that relate to the current study is presented in Table 3.2.

Table 3.2: Malaysian Tax Compliance Studies[a] that Relate to the Current Study

Study (Year)	Method	Sample Size	Respondents	Variable				
				Rel	PoG	IwTA	SI	ToP
Ho and Loo (2006)	Administered survey	Not indicated	Students	-	x	-	x	x
Loo (2006a)	Mail survey	Pre – 350 Post – 589	Individuals	-	-	x	-	x
Loo (2006b)	Experiment	125	Students	-	-	-	-	x
Azmi and Perumal (2008)	Administered survey	390	Individuals	-	x	-	-	-
Choong and Lai (2008)	Administered survey	208	Tax Practitioners	-	-	x	-	-
Sia et al. (2008)	Mail survey	247	Individuals	-	x	-	x	-
Loo et al. (2009)	Mail survey Experiment Case study	939 125 74	Individuals Students Individuals	-	-	x	-	x
Loo et al.(2010)	Case study	74	Individuals	-	-	x	-	x
Saad (2010)	Administered survey	852	Individuals	-	x	-	x	-
Loo and McKerchar (2012)	Mail survey	143	Individuals	-	x	-	-	x

[a] Only empirical research involving individual taxpayers or perceptions that represent individual taxpayers.
* Religiosity (Rel), Perception of Government (PoG), Interaction with the Tax Authority (IwTA), Social Interaction (SI) and Threat of Punishment (ToP).
** The 'x' sign denotes the variable that was examined in the study.

3.4.6 Other Variables

3.4.6.1 Demographics

Gender is observed to have mixed influences on taxpayers' compliance attitudes. Clear evidence is apparent from a number of studies. There is a significant difference between the tax compliance attitudes of males and females in studies that use students as respondents but there is no significant difference between genders in terms of the change in their attitudes towards tax compliance after

completing a taxation course[22] (Kasipillai, Aripin and Amran, 2003, p. 141). Similar attitudes between males and females were found in face-to-face interviews conducted by trained research personnel with taxpayers in the northern states of Malaysia (Kasipillai and Abdul-Jabbar, 2006, p. 82). Despite the contrary findings, both studies revealed that males appeared to be less compliant than females, which was similar to a study that compared compliant and non-compliant respondents (Sia et al., 2008, p. 6). The contrasting findings are probably because the reference group of respondents differed between the studies and the perceptions of students may not truly reflect the actual perceptions of taxpayers (Weigel, 1987, p. 225).

The education level of taxpayers also acts as a key function to determine the factor that affects Malaysians' tax compliance attitudes. An academic qualification was evident to be one of the significant determinants of non-compliant attitudes among individual taxpayers (Kasipillai and Abdul-Jabbar, 2006, p. 83). Other demographic factors that influence individual taxpayers' compliance behaviours are age, ethnicity, employment status and income group. Most non-compliant taxpayers are older, self-employed and high income earners (Sia et al., 2008, p. 6). Ethnicity was reported in research using the personal interview method to have no influence on tax compliance behaviour even though Chinese and Indians were found to be more inclined towards positive attitudes compared to Malays (Kasipillai and Abdul-Jabbar, 2006, p. 82). Similarly, ethnicity had no relationship with taxpayers' compliance attitudes (Loo and McKerchar, 2012, p. 100). The reverse was true in a study by Loo (2006a, p. 223) regarding the impact of ethnicity on tax compliance and the Chinese remained the most compliant taxpayers among ethnic groups.

3.4.6.2 Moral/Ethics

Research by Kasipillai, Udin and Arifin (2003, p. 14) found support to link an individual's moral values or ethical behaviour and compliance intentions. It was evident from the findings that moral values and ethical behaviour of the taxpayers were significant factors in influencing tax compliance. Those who possessed strong

[22] The survey was conducted among undergraduate accounting students at Universiti Utara Malaysia.

ethical behaviour also showed a high level of compliance with tax laws. The findings from research conducted on non-taxpayers also agreed that under-reporting income and over-reporting deductions were considered unethical (Ho et al., 2006, p. 56) but non-taxpayers believed that such acts were being practised by most individuals. The majority also agreed that, if they were taxpayers, they would also believe that most individuals would consider tax compliance as a legal and social obligation. The same findings were found in a comparative study on compliant and non-compliant taxpayers (Sia et al., 2008, p. 9). The compliant taxpayers appeared to have slightly higher moral intensity compared to the non-compliant taxpayers. However, the results showed there was no significant difference between these two. Research on the influence of individuals' moral values seems to be neglected even though the need for exploring the non-economic factors was encouraged in the prior studies as discussed previously.[23]

3.4.6.3 Tax Knowledge

Taxpayers in Malaysia are observed to have a reasonable level of understanding in many aspects of tax law. Palil (2005, p. 20) found that the respondents' level of tax knowledge was average regardless of their levels of education, types of employment and ethnicity. He used part-time students as respondents since they were income earners and their education qualifications ranged between bachelor degrees and certificate level. However, a majority of the respondents in other studies were considered to have relatively low tax knowledge despite having tertiary education qualifications (Loo and Ho, 2005, p. 53) which was strongly supported by Palil and Lymer (2009, p. 21). Individuals' tax knowledge was found to be significantly influenced by ethnicity in a number of studies. While Indian students showed the greatest impact of tax knowledge on general evasion and personal evasion as compared to other ethnic groups (Kasipillai et al., 2003, p. 143), the Malay students were recorded as having the highest tax knowledge compared to others in a large scale national postal survey (Palil and Lymer, 2009, p. 18). Other

[23] See Section 3.2.1.

factors such as gender, religion and income group appear to have a strong impact on tax knowledge in Malaysia for individual taxpayers (Palil and Lymer, 2009, p. 32).

In order to evaluate the influence of tax education on tax compliance, Kasipillai et al. (2003, p. 144) distributed the same questionnaires to accounting students at the commencement of the semester and at the end of the semester. Tax case scenarios were used to measure behavioural dimensions of respondents on tax compliance. The statistical findings of the study confirmed the existence of a relationship between tax education and tax compliance. Similarly, tax knowledge was found to have a positive impact on tax compliance in a quasi-experiment employing undergraduate students as respondents (Loo, 2006b, p. 139).

This was also observable in a study that compared taxpayers' compliance attitudes before and after the implementation of the SAS by using the same questionnaire in pre- and post-SAS studies. Tax knowledge was found to affect tax compliance significantly after the implementation of the SAS (Loo, 2006a, p. 223; Loo et al., 2009, p. 201). Tax knowledge was also identified to be an important factor in influencing tax compliance behaviour particularly after the implementation of the SAS (Palil and Lymer, 2009, p. 38) and it was found that tax knowledge helped to improve taxpayers' compliance attitudes (Sheikh-Obid, 2008, p. 38). Therefore, it is no surprise that the lack of formal tax knowledge either at school or university levels and lack of a public campaign by the tax authority were most likely to be the main reasons for taxpayers' difficulty in making a distinction between legal tax planning and tax evasion (Choong and Lai, 2008a, p. 74). It was also apparent in a case study that the lack of tax knowledge leads to numerous errors in filling the tax return (Loo et al., 2010, p. 189). Overall, considerable attempts have been made by Malaysian researchers to understand the importance of tax knowledge in shaping the compliance attitudes of Malaysian taxpayers.

3.4.6.4 Tax Compliance Costs

The implementation of the SAS to replace the official assessment system[24] is considered by most tax professionals to increase taxpayers' tax burden by shifting some costs from the tax authority to taxpayers (Kasipillai and Hanefah, 2000, p. 120). The first study that attempted to identify individual taxpayers' compliance costs in Malaysia was conducted by Sapiei and Abdullah (2008, p. 228). They found that the monetary compliance cost for each individual taxpayer was relatively low (less than one percent of the total of taxpayer's personal income). This is probably because the majority of the respondents managed their own tax return. Only 29 percent of the respondents used the service of the tax agent in filing their tax return. The fee of the tax agent was found to be the highest cost in the calculation of tax compliance costs for individual taxpayers in that study. This is probably in line with the findings from a survey study conducted after the implementation of the SAS that most of the tax practitioners perceived that the SAS might "bring more business to them" (Lai and Choong, 2009, p. 12). In a different study that compared the costs of taxpayers who used e-filing and manual filing in the SAS, those using the manual filing incurred higher costs, mostly from the non-information technology costs such as travelling and postage (Ibrahim and Pope, 2011, p. 936). Little is known about individual taxpayers' compliance costs in Malaysia and it is interesting to note that no analysis was made in the prior research in terms of the impact of compliance costs on taxpayers' compliance attitudes.

3.4.6.5 Financial Constraints

Mixed findings have been discovered regarding the impact of financial position on taxpayers' compliance attitudes. A survey study suggested that financial constraints had no significant impact on taxpayers' attitudes either to comply or not to comply with the tax laws (Loo, 2006a, p. 223). However, the findings from a mixed-methods study (a combination of a survey, an experiment and a case study) found that, to some extent, financial constraints appeared to have an impact on individuals'

[24] The official assessment system is the former system in the Malaysian tax structure before it was replaced with the SAS.

compliance behaviour (Loo et al., 2009, p. 201). The financial constraint of taxpayers appeared to have a stronger influence on the self-employed taxpayers compared to the salaried taxpayers. Surprisingly, even though the same survey was used in both studies, contradictory findings were found. Probably, the employment of the mixed-methods in the later study provided more evidence that could modify the effect of the findings from the survey.

3.5 Chapter Summary

Despite a very large number of studies on individual taxpayers in various countries being undertaken, the puzzle of tax compliance remains unexplained. The blend of the economic and non-economic factors in tax compliance research probably offers the promise of richer learning in understanding the complex attitudes of taxpayers towards the tax paying issue. The role of the non-economic factors has been widely researched since the 1990s, such as taxpayers' perception of government, tax authority and society but the influence of religiosity on tax compliance had been largely overlooked. Only more recently, religiosity has been raised and discussed by a small number of researchers as one of the potential factors to influence tax compliance. However, most of these studies largely employed secondary data such as the WVS to examine the impact of religiosity on taxpayers' compliance attitudes.

More specifically, the development of the tax compliance research in Malaysia appears to be lagging somewhat behind compared to other countries, particularly developed countries. Further, to the best of the researcher's knowledge, religiosity has never been examined in Malaysia from a perspective of a single country as a factor that may influence tax compliance to provide a better picture of the attitudes of Malaysian individual taxpayers. Hence, it is apparent that further theoretical and empirical contributions are now needed to bridge the numerous gaps in the currently limited number of religiosity studies in the tax compliance area that have various deficiencies. The research design and methodology adopted for the current study is explained comprehensively in the following chapter.

CHAPTER 4

RESEARCH DESIGN AND METHODOLOGY

4.1 Introduction

This chapter focuses on the research design and the procedures of methods employed in this study. The research design was built on the prior research as outlined in Chapters 2 and 3 to address the research questions as presented in Chapter 1. This chapter begins with the research paradigm which fits into the current study and leads to a rationale of adopting a mixed-methods design drawn from both the quantitative and qualitative research methods. This chapter is divided into two main sections in explaining the two different methods carried out in this study. The first method explains the mixed-mode surveys namely drop-off and online surveys to collect quantitative data and the second method describes face-to-face interviews to collect qualitative data. The procedures of data collection are outlined along with the data analysis strategy for both methods.

4.2 Research Design

4.2.1 Background

The tax problem has been recognised as a multifaceted issue that can be explored in various disciplines in order to provide a holistic view of tax compliance problems (Lamb, 2005, p. 7). Incorporating more than one discipline in a study may offer better insights in order to gain a clearer understanding of taxpayers' complex behaviour particularly from a psychological perspective as stressed by several researchers (for example Kachelmeier, 1996, p. 87; McKerchar, 2010, p. 7). Arguably, despite the growing body of interdisciplinary work in tax research, the choice of employing an appropriate research method is primarily based on how the ontological and epistemological beliefs[25] of a researcher are positioned in a study (Hutchinson, 2010, p. 10). The foundation of these beliefs is the key to how a researcher views the world and develops an overall understanding.

[25] Ontology is the study of entities that form reality and epistemology is the way knowledge is acquired from the entities being examined (Creswell and Plano Clark, 2011, p. 42).

In a broader context of social sciences research, there are two distinct philosophical paradigms namely positivism and interpretivism. In the positivist approach, the social world is viewed objectively by the researcher and confirmed only by empirical means through a systematic process (McKerchar, 2010, p. 72). A deductive reasoning style is adopted where the argument is made from general principles to reach specific solutions. Generally, the positivist approach is equated with quantitative research such as a survey. In contrast, subjective interpretation of the social world is adopted in the interpretivist approach based on a researcher's viewpoint stemming from his/her beliefs, experiences and existing knowledge (Carroll and Swatman, 2000, p. 237). This approach embraces an inductive style of reasoning and leans towards qualitative research such as an interview.

Even though quantitative and qualitative research methods are commonly viewed as opposite extremes, it is argued that both approaches should be treated as two ends of a continuum (Newman and Benz, 1998, p. 19). This is because a study may incorporate both elements of quantitative and qualitative research that fits in the middle of the continuum. Typically, the philosophical paradigms underpinning this type of research are critical realism and pragmatism. The researcher in both paradigms seeks to understand the complexities of the world through different means that provide the best understanding of the problem (for example: Tashakkori and Teddlie, 1998; Morgan, 2007). These paradigms are commonly associated with research using mixed-methods.

4.2.2 A Mixed-Methods Approach

Since nearly all of the religiosity research in the tax compliance area has employed cross-cultural surveys such as the WVS,[26] exploring other methods may provide different ways of dealing with these entangled issues. Morgan (2007, pp. 73-74) encouraged all researchers to share their beliefs through a mixed-methods approach in strengthening the methodological issues as well as to create a sense of excitement in terms of research direction. This is because the strengths from one

[26] See Chapter 3, Section 3.2.2.

method can be used to counterbalance the others' weaknesses, particularly in interdisciplinary research such as taxation (McKerchar, 2008, p. 20). For example, quantitative data is argued to yield a weak contextual understanding of participants but its findings can be generalised to a bigger population. On the other hand, the voices of participants in qualitative data are directly heard but due to the limited number of participants, generalisation to a larger population is impossible. The contrasting methods thus complement each other in exploiting their strong points and minimising their disadvantages.

Additional insights are also required to further explain an incomplete understanding of a research problem from the initial results (Creswell and Plano Clark, 2011, p. 9). For instance, quantitative results may not only provide an overview of the relationships between variables but also an in-depth understanding from qualitative findings. In addition, the tools of data collection are unlimited and researchers are free to adopt any tool that is suitable for their particular study. Thus the quality of research may be improved if the right methods are chosen to address the right research problems (McKerchar, 2010, p. 170). Overall, a blend of different paradigms that leads to an adoption of the mixed-methods approach in a study may provide interesting findings from different perspectives.

During the early stage of this current study, views from two specialists in taxation and religiosity studies were sought. An informal discussion with an economist, Professor Bruno S. Frey from the University of Zurich, Switzerland was held on 28 January 2010 at Curtin University. Professor Frey is known for extending the standard economic framework by including other disciplines such as political science, psychology and sociology. One of his studies relates to critiques of an economic human[27] that argues against the excessive emphasis of extrinsic motivation rather than intrinsic motivation in economic issues. Suggestions and insights were gained from Professor Frey in terms of exploring religiosity from a different perspective as well as employing new methods to conduct this research.

[27] The economic human is a concept in economic theories that views a human as a rational person who pursues wealth for his/her own self-interest. This assumption has been widely used as a premise in many economic theories (Persky, 1995, p. 222).

Another informal meeting was held with an academic specialising in religiosity studies, Professor Majella Franzman, Pro Vice Chancellor of Humanities of Curtin University on 6 August 2010. The aim of this meeting was to determine the viability of employing a mixed-methods approach in researching sensitive issues particularly religiosity and taxation as well as to discuss the religiosity dimensions and statements adapted in this research. This was considered a fruitful meeting in clarifying the direction of this research.

After careful reflection, adopting a sequential explanatory design was considered appropriate in order to derive initial quantitative results from a survey with subsequent qualitative data to be obtained from face-to-face interviews (Creswell and Plano Clark, 2011, p. 82). Quantitative data from a survey allows a researcher to test the trends of the theoretical framework built on the previous literature such as relationships and causal effects between variables (McKerchar, 2010, p. 139). This is because comparing groups and relationships between variables are the central ideas of quantitative research (Punch, 2005, p. 67).

Consequently, qualitative data from face-to-face interviews offers rich information to help researchers to investigate the complexities of the subject matter and provides an opportunity to further explain the reasons behind the survey findings (McKerchar, 2010, p. 120). This may help to increase the reliability and validity of work in this field and provide additional perspectives to view taxpayers' complex behaviour. The outline of the research design is depicted in Figure 4.1. The subsequent sections discuss the procedures of the surveys employed in this research, followed by an overview of the face-to-face interview process.

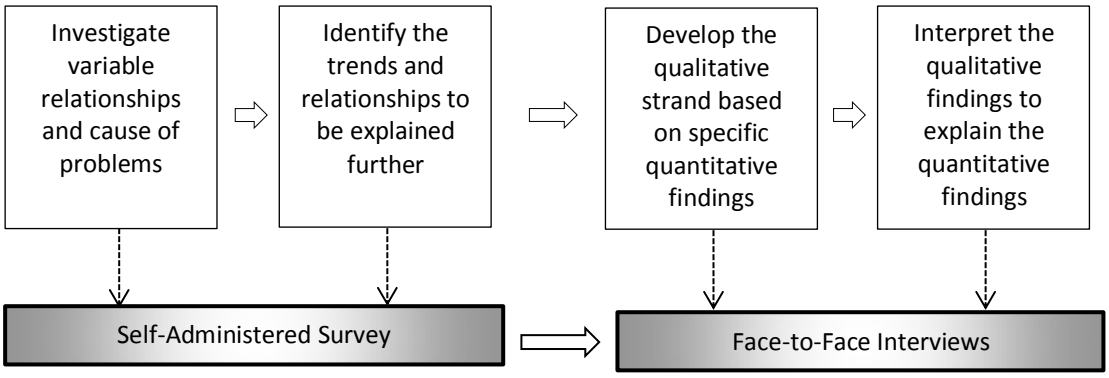

Figure 4.1. Research Design Outline
Source: Author

4.3 Survey

4.3.1 Introduction

The main principle of a survey is to gather original data directly from a population through a survey of a fraction of the population to reflect the larger population (Salant and Dillman, 1994, p. 4). It is regarded as an excellent method in rationalising an individual's attitude towards certain issues (Babbie, 2008, p. 270), hence a self-administered survey was utilised in this study for that purpose. Further, since the researcher's budget was limited, the employment of a survey was considered appropriate because it is known to involve minimal cost compared to other methods such as telephone interviews (Bourque and Fielder, 1995, p. 9).

Due to the involvement of sensitive topics, namely tax compliance and religious issues in this study, a self-administered survey was considered to be the best method because people are more likely to complete and provide responses anonymously (Lee, 1993, p. 75; Bourque and Fielder, 1995, p. 13). However, self-administered surveys are commonly associated with low response rates in comparison to interview surveys (de Vaus, 2002, p. 127). Improving survey response rates requires a better strategy by employing multiple methods. For example, the use of a mail survey and telephone interviews in the American Community Survey increased the response rate effectively with a low overall cost (de Leeuw, Hox and Dillman, 2008, p. 302). This probably reflects the increasing trend of employing

mixed-mode surveys in recent research (Dillman, 2007, p. 222). The next section explains the mixed-mode surveys employed in this study.

4.3.2 Mixed-Mode Surveys

Mixed-mode surveys are a combination of different methods to collect data for a single survey project. This type of survey was particularly chosen to avoid low response rates as well as to reduce cost (de Leeuw et al., 2008, p. 300). This is because Malaysians are known to be less likely to respond to surveys because most tax surveys in Malaysia particularly those that employed a mail survey have only managed to achieve a response rate on average of 20 percent such as 16 percent (Abdul-Jabbar and Pope, 2008, p. 9), 19.5 percent (Palil and Mustapha, 2011, p. 12867) and 24 percent (Abdul-Manaf, Hasseldine and Hodges, 2005, p. 213). Moreover, Malaysia's postage fees have doubled since July 2010 (The Star, 2010). Hence, a postal survey is no longer economical.

One of the most successful techniques to avoid low response rates in a survey is to employ a drop-off method (Dillman, 2007, p. 262). However, a drop-off survey is also considered to be costly since it requires travelling from one location to another for hand deliveries and retrievals of questionnaires (Zikmund, 2003, p. 219). Thus an online survey was then selected as a second method since it is known for its economic advantage as an inexpensive method (Van Selm and Jankowski, 2006, p. 437). It also provides respondents with a simple and efficient way to answer and submit responses. Even though the mode effects[28] are to be anticipated when mixed-mode surveys are employed, the impact is merely minimal (de Leeuw, 2008, p. 125). Thus both a drop-off and online survey were used in this study and the following sections discuss the implementation of both methods.

[28] The possibility of responses received from one mode may differ from responses received in the other mode (Dillman, Smyth and Christian, 2009, p. 451).

4.3.3 Sample Design

The current study only involved individual taxpayers in Malaysia comprising salaried and self-employed taxpayers. Individual taxpayers were selected as a sample in this study because, rather obviously, levels of religiosity can only be measured from a person not a company, based on his/her engagement in religious behaviour. In order to ensure all of the major religions in Malaysia were represented in this survey, respondents were selected based on their ethnicity. This approach is justified because ethnicity is commonly associated with religion in Malaysia (Lee, 2000, p. 27). For example, it is evident in Article 160 of the Constitution of Malaysia that a "Malay" is a person who adheres to Islam, normally speaks the Malay language and adopts Malay customs. Similarly, the majority of Chinese are Buddhists (89.8 percent), the majority of Indians are Hindus (87.9 percent) and a minority of both ethnic groups adhere to Christianity (about seven and three percent, respectively) (Department of Statistics Malaysia, 2011). Furthermore, identifying people based on their religion is quite impossible because religion is essentially a personal matter and hence ethnicity becomes their primary identifier.

The potential respondents were selected based on proportionate stratified sampling particularly for salaried taxpayers for the drop-off method. Proportionate sampling is part of a stratified random sampling method which provides equal or better precision of sample size. This was based on the ratio of ethnic group members in Malaysia according to the 2000 Census, namely Malays and other indigenous groups (66 percent), Chinese (25 percent), Indians (8 percent) and others (1 percent) (Department of Statistics Malaysia, 2001).[29] However, only three majority ethnic groups were included in the survey to represent the four major religions, namely Buddhism, Christianity, Hinduism and Islam in the Malaysian population. To ensure the representative of all types of individual taxpayers, self-employed taxpayers were also included in the survey as they are known to have a significant opportunity to evade tax (for example: Vogel, 1974; Wallschutzky, 1984).

[29] The latest Population and Housing Census of Malaysia 2010 data was not available when this study was carried out.

A convenience sampling method was used rather than a random sampling method because people are quite reluctant to participate in research relating to religious issues (Sood and Nasu, 1995, p. 4) and convenience sampling was considered much more likely to produce a valid number of responses.

Sample size is commonly determined by referring to a simplified table provided by Krejcie and Morgan (1970, p. 608). Based on this table, the sample size was determined to be 384 for a population of almost five million Malaysian individual taxpayers (Inland Revenue Board of Malaysia, 2010). Arguably, a sample size of between 150 and 200 is considered sufficient to describe a large population because an additional sample size will only provide a modest impact (Fowler, 1993, p. 35). Fowler (1993, p. 33) also suggested that a population of 15,000 or 15 million can be explained with only 150 respondents because the extent of its accuracy is the same**.** On this basis, the sample size of this research was considered adequate at 300. A total of 500 questionnaires were distributed to individual taxpayers by employing the drop-off survey method. Out of this total, 450 questionnaires were distributed based on the stratified sampling method as presented in Table 4.1 and the convenience sampling method was used for the remaining 50 questionnaires.

Table 4.1: Sampling Proportion using Stratified Sampling Method for the Drop-Off Survey

Ethnicity	Stratified Sample Size	Percentage of Population
Malays and other indigenous groups	300	66.0
Chinese	114	25.0
Indians	36	8.0
Others	-[a]	1.0
Total	450[b]	100.0

[a] Only three ethnic groups were included in the survey to represent the four major religions in the Malaysian population. Hence, other ethnic groups were excluded in the calculation of sample size.
[b] Only for salaried taxpayers, distributed using a drop-off survey based on stratified sampling.

Since most of the mail surveys in the prior Malaysian tax studies have only managed to achieve a response rate on average of less than 20 percent as indicated earlier,[30] the employment of a drop-off survey was expected to increase the response rate to

[30] See Section 4.3.2.

roughly 40 percent. This is because the response rate for the drop-off survey is expected to increase twofold as compared to the mail survey (Dillman, 2007, p. 262). This was evident in Saad (2010, p. 41) where an almost 38 percent response rate was obtained from Malaysian salaried taxpayers by employing this method in her study. The number of responses expected from this method was therefore 200. Another 100 responses were expected to be received through an online survey method. A survey link was forwarded for both salaried and self-employed taxpayers. Unlike the drop-off survey, obtaining representative samples for the online survey appeared to be a major problem and quantifying the expected responses seemed to be impossible. This was because the researcher has no control over the respondents (de Vaus, 2002, p. 128) particularly when a third party, for example a number of company representatives, were involved in the process of distributing questionnaires in this study.[31] The overall process of internet sampling is described by Zikmund (2003, p. 394) as "unique".

4.3.4 Ethical Consideration

Ethics approval was acquired prior to the distribution of the questionnaire from the Human Research Ethics Committee of Curtin University because of human participation in this study. This ensures that the research was conducted according to the established guidelines in order to maintain public confidence in the university's integrity as well as to protect the rights of individuals and their personal information. This approval was indicated in the cover letter and attached together with the questionnaire distributed to each person surveyed. A copy of the approval letter from the Human Research Ethics Committee of Curtin University is presented in Appendix H.

4.3.5 Pilot Study

A pilot study is commonly used to test a preliminary version of research instrument that might provide an indication of whether a proposed instrument is inappropriate or too complicated (Simmons, 2008, p. 202). Further, it also serves as a small scale

[31] A detailed explanation is provided in Section 4.3.8.

version that might give advance warning about potential problems during the fieldwork to prepare for a larger study (Zikmund, 2003, p. 63). For example, feedback from a pilot study is essential to ensure that the questions are eliciting the responses required, the wording is not ambiguous and is free of errors, and the instructions and guidelines of the questionnaire are clear. Hence, a pilot study was conducted with the aim of increasing the reliability of the questionnaire as well as to avoid any major problems during the implementation of the survey.

Two pilot studies were conducted as preparation for this fieldwork. The first pilot study was an email invitation to ask five PhD students in different areas to give comments and suggestions about the early draft of the questionnaire since it is common to try a questionnaire on friends or colleagues to get their critical input (Simmons, 2008, p. 202). The questionnaire was attached in the email. Out of this total, only three were willing to be involved in this pilot survey. Two of the respondents were Curtin University students from the Tax Policy Research Unit, School of Economics and Finance, and the School of Accounting. The third respondent was from the Business School of the University of Western Australia. Seeking others' opinions within the same and other academic areas was considered crucial in order to get different perspectives. This is because people in the same area might assist in increasing the clarity in the meaning of certain taxation terminologies in the context of taxation. People from different areas may try to understand the actual content of the questionnaire from a layperson's perspective and thus, misinterpretation of the question or statement can be avoided.

The feedback given by the respondents mainly encompassed three issues, namely layout, language and content. Firstly, the layout of the questionnaire was improved by placing a number (1 to 5) for each scale box in Sections B and C to provide a clear visual for respondents to choose their answers because numbers assigned to scale points appear to have a significant impact on respondents' answers (Dillman, 2007, p. 480). The questionnaire was reduced from 14 to eight pages for an ideal length by resizing the font size from 12 to 10. It was designed for a standard length in a range of four to 12 pages including a cover letter (Bourque and Fielder, 1995, p. 94).

Secondly, the language used in the questionnaire was simplified to avoid misunderstandings of the real meaning.[32] It was prepared with the aim of being easy for the respondents to understand by trying to avoid ambiguity, double-barrelled and leading questions (Salant and Dillman, 1994, p. 102). Finally, most of the statements which were adopted from the prior literature were amended according to the Malaysian context. For example, the general term for the "Inland Revenue Board" was replaced with the "Inland Revenue Board of Malaysia". Five self-developed religiosity statements were dropped from the questionnaire because they appeared to be very sensitive particularly to the Muslims in self-rating their religiosity levels and questioning their purpose of doing the prayer rituals.[33] In order to avoid sensitivity in this issue, broader religiosity statements were adopted.

A final pilot survey was conducted to test the research process, such as different ways of distributing and collecting the questionnaires. An email survey was sent to 50 potential respondents from the researcher's personal mailing list. Out of this total, only 15 responses were received after two reminders via email were sent in a month. Based on these low responses, it appeared to be inappropriate to employ an email survey in the actual study. This is because employing this method means respondents are required to have technical skills in completing and returning the questionnaire by opening the file, saving it after completion and attaching the saved file to the return email (Van Selm and Jankowski, 2006, p. 443), which definitely incurs more time. Furthermore, when a respondent uses the 'reply' function of an email program, the email address will appear as the sender's identity which will reduce the anonymity of the respondent. Hence, in order to avoid these potential problems, it was decided to distribute the actual surveys using the drop-off and online methods.[34]

[32] For example, the original statements adopted from Kirchler and Wahl (2010, p. 334), "When I pay my taxes as required by the regulations, I do so because I regard it as my duty as a citizen" was improved to "It is my duty as a citizen to pay taxes as required by the regulations" for less complexity and better understanding.
[33] Among the examples were "I believe that other people do consider me as a religious person", "Prayer is for peace and happiness" and "I pray mainly to gain relief and protection".
[34] See Section 4.3.2.

4.3.6 Questionnaire Design

The questionnaire design is a construct of a measuring instrument which involves the selection of appropriate format and layout, scales of measurement, question wording and ordering of the questionnaire (Salant and Dillman, 1994, p. 102). The questionnaire was originally prepared in English then translated into the Malay language as it is the first language for Malaysians. The translated version was checked by a language expert from the Centre of Language of International Islamic University Malaysia (see Appendix I). In order to ensure its accuracy, a reverse translation from the Malay language into English was also performed. In the layout of the questionnaire, the Malay translation was provided immediately after the English version for each of the sentences in order to provide a quick reference for complex terms such as tax compliance and tax evasion in the Malay language and to reduce the possibility of misunderstanding. Furthermore, separating two different versions in different pages was difficult in the online survey because a respondent was required to complete all questions before they could proceed to the next page.

The Free Online Surveys[35] software was employed to design the online survey based on the same questionnaire used in the drop-off survey method only with a slightly different layout (see Appendix J). This was to ensure the format of the questionnaires in both forms (paper and online) was almost identical as suggested by Dillman (2007, p. 232). The main reason was to avoid response bias since different responses may be expected from different visual layouts used in different survey modes (Dillman, 2008, p. 175). A plain design was adopted for the online survey to provide an easy visual to respondents because internet users tend to read quickly and prefer to scan rather than read the whole text thoroughly (Manfreda and Vehovar, 2008, p. 276).

This questionnaire employed three types of measurement scales, namely nominal, ordinal and interval. A nominal scale is simply a placing of data in a category without any order or structure such as gender or status of employment. This type of

[35] This is an online survey tool used in the current study.

scale is used solely for identification purposes (Zikmund, 2003, p. 296). An ordinal scale deals with no specific distance between one rank and another, for instance income groups. The interval scale was the main scale employed in this questionnaire. It was assumed to have an equal distance from one point to another which is mainly used to measure respondents' attitudes towards certain issues and is often referred to as a Likert scale (Simmons, 2008, p. 214). A five-point Likert scale is widely accepted particularly in taxation studies (for example: Pope, 1993; McKerchar, 2002; Abdul-Jabbar, 2009) and thus it was employed in this survey to measure respondents' attitudes towards tax and religiosity statements.

In order to encourage good responses from respondents, a cover letter was attached to attract respondents' attention and motivate them to complete the questionnaire particularly as the purpose of study was clearly explained and confidentiality was assured (de Vaus, 2002, p. 135). The questionnaire was also worded to encourage respondents to provide accurate and complete information particularly for tax and religiosity statements which are regarded as sensitive issues.[36] The sequence of the questions began with less complex questions and then proceeded to attitude-sought questions.[37] This is because placing direct questions about the respondent (particularly his/her attitude towards tax issues as well as his/her religiosity level) at the beginning of the questionnaire may discourage him/her from continuing and completing the questionnaire (Salant and Dillman, 1994, p. 110).

The questionnaire was divided into four sections. Section A was designed to obtain personal details of the respondent such as age, gender, ethnicity, religion, level of education, income group and employment status. Tax statements were placed in Section B to gather information about attitudes towards tax related issues including perceptions of the external environment, namely government, the tax authority and society. Section C was designed to measure the level of religiosity for each

[36] See Section 4.3.5.
[37] Questions asked to determine respondents' attitudes towards certain issues.

respondent based on a religiosity score. Section D gave the respondent the opportunity to make final comments and suggestions regarding this research.

4.3.7 Measurement

The proposed conceptual model drew from the previous work of tax morale includes the external and internal environment of an individual in influencing his/her willingness to comply with tax laws.[38] With the aim of measuring individuals' attitudes towards tax issues as well as to measure the religiosity scores of individuals, eight constructs were developed based on the compilation of multiple items from the literature review and self-developed items. The dependent variables were represented by voluntary tax compliance, enforced tax compliance and tax avoidance attitude constructs. The independent variables were religiosity, perception of government, interaction with the tax authority, social interaction and threat of punishment.

In Section B of the survey, a respondent was required to indicate his/her attitude regarding tax related issues specifically attitudes about complying with tax laws, and his/her perception of the external environment, namely government, the tax authority and society and the impact of the threat of punishment. However, tax rate was not included in measuring the threat of punishment variable. This is because, besides its less influential effect on taxpayers' compliance attitudes,[39] the maximum rates have remained between 29 and 26 percent since 2000 until 2011.[40] These tax statements were measured on a five-point Likert scale (1 = strongly disagree, 5 = strongly agree). From a total of 29 tax items, 22 items were adapted from a number of previous tax compliance studies and seven items were self-developed to reflect Malaysian society. The categorised items with the key reference for each item are shown in Table 4.2 and a complete list of the tax items employed in this survey is shown in Appendix K.

[38] See Chapter 3, Section 3.2.
[39] See Chapter 3, Section 3.3.
[40] Individuals in Malaysia are subject to individual income tax at progressive rates (Inland Revenue Board of Malaysia, 2012).

Table 4.2: Number of Tax Items According to Reference

Number	Number of Items	Reference
1.	5	Kirchler and Wahl (2010)
2.	11	Niemirowski and Wearing (2006)
3.	3	Verboon and van Dijke (2007)
4.	2	Braithwaite, Murphy and Reinhart (2007)
5.	1	Gilligan and Richardson (2005)
6.	7	Self-developed

Most of the earlier research in this area used church attendance as a measure of religious commitment (for example: Tittle and Welch, 1983). However, as Bergan and McConatha (2001, p. 32) have pointed out, it is inadequate to rely solely on religious attendance as a measure of religiosity, because it might lead to a vague or inaccurate judgement. An individual may go to a place of worship, for example, a mosque for a Muslim, church for a Christian or temple for a Buddhist or Hindu, because of other reasons such as to please others or to avoid social isolation. Thus it is inappropriate to conclude that those who frequently attend a place of worship are highly religious.

The multi-dimensional nature of religiosity has been recognised as providing a better understanding of its true nature (Wilkes, Burnett and Howell, 1986, p. 53). Grasmick et al. (1991, p. 263) suggested religious identity salience (strong religious beliefs) and church attendance be treated separately in measuring religiosity dimensions. Torgler (2006, p. 102) introduced the notion of multiple dimensions of religiosity such as church attendance, church participation, religious education, religious beliefs, importance of religion, religious guidance and trust in church to represent religious observance. However, Pope (2008, p. 74), in a review of Torgler (2007), pointed out the omission of a specific definition of a belief in God as a measure of the level of religiosity.

Religiosity seems to be a complex concept that includes not only behaviour and attitudes that can be observed but also beliefs, feelings and experiences that cannot be observed. Religious scholars and sociologists have failed to reach a consensus on whether adequate measures of individual religiosity can be developed (Hill and

Hood, 1999, p. 269). Thus researchers may decide on the number and types of religiosity dimensions that suit the nature of their particular research.

Religiosity in the current study is measured based on 10 religiosity items on a 5-point Likert scale (1 = not at all true of me, 5 = totally true of me), adapted from Worthington et al. (2003). These items are less specific in order to try to avoid bias against certain religions. This is because many previous studies (for example: Stack and Kposowa, 2006; Torgler, 2006) have had a tendency to use specific questions which may not be applicable to all religions as discussed earlier.[41] These items were divided into two religiosity commitments, intrapersonal and interpersonal, as presented in Table 4.3. An individual with a score of 38 or higher out of a total score of 50 (30 from intrapersonal and 20 from interpersonal religiosity items) is considered to be highly religious (Worthington et al., 2003, p. 94).

Table 4.3: Items for Religiosity

Number	Commitment	Item
1.	Intrapersonal	I rarely try to live all my life according to my religious beliefs.
2.		I rarely read books and magazines about my faith.
3.		Religion is very important to me because it answers many questions about the meaning of life.
4.		It is important for me to spend periods of time in private to think and reflect on my religion.
5.		I spend time trying to enhance my understanding of my faith.
6.		Religious beliefs do not influence most of my dealings in life.
7.	Interpersonal	I do not enjoy spending time with others of my religious affiliation.
8.		I rarely join the activities of my religious organisation.
9.		I keep well informed about my local religious group and have some influence on its decisions.
10		I make financial contributions to my religious organisation.

Source: Adapted from Worthington et al. (2003, p. 94)

4.3.8 Data Collection Procedures

The questionnaire distributions were divided into two phases. Initially, intermediaries from 20 companies (public and private) in Kuala Lumpur and Putrajaya, Malaysia were contacted to get their permission and agreement to distribute the questionnaires on the researcher's behalf to salaried taxpayers. Out

[41] See Section 3.2.2.

of this number, a total of 17 companies, consisting of seven public and 10 private, agreed to be involved in the survey. They were given the choice to either use a drop-off survey using a printed questionnaire or online survey using a survey link. All seven public companies and six of the private companies opted for the drop-off survey, while the remaining private companies opted for the online survey for convenience reasons. The details are presented in Table 4.4.

Table 4.4: Types of Company for Self-Administered Survey

	Drop-Off Survey	Online Survey
Public company	7	6
Private company	-	4
Total	7	10

The first phase of data collection for the drop-off survey commenced in January 2011. A total of 450 questionnaires were personally delivered to the company intermediaries to be distributed to their staff and collected back after two weeks. Two follow-up reminders were sent via email to the intermediaries in the first and second weeks. One week is considered to be an appropriate interval of time to remind the respondents to attempt the questionnaires (Dillman, 2007, p. 179). The phrasing of the reminder was carefully worded to convey the importance of the survey which was solely for educational purposes. Through the intermediaries, appreciation was shown to respondents who had already participated. Another 50 questionnaires were also personally distributed to self-employed taxpayers by the researcher and collected a week later when they had completed the questionnaire. Personal phone calls were also made as reminders and to set pick-up dates. However, some of the self-employed taxpayers were not willing to participate in this survey due to the involvement of tax issues even though the purpose of the study was clearly explained. This observation was based on the researcher's experience during the process of distributing the questionnaires to self-employed taxpayers.

The second phase of data collection started a month later in February 2011. A survey link was emailed to the companies' intermediaries who had opted for an online survey to be forwarded to their staff. For self-employed taxpayers, the

survey link was emailed to them personally by the researcher. Three reminders were sent weekly via email to the intermediaries for salaried taxpayers and directly to self-employed taxpayers (see Appendix L). The same survey link was attached in these emails to keep reminding them about the questionnaires. This is because reminders about an online survey are expected to reduce the respondents' tendency of postponing and totally forgetting to complete the questionnaire (Van Selm and Jankowski, 2006, pp. 447-448). In spite of these efforts, the process of collecting questionnaires from this phase still needed to be extended until April 2011 to meet the minimum sample size required of 300.[42]

4.3.9 Non-Response Bias

A non-response bias test was performed to check for the possibility of response bias in the sample. The extrapolation method was used in this test with an assumption that those who answered later were grouped as non-respondents and the late respondents were defined as responses generated by "successive waves" of a questionnaire (Armstrong and Overton, 1977, p. 397). A "wave" refers to responses received after a follow-up reminder for example via email. The minimum number of late respondents is suggested to be 30 in order to ensure a sound explanation can be provided with sufficient data, statistically and practically (Lindner, Murphy and Briers, 2001, p. 52). If there was no significant difference between these two groups, no bias was considered to have occurred in this sample. Thus the mean derived from the *t*-test analyses from the two groups of 30 respondents was compared between the early and later group of responses.

4.3.10 Data Analysis

The data collected from both drop-off and online methods was analysed using the Predictive Analytics Software (PASW) statistics package, originally known as the Statistical Package for Social Sciences. Data from the drop-off survey method was manually coded and entered in a PASW data file. On the other hand, data from the online survey was available in a spread-sheet because it was directly entered into

[42] See Section 4.3.3.

an electronic file when the respondents filled in the questionnaires. Data from both methods then was combined in a data file for data analysis purposes. The negative items were reversely coded to ensure the consistency of all items. The reverse-phrased items are important to reduce response bias (Field, 2009, p. 675).

Data was mainly analysed using descriptive statistics, correlation and regression analyses. Overall, descriptive analysis, simply stated as the frequency, mean, median (med) and standard deviation (SD), was used to describe the background of each respondent such as his/her demographic and socio-economic status. This type of data was also used to provide a snap shot of respondents' perceptions and attitudes to tax issues. A total religiosity score was calculated by adding up the 10 religiosity items for all individuals to determine their religiosity level. In addition, the *t*-test was used to compare means between two different groups and cross-tabulation was employed to examine any basic interaction between variables.

The relationships between variables were tested using correlation analysis based on the Pearson correlation coefficient (*r*) and *p* value. All of the independent variables, namely religiosity, perception of government, interaction with the tax authority, social interaction and threat of punishment, were tested against the dependent variables, namely voluntary tax compliance, enforced tax compliance and tax avoidance attitude. The relationships between religiosity and other independent variables were also analysed.

In order to predict the determinants for the tax compliance variables, multiple regression analyses were carried out for each dependent variable, namely voluntary tax compliance (Model 1), enforced tax compliance (Model 2) and tax avoidance attitude (Model 3). The beta value (β) or standard regression coefficient is a measure of the strength of the independent variables influence on a dependent variable. The R^2 is a value that can explain the success of the model predicted. However, R^2 tends to somewhat overestimate the success of the model; hence, an adjusted R^2 was used to provide a realistic measure by considering not only the variables in the model but the observations of the model.

The moderation analysis was performed to examine the impact of religiosity as a moderator variable. The types of moderator can be determined based on two dimensions of characteristics, namely the relationships with the criterion variable and the interaction with the predictor variable. As shown in Figure 4.2, only a variable in Quadrants 2, 3 and 4 can be regarded as a moderator. The function of the moderator variable in Quadrant 2 is to alter the strength but the variable in Quadrants 3 and 4 is to influence the form of the relationship between the criterion variable and predictor variable (Sharma, Durand and Gur-Arie, 1981, p. 292). The moderation analyses were only performed for the variables in Quadrants 2, 3 and 4.

	Related to Criterion and/or Predictor	Not Related to Criterion and Predictor
No Interaction with Predictor	1 Intervening, Exogenous, Antecedent, Suppressor, Predictor	2 Moderator (Homologizer)
Interaction with Predictor	3 Moderator ("Quasi" Moderator)	4 Moderator ("Pure" Moderator)

Figure 4.2. Typology of Specification Variables
Source: Adapted from Sharma et al. (1981, p. 292)

Even though structural equation modelling is typically preferred for moderation analysis, hierarchical moderated multiple regressions analysis was employed in this study given the sample size can be considered relatively small compared to the requirement of the structural equation modelling (Holmbeck, 1997, p. 600). However, appropriate regression techniques may also provide required and useful information. In the moderation analysis, the multicollinearity[43] problem is considered to be one of the main issues because it can produce "bouncing betas" that can change the direction of the beta terms from positive to negative relationships or vice versa (Kim, Kaye and Wright, 2001, p. 67). Thus the variables were centred in order to reduce the impact of multicollinearity by subtracting the mean of the variable from each individual score of the variable. This process does

[43] See Chapter 5, Section 5.2.2.4 for confirmation of no violation of multicollinearity as shown in Appendix R.

not modify the significance of the interaction or even the values of the simple slopes (Holmbeck, 2002, p. 89).

In the first level, the criterion variables of external factors, namely the threat of punishment, perception of government, interaction with the tax authority and social interaction, were entered. In the second level, religiosity was entered. In the third and final level, interaction terms (external factors multiplied by religiosity) were entered to investigate a possible interaction between external factor variables and religiosity in predicting tax compliance. The incremental R^2 value was compared between original and moderated relationships; if it is statistically significant, then a moderating effect is present (Hair, Black, Babin and Anderson, 2010, p. 181).

4.4 Interviews

4.4.1 Introduction

An interview is a powerful way to access people's perceptions, meanings and definitions of situations as well as constructions of reality (Punch, 2005, p. 168). Even though an interview is basically known as the art of asking questions and receiving responses, there are different purposes of doing an interview in a qualitative research context. The continuum model for interviews describes a number of different types of interview in order to cater for different degrees of structure involved (see Figure 4.3). The researcher needs to select an appropriate type of interview to align it with the strategy, purposes and research questions (Fontana and Frey, 1994, p. 373). Since the main purpose of the interviews in this study was to explain the findings in a survey, therefore a semi-structured interview which can be conducted with a fairly open framework was selected for that purpose.[44] A semi-structured interview is more flexible compared to a structured interview. Even though the topic for investigation has been set up to be a structured interview, this method allows the researcher to explore the emergent

[44] Initially, a focus group method was considered to be the main tool in this qualitative research. However, after a discussion with a focus group expert Dr Josephine Muir and all the participants in an "In-Depth Look at Focus Groups" workshop at Curtin University on 21 September 2010, it was decided to change it to face-to-face interviews due to the involvement of two sensitive issues, namely religiosity and taxation. Furthermore, the involvement of different religions in this study might further complicate the implementation of a focus group method.

themes and ideas rather than relying on questions prepared before the interview (Simmons, 2008, p. 247). The questions are asked in the same order for all participants so that comparisons can be made. However, there is still room to probe relevant information through additional questions.

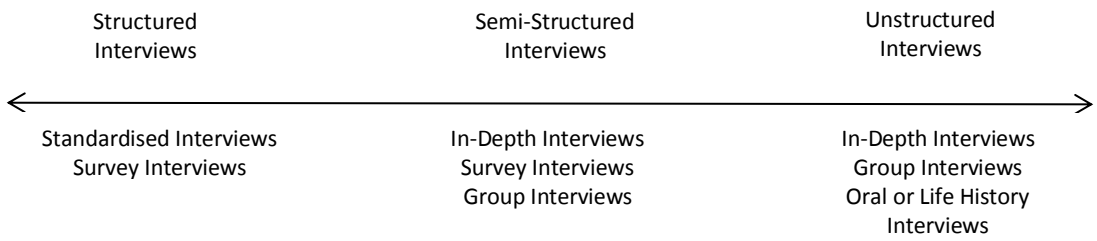

Figure 4.3. The Continuum Model for Interviews
Source: Adapted from Minichiello, Aroni, Timewell and Alexander (1990, p. 89)

A face-to-face interview was particularly chosen as a tool for this research. It is defined as a direct personal interaction between two persons for a specific task guided by a set of questions (Loosveldt, 2008, p. 201). These interactions help the researcher to obtain detailed information from participants by letting participants provide feedback particularly when dealing with sensitive issues (Zikmund, 2003, p. 200). Since taxation and religiosity are considered delicate issues, the researcher needs to be perceptive, respectful and sensitive during the process of collecting data in order to encourage participants to provide sincere and honest answers. Hence, the participants were asked to provide their views based on the impact of these issues on people in general rather than on themselves. In addition, the researcher needs to prevent her own religious values interfering with the participants' answers because even if the researcher and participants adhere to the same religion, their beliefs and practices may not be identical (Rey, 1997, p. 176). The researcher also has a good opportunity to probe the unclear or short answers provided by participants by helping the participants to talk about their views and experiences (Zikmund, 2003, p. 201). Missing data is less likely to occur during a face-to-face interview because the chances of suddenly ending the interviews are unlikely. It is unlike a telephone interview where participants have the opportunity

to disconnect the phone to terminate the interview (Loosveldt, 2008, pp. 211-212). The following sections explain the procedures of the interviews.

4.4.2 Sample Selection

To best understand the conflicting issues of taxation and religiosity faced by individual taxpayers in Malaysia, the researcher chose Malaysian individual taxpayers who had a minimum of three years' experience as a taxpayer and who adhered to different religions to participate in this study. They were deemed to have sufficient experience to share with the researcher in providing critical opinions and comments regarding the Malaysian tax system. The same company intermediaries that were involved in the previous surveys were contacted to obtain a list of potential participants who were willing to be interviewed. Based on the list, the interview participants were selected based on their ethnicity[45] to ensure all views from different religions were heard and gathered to explain the issues arising from the survey. This type of sampling is known as "purposive sampling" (Punch, 2005, p. 187) or "purposeful sampling" (Creswell and Plano Clark, 2011, p. 173). This describes the intentional selection of participants as a central phenomenon to be explored in the study. The potential participants were identified and contacted via email one month before the interviews were conducted. The purpose of the study was clearly explained in the email to encourage their involvement. Out of 20 participants approached, only 15 agreed to be involved in these interviews. The details of the potential participants according to their ethnicity and religion are presented in Table 4.5.

Table 4.5: Potential Participants for Interviews

	Muslim	Buddhist	Christian	Hindu	Total
Malay and other indigenous groups	5	-	2	-	7
Chinese	-	3	1	-	4
Indian	-	-	1	3	4
Total	5	3	4	3	15

[45] See Section 4.3.3.

4.4.3 Interview Instrument Development

A series of open-ended questions was developed as an interview instrument for the semi-structured interview sessions. These questions were designed after the survey findings were finalised in order to identify the issues that needed to be further explained and clarified. These included issues related to tax compliance, religiosity, governance, tax authority, society and the threat of punishment. The participants were encouraged to come up with suggestions for improving the tax system in Malaysia, particularly regarding tax compliance. Prior to the interviews with the participants, the interview questions were pilot tested to ensure the suitability of the interview questions and procedures. A copy of the interview instrument is attached in Appendix M.

4.4.4 Data Collection Procedures

Two weeks prior to the interviews, another email was sent to the potential participants in order to prepare an interview schedule. Brief information regarding the topic coverage, duration of interview and assurance of confidentiality was clearly stated in the emails. Dates, times and venues for all 15 potential participants were set accordingly. During the interviews, participants were given an information sheet (Appendix N) for them to read and a consent form (Appendix O) for them to sign. They were aware of their rights to withdraw at any time with no reason during the interviews and they agreed to be tape-recorded. Recording the interview sessions was crucial so that all relevant information could be easily accessed afterwards when the recorded interview sessions was transcribed. This process may increase the validity of data gathering as compared to relying solely on note taking (Fielding and Thomas, 2008, p. 257).

The interviews were conducted in either English or Malay, depending on the participant's preference. The main reason was to allow the participants to feel comfortable and confident in expressing their views during the interviews. The interview instrument was used as a guide to ensure that all required questions were answered by the participants and unclear answers were probed for better

clarification. Before each of the interviews ended, the data gathered was cross-checked by repeating the main ideas generated from the interview to confirm the accuracy of the information given by every participant and each was given the opportunity to provide any additional information. The duration of each session was about 30 to 45 minutes. The interviews were successfully conducted with only 14 participants because one participant cancelled his appointment with the researcher at the last minute. Hence, no replacement was made.

4.4.5 Data Analysis

Qualitative data analysis commonly involves a process of discerning, examining, comparing, contrasting and interpreting meaningful patterns or themes. As emphasised by Gaskell (2000, p. 53), this process involves making sense out of text in understanding the real situation based on the research questions. The qualitative data analysis procedures were adapted based on Creswell's (2009, p. 185) recommendation according to the following steps. First, the recorded interviews were fully transcribed by the researcher in a text form after listening to the recording several times for each participant. Data was manually analysed by the researcher because the number of participants was quite manageable. Data was checked, sorted and arranged according to each question for better organisation. Second, a complete text data was read and re-read to get the broad idea of the information. During this process, some common thoughts about the data were written down.

Third, the coding process involved the process of grouping data from the text data into themes. This is the core of qualitative analysis (Creswell, 2009, p. 208). The phrases, sentences or paragraphs were grouped into codes, and codes were grouped into broader themes. Themes then were grouped into larger perspectives. These themes were labelled with certain terms used by the participants. Since some of the interviews were conducted in the Malay language, the original language was retained in the text but the phrases, sentences or paragraphs extracted from the text were translated into English. The researcher was mindful in translating the

excerpts to avoid deviation of the real meaning. Having descriptive codes from the predetermined themes and inferential codes from emergent themes, the codes were refined, merged, moved and deleted based on their patterns (Punch, 2005, p. 200).

In the fourth step, the descriptions of the participants based on their particulars were generated. This was important to relate to the identified themes in establishing relationships. Fifth, the findings were discussed by presenting themes, sub-themes and specific quotations. The patterns and relationships within and between groups were identified and variations were highlighted. Tables and figures were developed to illustrate these relationships across two or more groups. Finally, the interpretation of data was made based on the findings presented by providing the possible meaning from the perspective of the research problem, the literature review and the researcher's personal experiences (Creswell and Plano Clark, 2011, p. 209). The process of data analysis is depicted in Figure 4.4.

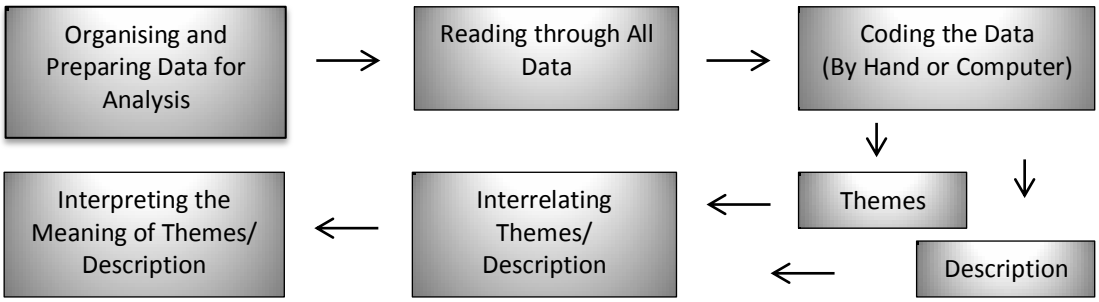

Figure 4.4. Data Analysis in Qualitative Research
Source: Adapted from Creswell (2009, p. 185)

4.5 Chapter Summary

This chapter describes the research paradigm, design and methods adopted in this study to address the research objectives. The philosophical paradigms for this study largely sit between critical realism and pragmatism to describe the mixed-methods approach employed in this study. The sequential explanatory design was chosen to gather quantitative data from a survey, followed by face-to-face interviews to explain the trends and patterns derived from the initial data. This chapter was

divided into a discussion of these two research methods. The first method involved a mixed-mode of a drop-off and an online survey and the second involved a face-to-face interview. The implementation for both methods, including the instrument designs, sample selections, data collection procedures and data analysis, were discussed comprehensively. The combined findings for both surveys and the findings from the interviews which related to individual taxpayers' perspectives on tax compliance, religiosity and other external factors issues are presented in Chapters 5 and 6, respectively.

CHAPTER 5

DATA ANALYSIS AND FINDINGS OF SURVEYS

5.1 Introduction

This chapter presents the findings of data analysis collected from the mixed-methods research.[46] The results of these two different methods, namely surveys and interviews, are discussed separately in two chapters to address the research questions discussed in Chapter 1.[47] The analysis of quantitative data from the self-administered survey (a combination of data from the drop-off and online surveys) is presented in this chapter. The analysis of the qualitative data from the face-to-face interviews is presented in the following chapter.

5.2 Self-Administered Survey

5.2.1 Introduction

As discussed earlier,[48] the self-administered survey was distributed using two methods. The findings from both methods were combined for the purpose of data analysis.[49] The analyses are divided into two main sections, namely preliminary findings and main findings.

5.2.2 Preliminary Findings

5.2.2.1 Introduction

The following sections discuss all the stages involved in the preliminary process of data analysis with regard to the responses obtained, data screening processes, non-response bias analysis and background of the respondents.

[46] See Chapter 4, Section 4.2.2.
[47] See Chapter 1, Section 1.3.
[48] See Chapter 4, Section 4.3.2.
[49] This approach may be criticised on statistical grounds but it is considered appropriate because some people were reluctant to be involved in this study due to the sensitive issue of religiosity.

5.2.2.2 Response Rate

Out of a total of 500 questionnaires distributed to salaried and self-employed individuals via the drop-off survey, 197 usable responses were received and these responses yielded a 40 percent response rate after considering the unusable responses. The online survey generated 121 responses and of those, only 105 were usable. However, the response rate for the online survey was unobtainable. This is because calculating the sample who chose not to respond in the online survey was not possible (de Vaus, 2002, p. 128), particularly when the representative of each company was involved in the process of distributing the questionnaire as indicated earlier.[50] Detailed information of responses for these two methods is presented in Table 5.1.

Table 5.1: Sample Frame and Response Rate for Drop-off Survey and Online Survey

	Drop-Off Survey	Online Survey	Total
Gross sample frame	500	-	-
(-) Unusable responses	8	16	24
Net sample frame	492	-	-
Responses	205	121	326
Usable responses	197	105	302
Usable response rate (%)	40	-	-

As shown in Table 5.1, all the unusable responses from both methods were due to significant incompleteness. In almost two-thirds of these responses, only the first part of the questionnaire (Section A - personal details), was completed. In the remaining responses, only half of the questionnaire was completed certain parts of Section B - tax attitudes and Section C - religiosity dimensions was left totally blank. The respondents may be hesitant to fully participate and reveal their confidential information since the scope of this research involved two sensitive issues, namely tax compliance and religious issues. In addition, the online survey, particularly the web survey, was often terminated by respondents even before the completion (for example: Sax, Shannon and Bryant, 2003, p. 424; Dillman, 2008, p. 171). The total usable responses from these two methods was therefore 302.

[50] See Chapter 4, Section 4.3.8.

The responses from these two methods were combined[51] because the same questionnaire was used in both methods and higher responses from a survey were expected to accurately represent the sampled population (Kanuk and Berenson, 1975, p. 440). Further, the empirical evidence from the *t*-tests show that there were no significant differences in any of the data derived from the two methods, for example ($t(300)_{VTC}$= 0.91, p = n.s.), ($t(300)_{PoG}$ = 1.32, p = n.s.), ($t(300)_{IwTA}$ = -0.40, p = n.s.) and ($t(300)_{SI}$ = -1.26, p = n.s.). The overall Cronbach alpha for the drop-off and online surveys also indicated reliable responses with 0.815 and 0.786, respectively.

5.2.2.3 Response Representativeness

Proportionate stratified sampling was employed in the drop-off survey in an attempt to have representative sampling from all ethnic groups.[52] However, the responses received from the survey do not accurately reflect the real proportion of the population. The group of Malays and other indigenous groups accounted for a higher percentage than the true proportion, as compared to the other two ethnic groups. This is apparent in a comparison of actual responses with the population of Malaysia as shown in Table 5.2. The possible explanation may relate to the issues of cultural differences between ethnic groups, as argued by Lyness and Kropf (2007, p. 221), that different types of cultures may generate different levels of response rate.

Table 5.2: Comparison of Respondents from Proportionate Stratified Sampling with Malaysia's Population by Ethnic Groups

Ethnicity	Stratified Sample Size	Actual Responses	Percentage of Actual Responses	Percentage of Population
Malays and other indigenous groups	300	139	79.0	66.7
Chinese	114	29	16.5	25.3
Indians	36	8	4.5	8.0
Total	450[a]	176	100.0	100.0[b]

[a] Only for salaried taxpayers, distributed using the drop-off survey based on stratified sampling.
[b] The total is based on only three ethnic groups.

Similarly, a comparison between the total responses from the drop-off and online surveys with the responses from the proportionate stratified sampling indicates

[51] See Section 5.2.1.
[52] See Chapter 4, Section 4.3.3.

comparable percentages for all three ethnic groups as illustrated in Table 5.3. Even though the samples are not a perfect representation of the population of Malaysia, the ranking by ethnic group percentage is similar to the true proportion. Overall, the survey samples reflect Malaysia's population to an acceptable level.

Table 5.3: Comparison of Respondents[a] from Total Responses with Malaysia's Population by Ethnic Groups (2000)

Ethnicity	Responses from Drop-Off Survey (%)	Responses from Online Survey (%)	Total Responses (%)	Responses from Stratified Sampling (%)	Malaysia's Population (%)
Malays and other indigenous groups	49.0	29.1	78.1	79.0	66.7
Chinese	13.1	2.7	15.8	16.5	25.3
Indians	2.7	3.4	6.1	4.5	8.0
Total	64.8	35.2	100.0	100.0	100.0[b]

[a] n = 302.
[b] The total is based on only three ethnic groups.
Source: Extracted from (Department of Statistics Malaysia, 2001)

5.2.2.4 Data Screening

Prior to analysis, data screening was conducted to check the accuracy of data entry, missing values, outliers and normality. Frequency was used to check whether data was correctly entered and the identified errors were then checked with the hard copy data for confirmation before any amendments were made. Frequency was also used to detect the number of missing values for each variable. Twenty four cases with a majority of missing values derived from dependent variables were deleted[53] in order to avoid the possibility of fake relationships with independent variables (Hair et al., 2010, p. 48). After deletion, mean substitutions were used to replace the remaining missing values in the current study because this approach is best used when the percentage of missing values is relatively small (Hair et al., 2010, p. 55). The number of missing values according to items is shown in Table 5.4.

[53] Details of these cases are explained in Section 5.2.2.2.

Table 5.4: Number of Missing Values According to Tax and Religiosity Items[a]

	Tax22	Tax28	Rel1	Rel6
Valid	301	300	300	299
Missing	1	2	2	3

[a] See Chapter 4, Section 4.3.7.

The outliers, namely observations that lie outside the normal data in a population, were identified. However, they were retained because their values were considered representative of the population since they fell into a group of "not particularly high or low but unique in their combination of values across the variables" as suggested by Hair et al. (2010, p. 65). Data is also assumed to be normally distributed based on the skewness values between -1 and +1 and kurtosis values between -3 and +3 for all independent and dependent variables (Hair, Money, Samouel and Page, 2007, p. 321). The skewness and kurtosis values for each item are shown in Appendix P.

Factor analysis was used to reduce a large number of items into a lower number of variables. It extracted the maximum common variance from all items and put this into a common score. Data in this study was extracted using principal component analysis with the varimax rotation method. Variables with an eigenvalue more than one were retained and items with loadings less than 0.40 were suppressed in the output as suggested by Field (2009, p. 661). Seven components emerged from this analysis and were named as voluntary tax compliance (VTC), enforced tax compliance (ETC), tax avoidance attitude (TAA), perception of government (PoG), interaction with the tax authority (IwTA), social interaction (SI) and threat of punishment (ToP) (KMO = 0.80; Bartlett's Test of Sphericity p = 0.00). A value of Kaiser-Meyer-Olkin (KMO) close to 1.0 indicates that the sampling is adequate for a satisfactory factor analysis (Field, 2009, p. 647). The rotated factor matrix is presented in Appendix Q.

The reliability tests were performed for each of the components. The measurements employed in this exploratory study are deemed to be reliable and internally consistent for most of the components with the acceptable value of 0.6 for the Cronbach alpha coefficients (Hair et al., 2010, p. 125), as presented in Table

5.5 except for one component. A Cronbach alpha less than 0.6 may be explained by a small number of items on a scale as argued by Cortina (1993, p. 103).

Table 5.5: Reliability Coefficient of Components

Component	Number of Items	Cronbach's Alpha
Perception of Government	7	0.84
Voluntary Tax Compliance	5	0.75
Enforced Tax Compliance	4	0.73
Interaction with the Tax Authority	3	0.73
Tax Avoidance Attitude	4	0.67
Threat of Punishment	4	0.61
Social Interaction	2	0.58

The variables that emerged from factor analysis were also examined based on four assumptions, namely normality, homoscedasticity, multicollinearity and linearity, which underlie a regression analysis. Firstly, the distribution of data is considered normal because the skewness and kurtosis values were in a range of -1 to +1 and -3 to +3, respectively (Hair et al., 2007, p. 321). Secondly, results of Levene's test indicate that the spread of values are considered equal for all variables from highly and less religious groups and thus homoscedasticity or homogeneity of variance can be assumed. The findings of normality and homoscedasticity are shown in Table 5.6. Thirdly, there is no violation of the multicollinearity assumption since the values of the correlation matrix between items are less than 0.8 (see Appendix R) (Field, 2009, p. 224). Finally, linearity between independent and dependent variables is identified through the examination of scatter-plots as presented in Appendix S. There is no obvious evidence of non-linearity in all variables.

Table 5.6: Findings of Normality and Homoscedasticity According to Variables

Variables	Skewness	Kurtosis	Levene's Test	
			F	*p*
Voluntary Tax Compliance	-0.51	0.74	1.22	n.s
Enforced Tax Compliance	-0.45	0.05	1.25	n.s
Tax Avoidance Attitude	-0.15	-0.33	1.85	n.s
Threat of Punishment	0.27	0.12	0.04	n.s
Perception of Government	0.20	0.08	2.81	n.s
Interaction with the Tax Authority	-0.47	1.28	0.45	n.s
Social Interaction	-0.26	-0.61	0.09	n.s
Religiosity	-0.27	0.04	1.75	n.s

5.2.2.5 Non-Response Bias Analysis

The *t*-test analyses were performed to compare the early responses and late responses to confirm whether there was any non-response bias on the samples.[54] All 29 items of tax attitudes and other factors were used to compare the respondents' responses based on the mean, standard deviation and the two-tailed *p* value. Thirty samples were selected from each group for the drop-off and online survey methods based on the first and last 30 samples received to represent the early and late responses. The findings from these analyses demonstrate that the majority of the items in both sample groups, namely the drop-off and online survey methods, had a *p* value of more than 0.05 which indicates that there was no significant difference between the two groups. However, there were two items from the drop-off survey and one item from the online survey which indicated a *p* value of less than 0.05 as shown in Appendices T and U. This may be due to a small number of responses gathered for both methods[55] since a small sample size increases the potential of non-response bias (Kotaniemi et al., 2001, p. 816). Overall, the effect of non-response bias in the samples is considered minimal.

5.2.2.6 Profile of Respondents

The combination of results from the drop-off and online surveys is discussed and presented in the following sections. The majority of the responses received were from respondents who were aged below 45 years (80 percent) and the remaining respondents were 45 years old and above (20 percent). The ratio of gender was roughly balanced. As shown in Table 5.7, the comparison of data between the population of Malaysia (Department of Statistics Malaysia, 2011) and the current study indicates that even though the respondents of this study do not represent the true proportion of Malaysia's population, the rank according to the age group appears to be similar. However, both male and female respondents in the age group of 25 to 44 significantly outnumber the actual percentage of Malaysia's population.

[54] See Chapter 4, Section 4.3.9.
[55] See Section 5.2.2.2.

Table 5.7: Comparison of Gender and Age of Respondents[a] with Malaysia's Population (2010)

Age	Gender			
	Male		Female	
	Malaysia's Population (%)	Current Study (%)	Malaysia's Population (%)	Current Study (%)
18-24	8.3	0.7	7.8	1.3
25-44	25.1	34.5	23.2	43.5
45-64	14.2	14.0	13.4	5.3
65 & above	3.9	0.7	4.1	0.0
Total	51.5	49.9	48.5	50.1

[a] n = 301.
Source: Extracted from Department of Statistics Malaysia (2011)

Malay and other indigenous groups were the largest proportion of the total respondents (78.1 percent), followed by Chinese (15.9 percent) and Indians (6.0 percent). Based on these ethnic groups, all Malays were Muslims (77.8 percent) except for one of the respondents from an indigenous group who adhered to Christianity (0.3 percent). The Chinese and Indians respondents were predominantly Buddhists and Hindus with 10.6 and four percent, respectively. The minority of these two ethnic groups were Christians and Muslims. The ethnicity and religion of the respondents were considered roughly in proportion to the size of Malaysia's population in 2010 (Department of Statistics Malaysia, 2011), although the Malay Muslim respondents appeared to be over-represented. The details of the ethnic groups and their religious adherence are shown in Table 5.8.

Table 5.8: Comparison of Ethnicity and Religion of Respondents[a] with Malaysia's Population (2010)

Religion	Ethnicity					
	Malays and Other Indigenous Groups		Chinese		Indians	
	Malaysia's Population (%)	Current Study (%)	Malaysia's Population (%)	Current Study (%)	Malaysia's Population (%)	Current Study (%)
Buddhism	0.1	0.0	21.1	10.6	0.1	0.0
Christianity	6.1	0.3	2.8	3.7	0.5	1.7
Hinduism	0.0	0.0	0.1	0.0	6.5	4.0
Islam	61.5	77.8	0.2	1.3	0.3	0.3
No religion	0.5	0.0	0.2	0.3	0.0	0.0
Total	68.2	78.1	24.4	15.9	7.4	6.0

[a] n = 302.
Source: Extracted from Department of Statistics Malaysia (2011)

Almost 80 percent of the total respondents were married and the rest were singles, divorcees, widows or widowers. All of the single and other marital status individuals opted for single assessment as their tax filing status. While more than 60 percent of the married individuals opted for separate assessment, the remaining chose joint assessment in filing their taxes as presented in Table 5.9.

Table 5.9: Tax Filing and Marital Status of Respondents[a]

Tax Filing Status	Marital Status			Total (%)
	Single (%)	Married (%)	Others (%)	
Single	20.5	0.0	1.0	21.5
Separate	0.0	65.9	0.0	65.9
Joint	0.0	12.6	0.0	12.6
Total	20.5	78.5	1.0	100.0

[a] n = 302.

In terms of educational background, most of the respondents were highly educated with almost three-quarters at undergraduate and postgraduate levels. The rest of the respondents were at diploma levels (18.3 percent), certificate levels (3.7 percent) and secondary levels (4.3 percent). The responses received also revealed that a majority of the respondents were salaried taxpayers with more than 30 percent employed as public servants and almost 60 percent employed as private company staff. Only 10 percent of the total respondents were self-employed. The data was cross tabulated and is presented in Table 5.10.

Table 5.10: Employment Status and Education Levels of Respondents[a]

Employment Status	Education Levels					Total (%)
	Secondary (%)	Certificate (%)	Diploma (%)	Under-graduate (%)	Post-graduate (%)	
Government	0.3	0.0	4.7	13.1	15.8	33.9
Private Company	2.7	3.0	12.5	30.0	7.7	55.9
Self-employed	1.3	0.7	1.3	4.0	2.7	10.0
Total	4.3	3.7	18.5	47.1	26.2	100.0[b]

[a] n = 207.
[b] Does not total up to 100 percent due to rounding.

As shown in Table 5.11, the biggest group of the respondents were those who earned between RM35,000 to RM69,999 per annum, followed by those who made

less than RM35,000 per annum. The same groups also had less than 10 years of experience in paying taxes, representing about two-thirds of the total respondents. The remaining were those who earned an annual gross income of RM70,000 or more and had paid taxes more than 11 years.

Table 5.11: Gross Income of Respondents[a] and Number of Years of Paying Tax

Gross Income (RM)	Number of Years of Paying Tax				Total (%)
	1 – 10 (%)	11 – 20 (%)	21 – 30 (%)	31 or more (%)	
Less than 35,000	20.9	4.0	0.7	0.3	25.9
35,000 - 69,999	35.1	8.9	5.6	0.3	49.9
70,000 – 99,999	6.3	5.3	1.3	0.0	12.9
100,000 – 149,999	1.3	5.0	1.0	1.0	8.3
150,000 or more	0.3	0.7	1.0	1.0	3.0
Total	63.9	23.9	9.6	2.6	100.0

[a] n = 302.

5.2.3 Main Findings

5.2.3.1 Introduction

The main findings regarding the perceptions of individual taxpayers towards tax and other issues as well as their levels of religiosity are discussed in the following sections. This discussion is then followed by the relationships between these components and their impact on tax compliance models.

5.2.3.2 Perceptions of Individual Taxpayers

5.2.3.2.1 Introduction

Respondents were required to provide their perceptions on 29 items related to taxation and other issues as discussed in Chapter 4.[56] Even though these items were measured using a five-point Likert scale,[57] the scales were reduced to three categories for the purpose of analyses. Individuals who indicated “strongly disagree” and “disagree” in the questionnaire were grouped into a single category as “disagree”. Likewise, those who responded “strongly agree” and “agree” were grouped as “agree”. The “neutral” responses were maintained in the same group. The regrouping process was necessary to strengthen the number of respondents.

[56] See Chapter 4, Section 4.3.7.
[57] See Chapter 4, Section 4.3.7.

This approach was adopted in a number of prior studies (for example: Hanefah, 1996; Torgler, 2007; Abdul-Jabbar, 2009). A mean score for each of the components was also analysed. These findings are presented in the next sections. The tax compliance component is represented by voluntary tax compliance, enforced tax compliance and tax avoidance attitude as dependent variables. The external factors, namely perception of government, interaction with the tax authority, social interaction and the threat of punishment are the independent variables. All 29 items and their respective labels are used throughout this thesis.

5.2.3.2.2 Voluntary Tax Compliance

The attitude of the respondents towards voluntary tax compliance is summarised in Table 5.12. Around 74 to 77 percent of the respondents agreed that they pay taxes due to their sense of responsibility (VTC1) and obligation as a Malaysian citizen (VTC3) in the first and third items. With regard to the second (VTC2) and fourth (VTC4) items, the percentages of respondents who agreed ranged from 63 to 66 percent. The lowest percentage of agreement is shown in the final statement where only about 53 percent of the respondents agreed that they paid taxes for the benefit of better public facilities (VTC 5).

Table 5.12: Attitudes towards Voluntary Tax Compliance

Item	Statement	Mean	Med.	SD	Strongly Disagree/ Disagree	Neutral	Strongly Agree/ Agree
VTC1	I pay my taxes as required by the regulations because of a sense of responsibility.	3.80	4.00	0.91	28 (9.2)	52 (17.2)	222 (73.5)
VTC2	I pay taxes as required by the regulations to support the country.	3.64	4.00	0.88	27 (8.9)	84 (27.8)	191 (63.3)
VTC3	It is my duty as a citizen to pay taxes as required by the regulations.	3.87	4.00	0.76	14 (4.6)	55 (18.2)	233 (77.2)
VTC4	It is immoral NOT to pay taxes to the government.	3.66	4.00	0.91	33 (10.9)	70 (23.2)	199 (65.9)
VTC5	If everyone paid the correct amount of tax, we would enjoy better public facilities.	3.40	4.00	1.07	70 (23.2)	73 (24.2)	159 (52.6)
VTC	-	3.67	3.80	0.65	-	-	-

* The percentage of responses is given in parentheses and some of them do not total up to one hundred percent due to rounding.

** n = 302.

All items have a mean score of between 3.40 and 3.87, which indicates a strong agreement towards voluntary tax compliance. The overall mean score for voluntary tax compliance is 3.67, which demonstrates high voluntary tax compliance among the respondents. A one-way ANOVA test was used to compare the means of voluntary tax compliance according to the demographic details of the respondents. The findings revealed that voluntary tax compliance only differed significantly across groups in employment status (F (2,295) = 12.50, p = 0.00). A post-hoc test result using Tukey HSD (Honestly Significant Difference) disclosed that the mean of voluntary tax compliance only differed between those respondents who were working in government and the private sector as presented in Table 5.13.

Table 5.13: Findings of Post-Hoc Test using Tukey HSD for Voluntary Tax Compliance

Details	Groups	Mean	SD	Sig. (*p*)
Employment Status	Government	3.90	0.50	p = 0.00
	Private	3.51	0.65	

5.2.3.2.3 Enforced Tax Compliance

Table 5.14 describes the respondents' attitudes towards enforced tax compliance. Overall, about 50 to 60 percent of the respondents agreed that the main reasons for them to pay taxes were because of the severe penalty (ETC1), a strong chance of getting caught (ETC3) and to maintain their good reputations (ETC4). However, only 36 percent of the respondents agreed that they were paying taxes because of the possibility of a tax audit being carried out (ETC2). All items have a mean score of between 3.10 and 3.52, which indicates a moderate agreement of enforced tax compliance. The overall mean score is 3.43, which reveals an inclination towards a neutral stance for enforced tax compliance. The mean of enforced tax compliance was compared with the demographic details of the respondents using a one-way ANOVA test. The findings revealed that there was no significant difference between the groups.

Table 5.14: Attitudes towards Enforced Tax Compliance

Item	Statement	Mean	Med.	SD	Strongly Disagree/ Disagree	Neutral	Strongly Agree/ Agree
ETC1	I pay taxes as required by the regulations because the penalties for tax evaders are very severe.	3.50	4.00	0.93	49 (16.2)	74 (24.5)	179 (59.3)
ETC2	I pay taxes as required by the regulations because many tax audits are carried out.	3.10	3.00	0.88	74 (24.5)	119 (39.4)	109 (36.1)
ETC3	I prepare my tax return correctly because there is a strong chance I may get caught if I did not follow the regulations.	3.44	4.00	0.88	46 (15.2)	97 (32.1)	159 (52.7)
ETC4	I prepare my tax return correctly because I fear my reputation would be ruined if I were to get caught for not follow the regulations.	3.52	4.00	0.91	49 (16.2)	71 (23.5)	182 (60.3)
ETC	-	3.39	3.50	0.66	-	-	-

* The percentage of responses is given in parentheses and some of them do not total up to one hundred percent due to rounding.
** n = 302.

5.2.3.2.4 Tax Avoidance Attitude

A summary of respondents' views on the tax avoidance attitudes[58] is shown in Table 5.15. A majority of the respondents, 64 percent, disagreed that the chances of being caught were rather slim and they were certainly not willing to pay penalties for cheating or fraud as shown in the first statement (TAA1). More than 50 percent opposed the third (TAA3) and fourth (TAA4) items while only 46 percent disagreed about claiming more tax deductions than they were entitled to (TAA2) but the attitudes towards agreement and neutral were almost equal. The range of mean scores for each of the items was between 2.26 to 2.69. The overall mean score of 2.53 inclined to some disagreement towards the component of tax avoidance attitude.

[58] Even though the definition of tax avoidance and tax evasion is clearly defined from the legal aspect, practically, there are many grey areas in tax laws where the dividing line between tax avoidance and tax evasion is blurry (Slemrod and Yitzhaki, 2002, p. 1428). Thus the items of tax avoidance attitudes in this study can also be argued to signify the attitudes of tax evasion.

Table 5.15: Attitudes towards Tax Avoidance

Item	Statement	Mean	Med.	SD	Strongly Disagree/ Disagree	Neutral	Strongly Agree/ Agree
TAA1	It is worth paying tax penalties rather than actual taxes because the likelihood of being caught is minimal.	2.26	2.00	0.98	192 (63.6)	69 (22.8)	41 (13.5)
TAA2	There is no problem with taxpayers claiming higher tax deductions than they are entitled to.	2.69	3.00	1.08	139 (46.0)	80 (26.5)	83 (27.5)
TAA3	Since the tax law does not treat everyone equally, it is fair for taxpayers to NOT declare all information correctly.	2.63	2.00	1.11	154 (51.0)	68 (22.5)	80 (26.4)
TAA4	It is NOT everyone's responsibility to pay the correct amount of tax.	2.55	2.00	1.12	168 (55.7)	71 (23.5)	63 (20.9)
TAA	-	2.53	2.50	0.76	-	-	-

* The percentage of responses is given in parentheses and some of them do not total up to one hundred percent due to rounding.
** n = 302.

The mean of tax avoidance attitude according to the demographic details of the respondents was compared using a one-way ANOVA test. The income level of the respondents was found to differ significantly across groups (F (4,297) = 5.27, p = 0.00). A post-hoc test using Tukey HSD was conducted and the findings showed that there were three income level groups which differed significantly, namely the group of less than RM35,000 and the two groups (RM35,000 to RM69,999 and RM70,000 to RM99,999), as presented in Table 5.16.

Table 5.16: Findings of Post-Hoc Test using Tukey HSD for Tax Avoidance Attitude

Details	Groups	Mean	SD	Sig. (*p*)
Income level	Less than RM35,000	2.85	0.74	$p < 0.01$
	RM35,000 – RM69,999	2.45	0.71	
Income level	Less than RM35,000	2.85	0.74	$p < 0.01$
	RM70,000 – RM99,999	2.40	0.79	

5.2.3.3 Religiosity

5.2.3.3.1 Introduction

Respondents were required to indicate their true religious faith by rating the 10 religiosity (Rel) statements[59] comprising six intrapersonal religiosity (Intra) and four interpersonal religiosity (Inter) statements as discussed in Chapter 4.[60] The five-point Likert scale[61] of all religiosity statements was reduced to three categories for the purpose of analysis. Individuals who responded "not all true of me" and "somewhat true of me" in the questionnaire were grouped into one category as "somewhat true of me". Similarly, those who responded "totally true of me" and "mostly true of me" were grouped as "mostly true of me". The "moderately true of me" group remained the same. The regrouping process was required to include the low responses of the extreme categories, namely "not all true of me" and "totally true of me" and to give a better interpretation. A mean score analysis was also provided in each of the religiosity statements.

5.2.3.3.2 Intrapersonal Religiosity

The intrapersonal religiosity was measured based on six statements as demonstrated in Table 5.17. Approximately 90 percent of the respondents acknowledged the importance of religion in their lives (Intra3). About three-quarters of the total respondents also spend time for religious reflection (Intra4) and the enhancement of their understanding in their religious faith (Intra5). Religious beliefs were accepted by almost 80 percent of the respondents as a significant influence in their daily lives (Intra6) and more than two-thirds of the respondents were trying to live according to their religious beliefs (Intra1). Less than 60 percent of the respondents enjoyed reading religious material and 33 percent appeared to be moderate readers (Intra2). A mean score for each statement indicated strong religious values held by the respondents between 1.98 and 4.43,

[59] Any religiosity measures used are unlikely to be perfect but they are considered indicative.
[60] See Chapter 4, Section 4.3.7.
[61] See Chapter 4, Section 4.3.7.

including the reverse coded statements. This was consistent with the average score of 23.61.[62]

Table 5.17: Dimensions for Intrapersonal Religiosity

Item	Statement	Mean	Med.	SD	Not At All/ Somewhat True of Me	Moderately True of Me	Totally/ Mostly True of Me
Intra1[a]	I rarely try to live all my life according to my religious beliefs.	2.20	2.00	1.12	212 (70.9)	48 (15.9)	42 (13.9)
Intra2[a]	I rarely read books and magazines about my faith.	2.45	2.00	0.84	173 (57.3)	98 (32.5)	31 (10.2)
Intra3	Religion is very important to me because it answers many questions about the meaning of life.	4.43	5.00	0.78	9 (2.9)	24 (7.9)	269 (89.1)
Intra4	It is important for me to spend periods of time in private to think and reflect on my religion.	3.98	4.00	0.82	13 (4.3)	60 (19.9)	229 (75.8)
Intra5	I spend time trying to enhance my understanding of my faith.	3.81	4.00	0.75	16 (5.3)	63 (20.9)	223 (73.9)
Intra6[a]	Religious beliefs do NOT influence most of my dealings in life.	1.98	2.00	0.96	237 (78.5)	37 (12.3)	28 (9.3)
Average Intra Score		23.61	24.00	3.31	-	-	-

[a] Intra1, Intra2 and Intra6 were reverse coded and the reversed means were 3.81, 3.55 and 4.02, respectively.
* The percentage of responses is given in parentheses and some of them do not total up to one hundred percent due to rounding.
** n = 302.

5.2.3.3.3 Interpersonal Religiosity

Respondents viewed their true religious faith in terms of interpersonal religiosity through four statements as presented in Table 5.18. The majority of the respondents (76 percent) made financial contributions to their religious organisation (Inter2) and enjoyed spending time with their friends from the same affiliation (Inter3). However, in terms of involvement in a religious local group (Inter4), only half of the respondents were moderately involved.

[62] The total score for the intrapersonal religiosity items is 30 (5*6) as explained in Chapter 4, Section 4.3.7.

Table 5.18: Dimensions for Interpersonal Religiosity

Item	Statement	Mean	Med.	SD	Not At All/ Somewhat True of Me	Moderately True of Me	Totally/ Mostly True of Me
Inter1[a]	I rarely join the activities of my religious organisation.	2.79	3.00	0.97	120 (39.8)	107 (35.4)	75 (24.8)
Inter2	I make financial contributions to my religious organisation.	3.92	4.00	0.75	11 (3.6)	62 (20.5)	229 (75.8)
Inter3[a]	I do NOT enjoy spending time with others of my religious affiliation.	2.01	2.00	0.85	229 (75.8)	55 (18.2)	18 (6.0)
Inter4	I keep well informed about my local religious group and have some influence on its decisions.	3.04	3.00	0.76	55 (18.2)	177 (58.6)	70 (23.2)
Average Inter Score		14.16	14.00	2.11	-	-	-

[a] Inter1 and Inter3 were reverse coded and the reversed means were 3.21 and 3.99, respectively.
* The percentage of responses is given in parentheses and some of them do not total up to one hundred percent due to rounding.
** n = 302.

With regard to involvement in their religious activities, less than 40 percent joined regularly and 35 percent of them were at a reasonable rate (Inter1). All of these statements generated a mean score in a range of 2.01 to 3.92, indicating a high level of interpersonal religiosity. Overall, a strong interpersonal religiosity was shown by the respondents with an average score of 14.16.[63]

5.2.3.3.4 Levels of Religiosity

Respondents were divided into two different groups depending on their levels of religiosity. This was based on a total score of religiosity for each of the respondents, which was obtained by summing scores for the 10 religiosity statements. A low level of religiosity was in a range of 0 to 37 and a high level of religiosity was between 38 and 50.[64] A mean score for less religious respondents was 33.53 with a median of 34.00 and standard deviation of 3.17. On the other hand, highly religious respondents scored a mean of 41.28 with a median of 41.00 and standard deviation

[63] The total score for interpersonal religiosity items is 20 (5*4) as explained in Chapter 4, Section 4.3.7.
[64] See Chapter 4, Section 4.3.7.

of 2.70. A descriptive analysis was performed to understand the background of highly and less religious respondents, as discussed below. Table 5.19 summarises the respondents' profile according to their levels of religiosity.

Table 5.19: Respondents' Profile According to Levels of Religiosity

Detail	Category	Low Level Religiosity		High Level Religiosity		Total
		n	(%)	n	(%)	(%)
Gender (n=301)	Male	71	23.6	79	26.3	49.9
	Female	65	21.6	86	28.6	50.2
Age (n=302)	18 - 24	4	1.3	2	0.7	2.0
	25 - 44	102	33.8	133	44.0	77.8
	45 - 64	30	9.9	29	9.6	19.5
	65 and above	1	0.3	1	0.3	0.6
Ethnicity (n=302)	Chinese	41	13.6	7	2.3	15.9
	Indian	9	3.0	9	3.0	6.0
	Malay and other indigenous groups	87	28.8	149	49.3	78.1
Religion (n=302)	Buddhism	30	9.9	2	0.6	10.5
	Christianity	9	3.0	8	2.7	5.7
	Hinduism	8	2.7	4	1.2	3.9
	Islam	89	29.5	151	50.0	79.5
	No religion	1	0.3	-	-	0.3
Education level (n=301)	Secondary	9	3.0	4	1.3	4.3
	Certificate	8	2.7	3	1.0	3.7
	Diploma	31	10.3	24	8.0	18.3
	Undergraduate	56	18.6	86	28.6	47.2
	Postgraduate	32	10.6	48	16.0	26.6
Marital status (n=302)	Single and other	35	11.6	30	9.9	21.5
	Married	102	33.8	135	44.7	78.5
Employment status (n=298)	Public servant	46	15.4	56	18.8	34.2
	Private company staff	77	25.8	89	29.9	55.7
	Self-employed	13	4.4	17	5.7	10.1
Gross income (n=302)	Less than RM35000	39	12.9	39	12.9	25.8
	RM35000 – RM69999	70	23.2	81	26.8	50.0
	RM70,000 and above	28	9.3	45	14.9	24.2
Tax filing status (n=302)	Single assessment	35	11.6	30	9.9	21.5
	Separate assessment	83	27.5	116	38.4	65.9
	Joint assessment	19	6.3	19	6.3	12.6
Number of years of paying tax (n=302)	1 -10	93	30.8	100	33.1	63.9
	11 - 20	29	9.6	43	14.2	23.8
	21 or more	15	5.0	22	7.3	12.3
Total[a]		137	45.4	165	54.6	100.0

[a] The maximum total of respondents was 302 and the total of respondents varied for each category due to some missing values.
* Some of the percentages do not total up to one hundred percent due to rounding.

Responses from the survey revealed that more than 45 percent of the respondents were less religious, with the majority of them being Malays (29 percent) followed by Chinese (14 percent). However, if a comparison between ethnicities is made, a

majority of the Chinese respondents fell into the less religious group. The same applies to the Buddhists, where 30 out of 32 of them were regarded as less religious. Less religious people tended to be single or "other" status (12 percent), who consequently opted for single assessment (12 percent) and had a lower education level (16 percent). Conversely, the percentage of highly religious group was over 50 percent of the total respondents. The highly religious people were predominantly Malay and other indigenous groups (49 percent) and Muslim (50 percent). Most of these people were married (45 percent) and highly educated (45 percent). They appeared to be in the 25 to 44 age group (44 percent). However, the distinctions by gender and gross income groups or even employment status and number of years paying taxes were roughly balanced between individuals with high and low levels of religiosity.

A one-way ANOVA test was used to test for differences among groups regarding the personal details based on the levels of religiosity. The low level of religiosity differed significantly across groups in ethnicity (F (2,134) = 10.10, p = 0.00), religion (F (3,132) = 7.36, p = 0.00), education level (F (4,131) = 4.03, p < 0.01) and employment status (F (3,294) = 4.27, p < 0.05). A post-hoc test was conducted to determine which specific groups were significantly different from each other. The results of the Tukey HSD for all of the groups in relation to ethnicity, religion, education levels and employment status indicated only certain groups differed, as shown in Table 5.20.

Table 5.20: Findings of Post-Hoc Test using Tukey HSD for Low Level of Religiosity

Details	Groups	Mean	SD	Sig. (*p*)
Ethnicity	Malay	34.39	2.63	p = 0.00
	Chinese	31.32	3.40	
Religion	Islam	34.40	2.61	p = 0.00
	Buddhist	31.23	3.52	
Education Level	Postgraduate	34.75	2.58	p < 0.01
	Certificate	31.13	1.73	
Employment Status	Government	34.61	2.71	p < 0.05
	Private	32.96	3.45	

A one-way ANOVA test for highly religious people revealed that only age group (F (3,161) = 2.95, p < 0.05) was found to have a significant difference. The results of

the Tukey HSD from a post-hoc comparison of the four groups by age group indicated that the 45 to 64 age group (*M* = 42.55, SD = 2.98) yielded a significantly higher score of religious level than the 25 to 44 age group (*M* = 41.05, SD = 2.57) $p < 0.05$. Others appeared to be insignificant.

5.2.3.4 Perception of Government

The perception of government was outlined by three main elements, namely trust in government (PoG1, PoG6 and PoG7), equity (PoG2 and PoG5) and tax fairness (PoG3 and PoG4). Table 5.21 summarises the taxpayers' perceptions towards the government.

Table 5.21: Attitudes towards Perception of Government

Item	Statement	Mean	Med.	SD	Strongly Disagree/ Disagree	Neutral	Strongly Agree/ Agree
PoG1[a]	The government is NOT being transparent in spending taxpayers' money.	3.82	4.00	1.08	37 (12.3)	72 (23.8)	193 (63.9)
PoG2[a]	The services provided by the government are NOT comparable with the amount of taxes paid.	3.56	4.00	1.04	48 (15.9)	81 (26.8)	173 (57.2)
PoG3	The amount of tax expected to be paid by all Malaysians is fair because it is based on taxable income (after allowable deductions).	3.13	3.00	1.01	89 (29.5)	89 (29.5)	124 (41.1)
PoG4	The tax laws ensure that everyone pays a fair and correct amount of taxes.	3.31	3.00	0.93	53 (17.5)	116 (38.4)	133 (44.1)
PoG5	Public funds are allocated equitably for Malaysian citizens' well-being.	2.74	3.00	1.04	117 (38.7)	113 (37.4)	72 (23.8)
PoG6[a]	Despite being able to vote, I have NO say over the government's decisions to spend public funds.	3.60	4.00	1.17	50 (16.6)	76 (25.5)	176 (58.3)
PoG7	I believe that the Malaysian government is spending public funds prudently.	2.70	3.00	1.03	119 (39.4)	123 (40.7)	60 (19.9)
PoG	-	2.70	2.71	0.74	-	-	-

[a] PoG1, PoG2 and PoG6 were reverse coded and the reversed means were 2.19, 2.44 and 2.40, respectively.
* The percentage of responses is given in parentheses and some of them do not total up to percent due to rounding.
** n = 302.

In terms of trust in government, the majority of respondents disagreed that the government was being transparent in spending taxpayers' money (PoG1) and that they were not allowed to be involved in any of the government's decisions in spending public funds (PoG6). Similar percentages (about 40 percent) were found between those who disagreed and those who had neutral attitudes regarding the way the public funds were spent (PoG7). With regard to equity, almost 60 percent agreed that the services received from the government were not equivalent to the taxes paid (PoG2) but only 39 percent disagreed that public funds were allocated equitably between Malaysians and another 37 percent had neutral attitudes (PoG5). The Malaysian tax system was perceived to be fair by around 40 to 44 percent of the respondents in the third (PoG3) and fourth (PoG4) items. The overall mean score was 2.70, which reflects the various Malaysians' perceptions of the government.

5.2.3.5 Interaction with the Tax Authority

Respondents' views based on their interactions with the tax authority are shown in Table 5.22. More than half of the respondents claimed that the IRBM staff were very helpful (IwTA1) and that the IRBM was professional while dealing with taxpayers (IwTA2).

Table 5.22: Attitudes towards Interaction with the Tax Authority

Item	Statement	Mean	Med.	SD	Strongly Disagree/ Disagree	Neutral	Strongly Agree/ Agree
IwTA1	IRBM's staff are helpful with my enquiries about tax returns.	3.45	4.00	0.89	37 (12.2)	113 (37.4)	152 (50.3)
IwTA2	In my opinion, the IRBM is professional in dealing with me as a taxpayer.	3.45	4.00	0.80	27 (8.9)	123 (40.7)	152 (50.4)
IwTA3	The IRBM is fair and considerate with those who get audited.	3.21	3.00	0.73	33 (10.9)	174 (57.6)	95 (31.4)
IwTA	-	3.37	3.33	0.65	-	-	-

* The percentage of responses is given in parentheses and some of them do not total up to one hundred percent due to rounding.
** n = 302.

However, the third statement (IwTA3) revealed that almost 60 percent of the respondents chose a neutral stance and only 31 percent agreed that the IRBM was fair and considerate during the process of tax auditing. All items had a mean score of between 3.45 and 3.21. The overall mean score for interaction with the tax authority was 3.37, a sign of positive cooperation between the IRBM and the respondents.

5.2.3.6 Social Interaction

The impact of social interaction on the respondents' tax compliance behaviour was observed based on two items as presented in Table 5.23. The first item (SI1) showed that more than 40 percent of the respondents agreed that their tax paying decisions were strongly influenced by their surroundings. However, in the second item (SI2), more than half of the respondents disagreed that their tax paying decisions were based on their friends' experiences or suggestions. A mean score of 3.15 indicated an inclination to agree with the first statement while a mean score of 2.60 indicated an inclination to disagree with the second statement. The overall mean score of 2.88 showed an inclination towards a neutral stance.

Table 5.23: Attitudes towards Social Interaction

Item	Statement	Mean	Med.	SD	Strongly Disagree/ Disagree	Neutral	Strongly Agree/ Agree
SI1	My decision to pay taxes is mostly influenced by my surroundings.	3.15	3.00	0.97	83 (27.5)	86 (28.5)	133 (44.0)
SI2	I usually make decisions to pay taxes based on my friends' experiences or suggestions.	2.60	2.00	0.99	153 (50.7)	79 (26.2)	70 (23.1)
SI	-	2.88	3.00	0.82	-	-	-

* The percentage of responses is given in parentheses and some of them do not total up to one hundred percent due to rounding.
** n = 302.

5.2.3.7 Threat of Punishment

The items as presented in Table 5.24 shaped the respondents' compliance attitudes in terms of the impact of the threat of punishment. There are mixed attitudes in this

component. A large number of respondents appeared to disagree with the third (ToP3) and second (ToP2) items with a percentage of 62 and 40, respectively. They believed in a high possibility of being audited and a high chance of being discovered and punished by the IRBM. On the contrary, more than 45 percent of the respondents appeared to agree that the potential of being tracked by the IRBM was unlikely if it involved the understatement of income or overstatement of expenses (ToP4). The respondents' awareness of the type and extent of penalties and risks indicated similar percentages, around 30 to 35 percent in all three categories of attitudes for the first statement (ToP1). The overall mean score of 2.85 illustrated the respondents' disagreement but the inclination was towards a neutral attitude.

Table 5.24: Attitudes towards the Threat of Punishment

Item	Statement	Mean	Med.	SD	Strongly Disagree/ Disagree	Neutral	Strongly Agree/ Agree
ToP1	I am NOT aware of the type and extent of penalties and risks that exist for income tax evasion in Malaysia.	2.98	3.00	1.00	108 (35.7)	95 (31.5)	99 (32.8)
ToP2	It is unlikely for taxpayers to be discovered and punished by the IRBM if they were to evade income taxes.	2.83	3.00	0.99	122 (40.4)	99 (32.8)	81 (26.8)
ToP3	I do NOT pay taxes as required by the regulations because I know the probability of being audited is very slim.	2.44	2.00	1.01	188 (62.3)	63 (20.9)	51 (16.8)
ToP4	The IRBM rarely finds out if someone has overly understated their income or overstated their deductions.	3.13	3.00	1.01	104 (34.4)	62 (20.5)	136 (45.1)
ToP	-	2.85	2.75	0.70	-	-	-

* The percentage of responses is given in parentheses and some of them do not total up to one hundred percent due to rounding.
** n = 302.

5.2.3.8 Relationship of Tax Compliance Components and External Factors

Correlation analysis was performed to explore the strength of relationships between the tax compliance components, namely voluntary tax compliance, enforced tax compliance and the tax avoidance attitude, with external factors. The analysis for voluntary tax compliance revealed that there were significant positive

relationships between taxpayers' perceptions of government and interactions with the tax authority. This may indicate a positive inclination towards complying voluntarily if taxpayers have positive perceptions towards government and positive interactions with the tax authority.

However, the threat of punishment and social interaction were found to be in negative relationships and not statistically significant. All of the external factors indicated positive relationships with enforced tax compliance. In other words, the higher the impact of the threat of punishment and the higher the taxpayers' perceptions of the government and interactions with the tax authority and society, the more the taxpayers are enforced to comply. Out of these four factors, only two factors had a significant relationship with enforced tax compliance, namely perception of government and social interaction.

In contrast, the threat of punishment and social interaction were found to have positive significant correlations with tax avoidance attitude. In other words, if taxpayers are pressured by a strong threat of punishment from the tax authority and strongly influenced by the society, they are more likely to avoid taxes. The taxpayers' interactions with the tax authority and perceptions of government indicated opposite relationships with the tax avoidance attitude but only interaction with the tax authority appeared to be significant. This indicates that the more positive the taxpayers' interactions with the tax authority and perceptions of government, the less likely they are to incline towards the tax avoidance attitude. The findings of these analyses are summarised in Table 5.25.

Table 5.25: Correlation between Tax Compliance Components and External Factors

	Voluntary Tax Compliance (*r*)	**Enforced Tax Compliance (*r*)**	**Tax Avoidance Attitude (*r*)**
Perception of Government	+0.48***	+0.22***	-0.07
Interaction with the Tax Authority	+0.42***	+0.83	-0.21***
Social Interaction	-0.06	+0.22***	+0.18**
Threat of Punishment	-0.03	+0.04	+0.38***

Positive (+) or negative (-) signs denote a direct or indirect relationship, respectively.
** $p < 0.01$ and *** $p = 0.00$.

5.2.3.9 Relationship between Religiosity and Tax Compliance Components and External Factors

The respondents' perceptions of tax compliance components and external factors[65] were compared between highly and less religious groups to examine their attitudes towards these variables. The mean for each variable of both groups is presented in Table 5.26. The *t*-test results indicate that individual taxpayers' perceptions on voluntary tax compliance (t = -2.88, $p < 0.01$) and interaction with the tax authority (t = -4.20, p = 0.00) were statistically significantly greater for highly religious people in comparison to less religious people. On the contrary, perceptions among less religious people appeared to be more statistically significantly higher than perceptions among highly religious people regarding the threat of punishment (t = 4.40, p = 0.00) and tax avoidance attitude (t = 2.24, $p < 0.05$). There was no significant difference for perception of government (t = 0.29, p = n.s.), enforced tax compliance (t = -0.57, p = n.s.) and social interaction (t = -1.13, p = n.s.) for these groups.

Table 5.26: The Mean of Tax Compliance Components and External Factors for Different Levels of Religiosity

Variable	Low Level Religiosity	High Level Religiosity	Percentage of Difference	Sig. (*p*)
	Mean	Mean		
Interaction with the Tax Authority	3.20	3.51	0.31	p = 0.00
Voluntary Tax Compliance	3.56	3.77	0.21	$p < 0.01$
Social Interaction	2.82	2.92	0.10	p = n.s.
Enforced Tax Compliance	3.37	3.41	0.04	p = n.s.
Threat of Punishment	3.03	2.69	-0.34	p = 0.00
Tax Avoidance Attitude	2.64	2.44	-0.20	$p < 0.05$
Perception of Government	2.71	2.69	-0.02	p = n.s.

Correlation analysis was carried out to explore the relationship between religiosity commitments (intrapersonal and interpersonal) with tax compliance components and external factors. Intrapersonal religiosity was found to have significant positive relationships with voluntary tax compliance, interaction with the tax authority and society. These findings indicate that an increase in an individual's intrapersonal religiosity level may be likely to increase the willingness of an individual to comply

[65] See Section 5.2.3.2.

with tax laws as well as to increase positive interactions with the tax authority and society. Conversely, intrapersonal religiosity had a negative relationship with the tax avoidance attitude and threat of punishment. In other words, the stronger their spiritual religious values, the less likely it is for people to avoid paying taxes or to be affected by the threat of punishment. The relationships of taxpayers' perceptions of government and enforced tax compliance with intrapersonal religiosity appeared to be insignificant.

Interpersonal religiosity showed negative relationships with tax avoidance attitude and threat of punishment which indicates the identical opposite connections of higher religious values from the influence of social environment on these two components as in intrapersonal religiosity. Interpersonal religiosity also pointed to a significant positive link with taxpayers' interactions with the tax authority. Even though interpersonal religiosity was found to have positive relationships with two tax components (voluntary tax compliance and enforced tax compliance) and two external factors (perception of government and social interaction), their relationships appeared to be weak and statistically insignificant. The findings from the correlation analysis for total religiosity and its components with the tax compliance components and external factors are summarised in Table 5.27.

Table 5.27: Correlation between Religiosity and Tax Compliance Components and External Factors

Variable	Intrapersonal Religiosity (*r*)	Interpersonal Religiosity (*r*)	Total Religiosity (*r*)
Voluntary Tax Compliance	+0.22***	+0.09	+0.19**
Enforced Tax Compliance	+0.04	+0.05	+0.05
Tax Avoidance Attitude	-0.14*	-0.18**	-0.17**
Perception of Government	+0.02	+0.01	+0.02
Interaction with the Tax Authority	+0.23***	+0.19**	+0.24***
Social Interaction	+0.12*	+0.07	+0.11
Threat of Punishment	-0.13*	-0.22***	-0.18**

Positive (+) or negative (-) signs denote a direct or indirect relationship, respectively.
* $p < 0.05$, ** $p < 0.01$ and *** $p = 0.00$.

Overall, voluntary tax compliance and taxpayers' interactions with the tax authority showed direct significant relationships with total religiosity. Total religiosity also had

a significant negative link with tax avoidance attitude and threat of punishment as found in intrapersonal and interpersonal religiosity. However, there was no significant relationship between total religiosity and enforced tax compliance, perception of government and social interaction.

5.2.3.10 Determinants of Tax Compliance

A series of multiple regression analysis was conducted to investigate the determinants of tax compliance. The three main regression analyses were carried out separately for each of the tax compliance components as dependent variables, namely voluntary tax compliance (Model 1), enforced tax compliance (Model2) and tax compliance behaviour (Model 3). The independent variables included were religiosity, perception of government, interaction with the tax authority, social interaction and threat of punishment. Theoretically, the regression model was based on the following regression equation:

$$\textbf{Tax Compliance} = b_0 + b_1\text{Rel} + b_2\text{PoG} + b_3\text{IwTA} + b_4\text{SI} + b_5\text{ToP}$$

The dependent variables were identified as follows:

1. **Voluntary Tax Compliance (Model 1)** was measured using an agreement towards complying voluntarily with tax laws and obtained via a five-point Likert scale. High scores indicate possible voluntary tax compliance.
2. **Enforced Tax Compliance (Model 2)** was measured using an agreement towards enforced compliance with tax laws and obtained via a five-point Likert scale. High scores indicate possible enforced tax compliance.
3. **Tax Avoidance Attitude (Model 3)** was measured using an agreement towards tax avoidance attitude and obtained via a five-point Likert scale. High scores indicate possible tax avoidance attitude.

The independent variables were identified as follows:

1. **Religiosity (Rel)** was measured using a total of 10 religiosity statements which consisted of six intrapersonal religiosity and four interpersonal religiosity

statements and obtained via a five-point Likert scale. High scores indicate possible higher level of religiosity.

2. **Perception of Government (PoG)** was measured using an agreement towards individual's perception on government and obtained via a five-point Likert scale. High scores indicate possible positive perceptions towards government.
3. **Interaction with the Tax Authority (IwTA)** was measured using an agreement towards individual's interaction with the tax authority and obtained via a five-point Likert scale. High scores indicate possible positive interaction with the tax authority.
4. **Social Interaction (SI)** was measured using an agreement towards individual's social interaction and obtained via a five-point Likert scale. High scores indicate possible strong influences from society.
5. **Threat of Punishment (ToP)** was measured using an agreement towards the effects of threat of punishment on individual taxpayers and obtained via a five-point Likert scale. High scores indicate potential positive effects of threat of punishment.

Religiosity, perception of government and interaction with the tax authority were found to be significant predictors of voluntary tax compliance in Model 1. Perception of government was the highest contributor in this model, followed by interaction with the tax authority and religiosity (refer to the B value in Table 5.28). However, the threat of punishment and social interaction appeared to be insignificant in explaining voluntary tax compliance. The overall model was produced at adjusted $R^2 = 0.30$, F (5, 296) = 27.81, $p = 0.00$. Two factors appeared to be significant contributors in Model 2, namely perception of government and social interaction. The remaining factors were not significant. The overall model was produced at adjusted $R^2 = 0.08$, F (5, 296) = 6.42, $p = 0.00$.

The reverse is evident in Model 3, whereby only the threat of punishment and social interaction appeared to be significant as predictors of the tax avoidance attitude. Others were insignificant. Threat of punishment had the highest score in explaining tax avoidance attitude as compared to social interaction (refer to the B value in

Table 5.28). As indicated earlier,[66] the increment of threat of punishment may only encourage taxpayers to be less compliant. The overall model fit was adjusted R^2 = 0.17, F (5, 296) = 13.57, p = 0.00. The overall multiple regression analyses suggested that these variables may only explain 30, eight and 17 percent of Models 1, 2 and 3, respectively. The findings of the multiple regressions for Models 1, 2 and 3 are summarised in Table 5.28.

Table 5.28: Findings of the Multiple Regression Analyses

Variable	Voluntary Tax Compliance (Model 1)			Enforced Tax Compliance (Model 2)			Tax Avoidance Attitude (Model 3)		
	B	SE	β	B	SE	β	B	SE	β
Rel[a]	0.02	0.01	0.14**	0.00	0.01	0.02	-0.02	0.01	-0.11
PoG[b]	0.32	0.04	0.38***	0.20	0.05	0.22***	-0.03	0.06	-0.03
IwTA[c]	0.27	0.05	0.27***	0.01	0.06	0.01	-0.13	0.07	-0.11
SI[d]	-0.06	0.04	-0.08	0.18	0.05	0.22***	0.13	0.05	0.14*
ToP[e]	0.07	0.05	0.08	0.01	0.06	0.01	0.35	0.06	0.06***

[a] Religiosity. [b] Perception of Government. [c] Interaction with the Tax Authority. [d] Social Interaction. [e] Threat of Punishment.
* Significant at $p < 0.05$, ** Significant at $p < 0.01$ and *** Significant at $p = 0.00$.

Multiple regression analyses were also performed to examine the influence of religiosity commitments on tax compliance components, namely voluntary tax compliance, enforced tax compliance and the tax avoidance attitude. Table 5.29 summarises the results of the analysis. The multiple regressions in Model 1 produced an adjusted R^2 = 0.04, F (2, 299) = 7.76, $p < 0.01$. Intrapersonal religiosity (Intra) had a positive significant impact, indicating that the stronger the individuals' intrapersonal religiosity, the more they were inclined to comply with tax laws. The interpersonal religiosity (Inter) had a negative effect on voluntary tax compliance and was an insignificant contributor.

Table 5.29: Findings of the Multiple Regression Analyses for Religiosity Commitments

Variable	Voluntary Tax Compliance (Model 1)			Enforced Tax Compliance (Model 2)			Tax Avoidance Attitude (Model 3)		
	B	SE	β	B	SE	β	B	SE	β
Intra[a]	0.05	0.01	0.25***	0.00	0.01	0.01	-0.01	0.02	-0.05
Inter[b]	-0.02	0.02	-0.06	0.01	0.02	0.05	-0.05	0.03	-0.15*

[a] Intrapersonal Religiosity. [b] Interpersonal Religiosity.
* Significant at $p < 0.05$ and *** Significant at $p = 0.00$.

[66] See Section 5.2.3.7.

The opposite is shown in Model 3 where only interpersonal religiosity appeared to be a significant contributor to the tax avoidance attitude whereas intrapersonal religiosity was an insignificant predictor. A significant model emerged with an adjusted R^2 = 0.03, F (2, 299) = 5.30, p < 0.01. In Model 2, both religiosity commitments appeared to be insignificant contributors to enforced tax compliance. The overall Model 2 was produced at adjusted R^2 = -0.01, F (2, 299) = 0.38, p = n.s. The overall findings suggest that intrapersonal religiosity only affected voluntary tax compliance while tax avoidance attitude was mostly affected by interpersonal religiosity.

5.2.3.11 Moderating Effect of Religiosity

In order to examine the moderating effect of religiosity on the relationships of tax compliance components and external factors, hierarchical moderated multiple regressions were undertaken. In the first moderation analysis, since religiosity had a significant impact on voluntary tax compliance, it was treated as a "quasi" moderator for threat of punishment and interaction with the tax authority (related to the criterion) and a "pure" moderator for perception of government and social interaction (not related to the criterion).[67] In the first level, Model 1 appeared to be a significant predictor of voluntary tax compliance, F (4,297) = 33.11, p = 0.00, R^2 = 0.31 with only perception of government and interaction with the tax authority statistically associated with voluntary tax compliance.

Religiosity then was added in the second level and the value of model fit R^2 increased significantly in Model 2, ΔF (1,296) = 7.44, p < 0.01, R^2 = 0.33, ΔR^2 = 0.02. The values of the interaction terms between religiosity and external factors were added in the final level. The third model showed a significant rise of R^2, ΔF (4,292) = 3.08, p < 0.05, R^2 = 0.35, ΔR^2 = 0.03. The findings indicate that religiosity had a significant impact on the form of relationship between voluntary tax compliance and interaction with the tax authority and social interaction. Table 5.30 presents the

[67] See Figure 4.2 in Chapter 4, Section 4.3.10.

findings from the hierarchical multiple regression analyses for voluntary tax compliance.

Table 5.30: Hierarchical Multiple Regression Analysis for Voluntary Tax Compliance

Variable	Model 1			Model 2			Model 3		
	B	SE	β	B	SE	β	B	SE	β
PoG[a]	0.32	0.04	0.37***	0.33	0.04	0.38***	0.14	0.16	0.17
IwTA[b]	0.31	0.05	0.31***	0.27	0.05	0.28***	0.76	0.17	0.76***
SI[c]	-0.05	0.04	-0.06	-0.06	0.04	-0.08	-0.34	0.13	-0.43**
ToP[d]	0.05	0.05	0.06	0.07	0.05	0.08	0.28	0.15	0.30
Rel[e]				0.02	0.01	0.14**	0.02	0.01	0.14**
PoG*Rel							0.10	0.09	0.20
IwTA*Rel							-0.30	0.11	-0.49**
SI*Rel							0.17	0.08	0.35*
ToP*Rel							-0.13	0.09	-0.22

[a] Perception of Government. [b] Interaction with the Tax Authority. [c] Social Interaction. [d] Threat of Punishment. [e] Religiosity.
* Significant at $p < 0.05$, ** Significant at $p < 0.01$ and *** Significant at $p = 0.00$.

In the second and third moderation analyses, religiosity was treated as a "homologizer"[68] since it had no interaction with predictors (enforced tax compliance and tax avoidance attitude) and was not related to the criteria (perception of government and social interaction).[69] Table 5.31 shows the multiple regression findings to predict enforced tax compliance. Model 1 appeared to be a significant predictor of enforced tax compliance, F (4,297) = 8.03, p = 0.00, R^2 = 0.10. The value of R^2 remained in Model 2 when religiosity was entered, ΔF (1,296) = 0.10, p = n.s., R^2 = 0.10, ΔR^2 = 0.00. In both models, perception of government and social interaction appeared to have a significant influence on enforced tax compliance. In Model 3, the value of R^2 was slightly increased but religiosity seemed to have no moderating influence on the relationships between enforced tax compliance and external factors, ΔF (4,292) = 1.79, p = n.s., R^2 = 0.12, ΔR^2 = 0.02.

[68] A detailed explanation of "homologizer" is discussed in Chapter 4, Section 4.3.10 (refer Figure 4.2).
[69] As noted in Section 4.3.10, only perception of government and and social interaction were analysed based on Figure 4.2.

Table 5.31: Hierarchical Multiple Regression Analysis for Enforced Tax Compliance

Variable	Model 1			Model 2			Model 3		
	B	SE	β	B	SE	β	B	SE	β
PoG[a]	0.20	0.05	0.22***	0.20	0.05	0.22***	0.43	0.19	0.48*
IwTA[b]	0.01	0.06	0.01	0.01	0.06	0.01	0.19	0.21	0.19
SI[c]	0.18	0.05	0.22***	0.18	0.05	0.22***	-0.03	0.15	-0.03
ToP[d]	0.01	0.06	0.01	0.01	0.06	0.01	0.19	0.18	0.20
Rel[e]				0.00	0.01	0.02	0.00	0.01	0.01
PoG*Rel							-0.16	0.11	-0.29
IwTA*Rel							-0.11	0.13	-0.18
SI*Rel							0.14	0.09	0.28
ToP*Rel							-0.13	0.11	-0.22

[a] Perception of Government. [b] Interaction with the Tax Authority. [c] Social Interaction. [d] Threat of Punishment. [e] Religiosity.
* Significant at $p < 0.05$, ** Significant at $p < 0.01$ and *** Significant at $p = 0.00$.

Table 5.32 presents the findings from multiple regression analyses to predict tax avoidance attitude. Threat of punishment, interaction with the tax authority and social interaction had a significant impact in predicting tax avoidance attitude in Model 1 with a relatively low value of R^2, F (4,297) = 15.92, p = 0.00, R^2 = 0.18. The addition of religiosity in Model 2 only had little impact on the value of R^2, ΔF (1,296) = 3.63, p = n.s., R^2 = 0.19, ΔR^2 = 0.01. The value of R^2 increased slightly in Model 3 when interaction terms between religiosity and external factors were added in the third model, ΔF (4,292) = 1.28, p = n.s., R^2 = 0.20, ΔR^2 = 0.01. No moderating effect of religiosity was found in this model.

Table 5.32: Hierarchical Multiple Regression Analysis for Tax Avoidance Attitude

Variable	Model 1			Model 2			Model 3		
	B	SE	β	B	SE	β	B	SE	β
PoG[a]	-0.02	0.06	-0.02	-0.03	0.06	-0.03	0.35	0.21	0.34
IwTA[b]	-0.16	0.07	-0.13*	-0.13	0.07	-0.11	-0.22	0.23	-0.19
SI[c]	0.11	0.05	0.12*	0.13	0.05	0.14*	0.09	0.17	0.10
ToP[d]	0.36	0.60	0.33***	0.35	0.61	0.32***	0.50	0.20	0.46*
Rel[e]				-0.02	0.01	-0.11	-0.02	0.01	-0.12*
PoG*Rel							-0.24	0.12	-0.39
IwTA*Rel							0.06	0.14	0.09
SI*Rel							0.04	0.10	0.07
ToP*Rel							-0.12	0.12	-0.17

[a] Perception of Government. [b] Interaction with the Tax Authority. [c] Social Interaction. [d] Threat of Punishment. [e] Religiosity.
* Significant at $p < 0.05$, ** Significant at $p < 0.01$ and *** Significant at $p = 0.00$.

5.3 Chapter Summary

This chapter has analysed individual tax attitudes towards tax compliance components, religiosity and external factors based on responses to a questionnaire survey distributed via drop-off and online methods. Overall, the findings revealed that the Malaysian individual taxpayers had a high level of voluntary tax compliance compared to other tax components. The multiple regression analyses confirmed that voluntary tax compliance was strongly influenced by taxpayers' perceptions of government, interactions with the tax authority and religious levels. Perception of government and social interaction appeared only to significantly influence enforced tax compliance, and the tax avoidance attitude was strongly influenced only by the threat of punishment and social interaction. The R^2 derived from the multiple regression analyses indicated that the threat of punishment, perception of government, interaction with the tax authority, social interaction and religiosity could only explain 30 percent of voluntary tax compliance, eight percent of enforced tax compliance and 17 percent of tax avoidance attitude in Malaysia. Overall, these factors only appeared to partially explain the willingness of Malaysian taxpayers to voluntarily comply with tax laws. This is deemed acceptable because influences from other factors on tax compliance, as evident in the prior research, are outside the scope of this study. Given the insignificant percentage of R^2 for both models namely enforced tax compliance and tax avoidance attitudes, the factors examined in the current study were found to be less likely to explain these types of taxpayers' attitudes.

The impact of religiosity commitments (intrapersonal and interpersonal) on tax compliance components was analysed. The results showed that intrapersonal religiosity that derived from individuals' ritual practices and beliefs had a significant influence on voluntary tax compliance but interpersonal religiosity that derived from interactions in a religious organisation or society had a strong impact on the tax avoidance attitude. These results imply that the inner values of individuals may play an important role to encourage people to voluntarily comply with tax laws while the intention to avoid paying taxes may be encouraged by the influence from

their interactions with other people in a religious society. Religiosity appeared to be a significant moderating variable to amend the form of relationship between voluntary tax compliance and interaction with the tax authority and social interaction. No moderating effect of religiosity was found on the relationship between enforced tax compliance and tax avoidance attitude and external factors.

Overall, the findings contribute to the current tax compliance literature particularly from the religiosity perspective. This chapter indicates that the internal factor of religiosity and four external factors, namely perception of government, interaction with the tax authority, social interaction and the threat of punishment, play an important role in influencing people's decision to comply but that this is subject to taxpayers' intentions to either comply voluntarily, be enforced or to avoid tax. The results of the face-to-face interviews are discussed in the next chapter to provide further explanation of the survey findings.

CHAPTER 6

DATA ANALYSIS AND FINDINGS OF INTERVIEWS

6.1 Introduction

This chapter presents the second part of the findings of data analysis in this study based on the mixed-methods research[70] and the analysis of the qualitative data obtained from the face-to-face interviews. The results of the interviews are discussed to further explore the explanations behind the findings gathered from the surveys[71] in order to seek a better understanding of this complex tax compliance issue.

6.2 Face-to-Face Interviews

6.2.1 Introduction

The views of individual taxpayers were expected to enlighten the issues of tax compliance gathered from the quantitative findings. Among the issues explored in the interviews were the main reasons for the minimal impact of religiosity on tax compliance, the negative relationships between taxpayers' religiosity and threat of punishment and the positive significant impact of taxpayers' perceptions towards government.[72] The common themes and patterns emerging from the analysis of data obtained from the participants involved in this study are discussed in the following sections. This section begins with the presentation of the profile of the participants to provide an overview of their background and their tax paying experiences. The discussion in this section mainly involves the issue of Malaysian attitudes towards tax compliance and the impact of their religious values on tax compliance issues. Furthermore, the impact of other factors, namely perception of government, interaction with the tax authority, social interaction and the threat of punishment, are discussed in order to fully understand taxpayers' compliance attitudes.

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[70] See Chapter 4, Section 4.2.2.
[71] See Chapter 5, Section 5.2.
[72] See Chapter 5, Section 5.2.3 for other issues explored in the interviews that needed further explanation.

The verbatim quotations are used in this study because they reveal the genuine meaning of the participants' feelings, thoughts, experiences and basic perceptions (Neale, Allen and Coombes, 2005, p. 1590). Thus there was no correction made to the verbatim quotations despite the English language being used incorrectly by some of the participants. The ethnicity and designation were used as identification for each of the participants to differentiate their diverse backgrounds because ethnicity can be associated with religion[73] while designation can be associated with their social status. Based on these, their perceptions can be linked easily with their background to try to understand their stance on certain issues. Even though 14 participants were involved in the interviews, only relevant views are selected and discussed in this chapter.

6.2.2 Background of Participants

The interviews were conducted with 14 participants from different backgrounds. The participants consisted of seven males and seven females representing all age groups from the 20s to 70s with the largest group of the participants in their 30s. The participants represented three major ethnic groups, namely Malay and other indigenous groups, Chinese and Indian. All the Malay partcipants were Muslim except for two participants from the indigenous groups who adhered to Christianity. A majority of the Chinese were Buddhist and the Indian partcipants were Hindu except for one Chinese and Indian, both of whom were Christian. The lowest education level for the participants was a diploma and the highest was Doctor of Philosophy.[74]

Most of them were salaried taxpayers who worked in the private and public sectors including one retired public servant and only two out of the 14 total participants were self-employed. More than half of the participants had 20 or fewer than 20 years of tax paying experience and the remaining had paid taxes for between 21 to 48 years. Overall, the different backgrounds of the participants were likely to offer mixed views from different perspectives which was hoped to provide generous

[73] See Chapter 4, Section 4.3.3.
[74] Having a PhD is not typical of the Malaysian population.

information for this study. This additional and valuable information should shed light on the quantitative findings gathered from the prior surveys. The profile of the participants is presented in Table 6.1.

Table 6.1: Profile of Participants

Label	Gender	Age	Ethnicity	Religion	Highest Level of Education	Job Description	Number of Years of Paying Tax
P1	Female	35	Malay	Islam	Masters Degree	Lecturer	8
P2	Male	44	Malay	Islam	ACCA Fellow	General Manager	18
P3	Male	57	Chinese	Christianity	Diploma	General Manager	30
P4	Male	49	Chinese	Buddhism	Masters Degree	Senior Manager	18
P5	Male	54	Indian	Christianity	Diploma	Self-employed	30
P6	Male	72	Indian	Hinduism	Diploma	Self-employed	48
P7	Female	36	Malay	Islam	Bachelor Degree	Executive Officer	5
P8	Female	33	Kadazan*	Christianity	Bachelor Degree	Executive Officer	4
P9	Female	39	Iban*	Christianity	Masters degree	Senior Executive Officer	11
P10	Female	55	Chinese	Buddhism	Diploma	Executive Officer	20
P11	Female	28	Chinese	Buddhism	Bachelor Degree	Executive Officer	4
P12	Male	41	Indian	Hinduism	Doctor of Philosophy	Senior Lecturer	14
P13	Female	36	Malay	Islam	Bachelor Degree	Tutor	5
P14	Male	65	Malay	Islam	Bachelor Degree	Retiree	30

* One of the indigenous groups.

6.2.3 Perception of Individual Taxpayers

6.2.3.1 Tax Compliance

In order to gauge the participants' general understanding of tax compliance, they were asked to define the term "tax compliance". The majority of the participants (71 percent) viewed tax compliance as abiding by tax laws. It is implicitly understood that some percentage of their earnings will be taxed by the government based on a progressive tax rate when a certain level of income is reached (see Appendix B). Allowable reliefs and rebates are available to be claimed by taxpayers

in minimising their taxes and tax must be paid before or on 30 April every year. In other words, complying with tax laws was viewed by some of the participants as managing their taxes legally and paying their taxes accordingly. These views were clearly shown in the following quotes as presented in Table 6.2.

Table 6.2: Definition of Tax Compliance

Theme	Sub-Theme	Example of Quotation
Definition of Tax Compliance	Abide by Tax Laws	"Since tax is changing, the guidelines are also changing but you try to comply and maximise the reliefs and rebates that you can claim. You'll try to manage your tax as much as possible but of course within the guidelines given." *(P2, Malay, General Manager)*
		"Complying with tax means complying with government tax, pays accordingly based on the regulations and time frame given." *(P4, Chinese, Senior Manager)*
		"It is very straight forward especially for the wage earners because tax structure is well laid out. It is based on income and whatever the allowances are given and any exemptions from tax, the rest is taxable based on escalating rate." *(P6, Indian, Self-employed)*
	Enforced Compliance via STD	"I never open tax file until my salary was automatically deducted by my employer under STD system. Then only I opened the file. I just do what I should do. That's all." *(P8, Kadazan, Executive Officer)*
		"Tax compliance means whatever you earn, there is a tax that you have to pay, which is monthly deducted by Finance Department using STD system. So, whether I like it or not, it will be automatically deducted from my salary." *(P12, Indian, Senior Lecturer)*
	Duty as a Citizen/ Contribute to the Country	"If we have reached certain level, it means that we are eligible to pay. For me, it is not that much. If I am not mistaken, in 2002 I paid only RM126 for [income] tax. Even though the value is small, we are still helping the country if all of us are paying accordingly. I think it will give strong impact to our country's development if we refuse to comply [with tax laws]." *(P9, Iban, Senior Executive Officer)*
		"It is our responsibility as a good citizen. So we have to comply as our contribution to the country." *(P14, Malay, Retiree)*
		"We pay for the sake of helping to boost the country's economy." *(P13, Malay, Tutor)*

Some of the participants argued that they were complying with tax laws because they were not given much option but to follow the government's rules and regulations. This view was particularly associated with salaried taxpayers, whereby their monthly salaries were deducted at source based on the STD scheme by employers. The remaining participants (29 percent), in contrast, paid taxes due to their responsibilities to the country and to fulfil their duty as citizens. Despite their small contribution to the country, they were willing to contribute in supporting the economic growth and development of the country.

The level of tax compliance in Malaysia was perceived differently by the participants, depending on the group of taxpayers: salaried, self-employed or business. Most of the participants agreed that as wage earners, they had less opportunity to avoid taxes because their incomes were subject to the STD scheme and hence, the tax compliance level was high for salaried taxpayers. The implementation of e-filing for individual taxpayers since 2006 was considered by some of the participants as one of the factors that had improved taxpayers' compliance attitudes in Malaysia. The e-filing process was perceived to be a stress-free process which had encouraged taxpayers to submit their tax returns on time and pay their taxes accordingly. One of the participants also stated that the implementation of the e-filing indicated strong government trust in its citizens. The relevant excerpts are presented in Table 6.3.

Table 6.3: High Level of Tax Compliance

Theme	Sub-Theme	Example of Quotation
High Level of Tax Compliance	STD	"If the STD is practiced by the company, we are considered comply. It is much easier for salaried taxpayers to comply if their salaries are deducted directly from their income." *(P7, Malay, Executive Officer)*
		"As salaried taxpayers, we have no choice. It is deducted directly from our salaries. Even if we do not want to pay, we still have to." *(P9, Iban, Senior Executive Officer)*
		"The wage earners have no option because documents are sent directly to the IRBM." *(P6, Indian, Self-employed)*
	E-Filing	"Many years ago, I believe that it was not that high but now with the government introduced e-filing, society is getting educated. So, they know that it is part of duty to pay. The system has a good structure that makes it easier for the taxpayer with the used of IT [e-filing]." *(P3, Chinese, General Manager)*
		"Lately, I can see the seriousness with online system and the service is improving. If you pay extra, they [the IRBM] will pay you immediately within one month. So, the system is slowly improving." *(P12, Indian, Senior Lecturer)*
		"The implementation of e-filing is the sign of the government's trustworthiness towards its citizen in terms of tax paying attitudes. The honest values are being instilled by the government in their citizens." *(P9, Iban, Senior Executive Officer)*

However, a large numbers of the participants viewed the level of tax compliance for self-employed or business taxpayers to be in a range of medium to low. This group of taxpayer was expected to have a high opportunity to minimise their taxes by understating their incomes or overstating their expenses and their wrongdoings

seemed to be generally unnoticed by the tax authority. There were several reasons given by the participants to justify their or other people's tax avoidance or evasion attitudes. For example, the government's treatment was perceived as unfair, the taxes paid were not equivalent with the services received from the government and public money was used for unbeneficial projects. The quotes in Table 6.4 indicate the above attitudes.

Table 6.4: Low Level of Tax Compliance

Theme	Sub-Theme	Example of Quotation
Low Level of Tax Compliance	Self-Employed/ Business Taxpayers	"For self-employed, some of them will try to reduce their tax dues. It is not that they avoid paying all, but only part of it." *(P7, Malay, Executive Officer)*
		"Only business people can take advantage. For example, many years ago, my older brother in law was earning five times than his wife was earning, but he only paid one-third tax of what she paid." *(P6, Indian, Self-employed)*
		"For people in business, we are not really sure because even though they have high income, there are not many ways to track their actual sources of income." *(P9, Iban, Senior Executive Officer)*
	Mismanagement of Resources	"I think in general, people would rather not to pay tax. As a human, we do not want to pay tax because they are also certain perception or the worry of the money does not going to where it is supposed to be going." *(P2, Malay, General Manager)*
	Ill-Treatment from the Government	"Generally, people will try to evade. They also have their reasons why they have to evade. For example, the government must be fair for every religion and people. If you are fair, then only people will feel this is my duty. I must be an honourable citizen." *(P5, Indian, Self-employed)*
	Equity Issue	"Most people believe that it is not our responsibilities since they did not get back what they paid from the government. So, their understanding may be between medium towards weak. Not that strong." *(P13, Malay, Tutor)*

6.2.3.2 Religiosity

The impact of religiosity on tax compliance was examined based on the responses of the participants. The finding from these interviews revealed that religiosity had the least influence on taxpayers' attitudes as compared to other factors and three out of 14 participants without a doubt rejected the possibility of an influence of religiosity on taxpayers' attitudes.[75] The duty as a citizen to the country and social contribution to the community were suggested by some of the participants to be

[75] Some of the comments received from the survey questionnaires confirmed the findings gathered from the interviews.

the main factors in influencing them to comply with tax laws. In addition, taxpayers' perceptions of government, employment status, law and enforcement were also emphasised as being more influential in influencing taxpayers' attitudes compared to religiosity. As for the Muslim participants, they considered their main priority to be the payment of 'zakat',[76] not the government tax. The above views are presented in Table 6.5.

Table 6.5: The Low Influence of Religiosity on Tax Compliance

Theme	Sub-Theme	Example of Quotation
Low	Duty as a Citizen/ Social Contribution	"First is your responsibility as a citizen. Secondly is to help the needy or the poor." *(P1, Malay, Lecturer)*
		"Not really. Some people may pay taxes because of their duty as a citizen, but paying taxes due to their religious awareness is quite unusual, I think." *(P13, Malay, Tutor)*
		"Actually, if you ask me from a Buddhist point of view, it is not much! People comply only because of the social cause not religious influence." *(P4, Chinese, Senior Manager)*
	Perception of Government	"Actually, I don't think religion do influence. The government might be the main influence that I pay taxes as a good citizen. I think it is the government that makes us, whether we want to pay or not. If we are paying and we saw nothing can help us and they don't do anything that contribute which can help our lives to be better, that's why people are avoiding or delaying this tax thing." *(P11, Chinese, Executive Officer)*
	Employment Status	"It depends on our status of employment, not really on religion." *(P8, Kadazan, Executive Officer)*
	'Zakat'	"There are many people who pay 'zakat', but they don't bother to pay tax. Probably these two don't relate at all. People who understand what 'zakat' really is and the reward that they get hereafter, may be they are fighting for that chance more than complying with tax laws. Because few people that I know they are more committed to paying 'zakat' than tax." *(P1, Malay, Lecturer)*
	Law and Enforcement	"People comply and pay tax because do not want to break the rules." *(P7, Malay, Executive Officer)*
		"Religious values are not the main factor. There are other factors such as enforcement." *(P9, Iban, Senior Executive Officer)*

Nevertheless, religiosity was also perceived to be effective in influencing people to comply with tax laws by a minority of the participants from the positive religious values instilled in each individual to contribute to the well being of the nation, as illustrated in Table 6.6. All religions teach their followers to help others by contributing or donating such as 'zakat' in Islam and a tithe in Christianity. The concept of giving was stressed to be another reason for them to comply with tax

[76] Under 'zakat', it is obligatory for all Muslims to give 2.5 percent of their wealth each year to the poor and needy.

laws because they believed that blessing or financial prosperity to be a result of giving. These values are expected to motivate taxpayers to perform their duties not only to their religion but also to the country.

Table 6.6: The High Influence of Religiosity on Tax Compliance

Theme	Sub-Theme	Example of Quotation
High	Religious Values	"If you are religious, you should have the feeling of contribute to help others and country because religious values cultivate that into your heart. Regardless of what it is, tax, 'zakat' or 'sadaqah' [donation], you are contributing!" *(P2, Malay, General Manager)*
		"Give something to others is not burdensome; in fact it is a blessing to others. When we get the blessings from God, we bless the others." *(P9, Iban, Senior Executive Officer)*
		"[Yes], especially for Muslims and Christians. For Buddhist, I have no comment. It is our own duty to abide by laws. No one force you to pay, it is just between you and God." *(P3, Chinese, General Manager)*

Even though many participants considered that religiosity had only a minimal impact on tax compliance attitudes, most of them agreed that the minimal impact may be derived from a number of ways. The quotes that represented these views are presented in Table 6.7.

Table 6.7: Reasons for Complying from Religiosity Perspective

Theme	Sub-Theme	Example of Quotation
Reason	Duty as a Citizen/ Obligation to the Country	"You can divide the meaning into two, duty in terms of you as an individual as a citizen of a particular country also your duty as a Muslim to be able to help others." *(P1, Malay, Lecturer)*
		"In Roman Catholic, our obligation is mentioned not only to the religion but also to the country." *(P8, Kadazan, Executive Officer)*
		"From the Hindu aspect, if you don't give, your life won't be happy. Whatever you have earned, you give little bit to the country and people. When you have contributed and God sees that in the Hindu, you are now a clean man!" *(P12, Indian, Senior Lecturer)*
		"I think all religions encourage people to help the poor/ needy. So, paying tax means you are contributing towards the and country and this makes you feel good inside and fulfilled you religious requirement." *(P2, Malay, General Manager)*
	A Just Individual	"In my opinion, religious values should make people be fair and just. It is not only for tax but it is for all forms of life. All of these are part and parcel of religious concepts, as I believe. I think that goes to all religion." *(P6, Indian, Self-employed)*

Firstly, a majority of the participants observed that the most dominant value shaped by religion in most individuals was being a responsible citizen to perform his/her duty or obligation to the country. Secondly, it was the sense of helping the country

in terms of having better development as well as helping the needy and poor by contributing to the government. Finally, religious values were expected to shape people to be a holistically fair individual. However, it was not only related to the tax paying issue but everyday issues in people's lives.

The minimal impact of religiosity on taxpayers' attitudes was also considered by most of the participants to be positively driven by intrapersonal religiosity which is rooted in most individuals except for atheists who deny or disbelieve the existence of God. Many of them believed that the inner religious values derived from their religious practices and strong faith created the genuine desire to perform their duties to the country and contribute in helping others without any force from the external environment such as laws and penalties. Some argued that the foundation of faith from religion was reflected in people's beliefs and principles and it was then translated into their actions. In other words, the positive internal values in people may push their decent intention and willingness in making their own decisions to pay taxes. Selected examples of these views are as follows:

> "I think in terms of tax, it is more from you, yourself because when you give contributions or donations, it is more towards the concept of giving to other people. So it is more within yourself to bring it up and you know there is a regulation to pay tax, so it comes from within." *(P2, Malay, General Manager)*
>
> "One in terms of the genuine feeling from the obligatory issue is internalised. But a lot of people do it from the threat of punishment from the outside. That is meaningless. That should not be due to the threat of punishment. It should be genuine acceptance of the concept of tax compliance." *(P6, Indian, Self-employed)*
>
> "It is the inner values because there are no way people can push you to do anything that you don't like. It is you who decide your own decision. The external might influence, but very minimal." *(P7, Malay, Executive Officer)*

Since religiosity was considered to have the least influence on tax compliance, almost all of the participants agreed that there was no relationship between the level of religiosity and taxpayers' compliance attitudes. The strong beliefs to help others and high civic duty were emphasised again to be the dominant factor in influencing people to pay taxes regardless of their level of religiosity. Further, some of the religious people were labelled as hypocrites because their words and actions were totally opposite and thus, being highly religious did not guarantee that they

would voluntarily comply with tax laws. In contrast, highly religious people may also place their obligations towards their religion higher than their obligations towards the government, as suggested by some of the participants. Hence, paying taxes may be the least important priority for these people. The above views are as shown in Table 6.8.

Table 6.8: Relationship between Religiosity and Tax Compliance

Theme	Sub-Theme	Example of Quotation
No Relationship	Social Contribution	"You cannot say 100 percent of religious people will pay tax because some people might not be religious but they also have some beliefs that a contribution may also lead to help other people. To me, the biggest pie of people paying tax would be those who have strong belief in their heart to help people." *(P2, Malay, General Manager)*
		"I think it is not affecting because they said they already pay for temple, charity and all that so, I don't need to pay for the government. Sometimes, they will go higher than that, I will pay only to the God! You know, up to that level. Generally I think, religion does not play a role." *(P12, Indian, Senior Lecturer)*
	Civic Duty	"Not all people who pay taxes are highly religious. There are some people with low level of religiosity but may be due to their strong civic duty, they still pay taxes and there are some who are highly religious but will not pay taxes." *(P7, Malay, Executive Officer)*
	Hypocrisy	"Because too many people of many religions who claim to be profess or very religious and pious but they do as impious thing as anybody else. In fact, there are a majority of people who don't claim to be very passionate about their religion but probably living the life that would expect them to live." *(P6, Indian, Self-employed)*
		"It is very subjective to measure someone's religious level. Sometimes their words and actions are not parallel. Despite their religious levels, moderate or high, I am sure many people will try their best to abide by the laws." *(P9, Iban, Senior Executive Officer)*

The impact of 'zakat' on taxpayers' attitudes specifically from Muslims' perspectives was also sought.[77] 'Zakat' was viewed to encourage Muslims to pay taxes to the government in two ways. First, the practice of giving in religion was considered by some of the participants to motivate the same feeling of giving towards the country in order to gain 'barakah' or blessings from Allah Subhanahu Wata'ala[78] (SWT). A similar view was said to be shared in Christianity as shown in Table 6.7. This contribution is considered as their support for the development of the country

[77] The impact of other religious payments such as tithing in Christianity were not investigated because tithing or other religious payments are not treated as a rebate in calculating individual taxation in Malaysia. This is because these payments are not made compulsory to all members of each religion as compared to 'zakat'. 'Zakat' is a Muslim's obligation and stated in the five pillars of Islam.
[78] Subhanahu Wata'ala means glorified and exalted.

besides helping others. Second, some of the Muslim participants considered that paying 'zakat' is a good move to reduce their tax dues since 'zakat' is treated as a deduction or rebate which can be deducted from their net tax payable. Hence, they were willing to pay taxes voluntarily so that their compulsory 'zakat' payment can be fully utilised in reducing their actual tax payments. Table 6.9 presents the relevant quotations.

Table 6.9: The Impact of 'Zakat' on Tax Compliance

Theme	Sub-Theme	Example of Quotation
Positive	Use the Same Concept of 'Zakat' to the Government Tax	"Some people know that if they don't comply with 'zakat' then the salary they get, will not be given 'barakah' by Allah SWT. For me, when you understand the reward that you get may be it is not very apparent right now in this world, but may be in the hereafter. You just hold on to this belief." *(P1, Malay, Lecturer)*
		"By paying 'zakat' may be make some people realised that they need to help others. So, it might also apply to the concept of tax to help the country's development." *(P7, Malay, Executive Officer)*
		"There is not much difference between tax and 'zakat'. If they understand, both are their contributions towards other people." *(P14, Malay, Retiree)*
	Rebate	"When they pay 'zakat', automatically they will pay tax, because 'zakat' is considered $1 to $1 to tax." *(P2, Malay, General Manager)*
		"Paying 'zakat' means you are half way paying taxes. In other words, 'zakat' can reduce the amount of tax that you have to pay. This is because 'zakat' is treated as a deduction (rebate)." *(P7, Malay, Executive Officer)*
		"…might as well I just pay 'zakat', not tax because not only I can help people but also can claim it as a rebate. There are people who might think that way. But I don't think it as a main factor to push people to comply. It might push others, but not as a main factor." *(P13, Malay, Tutor)*

6.2.3.3 Perception of Government

Table 6.10 shows the participants' perceptions of government which were explored based on three issues, namely fairness, equity and trust in the Malaysian Government. Mixed views were offered regarding the fairness of the Malaysian Government and its tax system. Most of the participants were generally dissatisfied with the amount of taxes they have to pay as compared to the expenses they incur. This may be because the tax system was not appropriately revised to match the increasing cost of living in Malaysia. However, the Malaysian tax structure was

considered as a fair system in general by a number of participants when the issues of tax rate, e-filing and tax refund were raised.

Table 6.10: Fairness of the Malaysian Tax System

Theme	Sub-Theme	Example of Quotation
Unfair	Tax Structure vs. Cost of Living	"The government is not doing enough in terms of tax rate because if we compare the cost of living now and increment of salary in this country, it doesn't go hand in hand with the price of basic food items." *(P2, Malay, General Manager)*
		"Tax structure has been developed many years. Even though the economy, cost and standard of living and income levels have changed, the government had only modified this slightly, not to the extent it should have been." *(P6, Indian, Self-employed)*
		"…if we are talking about cost of living, the increasing cost of toll, fuel and food, people out there will definitely say not fair. It is our need. You have no choice but to pay the increasing price to live." *(P9, Iban, Senior Executive Officer)*
Fair	Management	"In terms of the operation, with the internet and refund is very good. What they say, is what they are doing. Sure, there is room for improvement." *(P4, Chinese, Senior Manager)*
	Tax rate	"If we compare our tax rate with other countries we are getting quite good benefit. Our income tax is reasonable and fair." *(P11, Chinese, Executive Officer)*

Similarly, the Malaysian Government was perceived to be fair and unfair by the participants. It was considered unfair in terms of the implementation of the government policies. For example, the former government policy was viewed to create more negative than positive effects such as the policy of recruiting only 'bumiputra' in the government agencies. Even though the current government was observed to have fixed this problem, the fair policies designed by the current government were poorly implemented by the authorised agencies. Unfortunately, no punitive actions were taken against these agencies. Despite this negative perception towards the government, most of the participants were confident that the Malaysian Government was improving and that it was moving towards a better country for the people. The quotes cited in Table 6.11 represent the above views.

Table 6.11: Fairness of the Malaysian Government

Theme	Sub-Theme	Example of Quotation
Unfair	The Implementation of Policies	"They are many cases where the implementing agencies have actually sabotaged government policies and yet they are not being penalised. The government policies usually are very fair, only the implementation is unfair. For example, the culture of mono-ethnicity in government service has created a bigger problem than any other economic disturbances can do. I think Pak Lah [the former Prime Minister] and Najib [the current Prime Minister] have tried to change that, but changing 30 years negative works, will take probably another 30 years. But at least, if you are on the right move, it is fair enough. Najib has given his policy direction in the right way but the people down the line are not implementing as he wants. They are doing their own way. They should be punished, to show the case then only people will understand." *(P6, Indian, Self-employed)*
Fair	The Government Services are Improving	"I think Malaysia is considered as a fair country. The current government is improving in terms of many things. There are definitely some issues of misuse of power and money as well as cronyism but we can see the development made by the government from tax money has benefits the people." *(P7, Malay, Executive Officer)*
		"I think they are really fair. We are paying cheap for Indah water [sewerage] and water bill. Ours is the second lowest water tariff in the world, the first is India." *(P12, Indian, Lecturer)*
		"In general, I think it is acceptable. No government is perfect. As long as we get what we should get, that is fine. The government has increased the quality of education and health system in Malaysia. These are the indicators of fairness for us!" *(P14, Malay, Retiree)*

Another pressing issue for the government is to ensure the growth of the country, through increased income, wealth or opportunity, is shared equally between citizens. The participants' views on this issue appeared to be almost balanced between the negative and positive perceptions. In terms of negative perceptions, they were disappointed with the issue of basic necessities such as the price of food and public facilities. The same issue was pointed out regarding the issue of unfairness of the tax structure. The current economic situation was also viewed as delicate and difficult by some of the participants. The government's treatment of its citizens was viewed as biased towards certain groups and the treatment of 'zakat' as a rebate which is only applicable to Muslims was raised as one of the signs of discrimination between ethnic groups. The distribution of wealth was also perceived to be imbalanced because opportunities were only given to selected groups. The quotes which related to the equity issue are presented in Table 6.12.

Table 6.12: Inequality in the Equity Issues

Theme	Sub-Theme	Example of Quotation
Unequal	Basic Necessities	"There are a lot of complaints of the government since they are not doing enough in terms of price for the basic needs. The food price is hiking. I think people are complaining, probably in that sense." *(P1, Malay, Lecturer)*
		"I don't think it is balance, especially when we are comparing with other countries. For example, when I was in Hong Kong, the transportation system was very reliable but if I were to miss a bus in Malaysia, that means I have to wait forever [for long time] for another bus. The economy also is not really stable. It can collapse anytime!" *(P8, Kadazan, Executive Officer)*
		"The economy is not really good and the public facilities are even worst. So it is not an equitable relationship, I think." *(P10, Chinese, Executive Officer)*
	Opportunity/ Wealth Given to Certain Groups	"The equality is not there. We gave a lot, but it was never coming back to all of us, it only come back to some people. Opportunity was only given to certain group of people. For example, no offence ok, even though I pay to church, it is not considered as rebate but unlike 'zakat'. That's why people are asking, why should I pay tax?" *(P5, Indian, Self-employed)*
		"May be I am a socialist to think that it has been favouring the rich and high earners rather than general public. When the government says bonus, [a] minimum bonus is RM500. Why don't they put a maximum? Let say, those who earn RM50,000 will only get RM5,000 and that is what you call equitable. I don't care what their religions are or whether they profess to be religious or otherwise. I would say cynically because the idiots who set the rules are the ones who benefit the most. It is so self-interest!" *(P6, Indian, Self-employed)*
		"They have come up with lots of new plans and new things. But, I don't see any benefit from those things. To me, may be some of it does but mostly it only benefits certain groups. It is not for all citizens, generally." *(P11, Chinese, Executive Officer)*

The participants' perceptions on the equity issues are illustrated in Table 6.13. The services provided by the Malaysian Government were considered to be improving by about 40 percent of the participants particularly in terms of the performance and services of the government agencies except for the public transport system in the cities which were seen to be in desperate need of improvement. It was considered that this probably could be done if taxpayers were paying their taxes consistently. For some of the participants, the taxes paid were relatively small as compared to the services provided by the government. Further, one participant claimed that comparing taxes paid with services received appeared to be impossible if the intention of paying was not only about ourselves but also to help others.

Table 6.13: Equity Issues

Theme	Sub-Theme	Example of Quotation
Equal	Services are Improved	"When you see the level of the government agencies' performance, there are improvements. In terms of public transport, there is still lack behind especially to cater for the city people. The government can do better with the tax being paid, only if all money goes to the right place." *(P2, Malay, General Manager)*
	Services Received are More or Equal to Taxes Paid	"I think for Malaysian with the type and amount of tax they pay and the environment we are living, we should be very happy." *(P4, Chinese, Senior Manager)*
		"It depends on how you look at this because the more you earn, the more you pay right? I don't want to measure the money I have paid with the services I received because it is being used for other people as well. Not only me." *(P3, Chinese, General Manager)*

The trust of citizens in the government was perceived to be relatively weak by most of the participants. The issues of corruption in the government and mismanagement of the resources were stressed as the key factors in the weakening of trust in the government. Even though these issues were viewed as critical by most of the participants, a lack of serious action by the government to address this problem was perceived. The trust in government continued to diminish when most of the corruption cases were closed and the people involved in these cases did not receive any punishment.

Another issue raised in the interviews was the issue of inequalities in the population and different parts of the country. This probably relates to the issue of privileges given to the 'bumiputra', referring to Malays and other indigenous groups. The development of the country was viewed to be imbalanced particularly for certain states in the east of Malaysia such as Kelantan and Terengganu and Malaysia East such as Sabah and Sarawak. Taxpayers' perceptions of the inequality in the government were suggested by the participants to be strongly shaped by the information which can be easily accessed from the internet without any control from the government. Based on this information, regardless of its reliability, taxpayers may build their negative perceptions of the government. These perceptions were expressed clearly in a number of quotes with examples as shown in Table 6.14.

Table 6.14: Trust in the Government

Theme	Sub-Theme	Example of Quotation
Low	Information	"…and the internet provides information that you can access easily. Knowing newspaper can be controlled by the government and internet cannot be controlled, people can make their judgement with the contradicting information from these sources. People like to believe in what they read even though not all information from the internet is true. Generally, I think there are a lot of pessimistic on the government." *(P2, Malay, General Manager)*
	Corruption/ Mismanagement of Resources	"In terms of confidence in government, the government are not getting full confidence from people. I think, if I am not mistaken, our government is based on about 46 to 47 percent of the voters. The majority oppose the government but the government is still the same. Most of all, the failure to stop corruption and wastage. [In] the recent case based on the AG's [Auditor General's] report, they buy a night goggle binocular at RM65,000 while the actual price only RM1,900 and the person who did this said, I made a mistake and he was let off court free. How can you allow that when justice is concern? Every year the AG's report has shown this - corruption, leakage, mismanagement and we don't see much action. So based on that, how much confidence do you have in the honesty and integrity of government?" *(P6, Indian, Self-employed)*
		"After so many years, we hear this accounting problem from the AG report but still, no change. It is a simple basic thing, but still the government cannot manage." *(P4, Chinese, Senior Manager)*
		"There are some unresolved issues such as bribery and unnecessary development which involved billions of money which do not benefit citizens as whole but only to certain groups." *(P13, Malay, Tutor)*
		"There's a lot of dissatisfaction for example the long-standing corruption problem in the government sector. The money that we pay tax is going somewhere else. In Malaysia, you can see the corruption is happening and yet they got away with it. So, when you talk about values, they must see values than only you can talk about religion." *(P5, Indian, Self-employed)*
	Inequalities in the Population/Parts of Country	"For example, the inequalities among the populations of various sections, in terms of inequalities of different parts of the country such as east of Malaysia and Malaysia East…" *(P6, Indian, Self-employed)*
		"People don't have trust in government. We always feel that we are second class citizen especially when something happen, the government always mention that this is our country, this is our country, this is our country. It's hurt you know, and this will be passed generation to a generation. So, if we are being treated as a second class citizen, what is the point of paying tax? We are not being treated nicely." *(P5, Indian, Self-employed)*

Despite a strong collective negative standpoint on this matter, there were two participants who were reluctant to make any comment regarding this issue. For them, the trust in government was considered to be a sensitive issue and one that could be interpreted from many viewpoints. Thus they refused to respond to this matter as illustrated in the following excerpts:

> "That one is a very sensitive issue! As long as we have a very peaceful country, so I don't bother much. No fighting, no riots. This is enough for me. I consider this is a peaceful country." *(P10, Chinese, Executive Officer)*

> "This is very subjective. It is hard for me to say." *(P14, Malay, Retiree)*

Based on the participants' responses regarding their perceptions of the government, they were asked to state the level of democracy in Malaysia. The Malaysian Government was regarded as a partially democratic government by most of the participants even though they were given the right to choose their own government through a general election, as indicated in the following quotations:

> "I think our country is considered as a democratic country if compared to others. We have already practiced certain democratic practices. However, it might not be full democratic but in terms of general principles of democracy, it is already in practiced."
> *(P14, Malay, Retiree)*

> "I don't think so because we don't even understand the meaning of democracy. Most of us defined democracy as a collective voice of the people. If that is the only criteria to define democracy, Malaysia is a democratic country but unfortunately there are other criteria that we have to meet to be a full democratic country."
> *(P13, Malay, Tutor)*

Despite the general principle of a democratic government being currently exercised, many participants believed that there were other important criteria that needed to be practised by the government. They believed that their freedoms were limited and their voices were hardly heard by the government because the government has its own agenda which is controlled by an elite group of people. The different backgrounds of people in Malaysia were also mentioned to be one of the possible reasons for the delay in achieving full democratic status. In this view, a pluralist society is one of the obstacles to achieving full democratic status because it involves religious and racial sentiments. Nevertheless, Malaysia was perceived by the majority of the participants as moving towards full democracy and it was even considered more democratic than a number of other countries in the world. Participants were aware that achieving full democracy was difficult or impossible especially for a developing country. Selected quotations representing these views are presented in Table 6.15.

Table 6.15: Malaysia's Level of Democracy

Theme	Sub-Theme	Example of Quotation
Partial Democracy	Under the Government's Control	"Not really. I can see a lot of things are under controlled of government like what we speak and what we act. Everything is under control. May be later, our email also will be checked by the government. This is why I think, we are under control." *(P11, Chinese, Executive Officer)*
	Controlled by Certain Groups	"Not really democratic. We cannot do things which are beyond our control. Even though we know it is the best for our country. Democracy should be based on collective decision, not only based on interest of certain individuals or certain groups." *(P9, Iban, Senior Executive Officer)*
	Different Background of People	"Not in all aspects such as leadership or administration of the country. May be the nature of our country are not allowed to have 100 percent democracy in the practice. I think recently Dr Mahathir [the former Prime Minister] was interviewed by BBC [British Broadcasting Corporation], and exactly the same question was asked by the host. He gave quite a sound answer. We have a different background of people. May be we cannot have full democracy." *(P1, Malay, Lecturer)*
	Moving Towards Full Democracy	"There are other countries that are worse than us. Every country has a unique problem. As far as Malaysia is concern, it is a democratic country." *(P3, Chinese, General Manager)*
		"I would say, to give a fair view, we are moving towards democracy. I think it is 'ok' because no country is perfect. Even the most democratic country is not perfect. So, as I see now, Malaysia is opening up. This is a good sign. Sure there will be some bumps here and there, but it is 'ok'." *(P4, Chinese, Senior Manager)*
		"In terms of democracy, we are better than some other countries. But if we compare [our country] with better democratic countries, we might be in the middle. So, I can say, we are slightly average such as freedom in the election and religion. It may take some time, but slowly we are towards that. All people must be educated." *(P12, Indian, Senior Lecturer)*

Based on the prior discussion, taxpayers' perceptions of the government would be crucial in shaping taxpayers' compliance attitudes as clearly shown in the comments in Table 6.16. The trust in government and the government's competency to manage the country and its resources appeared to have a strong influence on tax compliance. In addition, the media owned by the government under the Ministry of Information Communications and Culture and managed by Radio Televisyen Malaysia were no longer being trusted. Participants reported that they would prefer to use the internet to seek information which was free from government influence. They would make their own judgement and build their own perceptions towards the government in making their tax compliance decisions, even though the reliability of the information was questionable.

Table 6.16: Influence of Perception of Government on Tax Compliance

Theme	Sub-Theme	Example of Quotation
Strong	Competent Government/ Transparency	"A lot, if they know that the government is competent and successfully managed the country, definitely they will comply. If they trust the government, they are more inclined to comply." *(P3, Chinese, General Manager)*
		"Of course there are since this is our money. If we perceive that the government is not transparent and wasting our money, we don't feel like paying. It should be used for our benefit as a whole. In Malaysia, the rich are getting richer and the poor are getting poorer." *(P9, Iban, Senior Executive Officer)*
	Information	"Sure there are some influences. What the government has done will definitely influence people's perception towards them particularly for people in urban areas. There are many resources that you can access from internet and website. Don't bother to watch TV1 and TV2 [RTM] because these are government's channels which are quite annoying. There are a lot of choices to choose even though we are not sure whether it is true or not. These definitely will strongly influence people in complying with tax laws." *(P13, Malay, Tutor)*
Fair	Opposing Supporters	"To some extent, but I cannot say 100 percent. As opposition supporters, they might think why they should pay tax. They are hard core people who do not want to pay tax and probably these people are opposing all government's action." *(P12, Indian, Senior Lecturer)*
	Threat of Punishment	"It is fairly significant, but the influence is more on threat of punishment than the perception of government." *(P6, Indian, Self-employed)*
	Civic Duty	"…may be some would think that it is like a separate thing, the political thing and your duty to pay tax. Even if I sway towards the opposition government, I still would say that it is still my obligations. But others might do the opposite." *(P1, Malay, Lecturer)*

Apart from that, the impact of taxpayers' perceptions of government on tax compliance was considered by some of the participants as fairly significant. These views might be applicable to an opposing party's supporters who do not feel obliged to pay taxes to the government or those who have high sense of responsibility to the country even though they supported the opposition party. One of the participants also viewed the threat of punishment as having a stronger effect on tax compliance attitudes than taxpayers' perceptions of the government.

6.2.3.4 Interaction with the Tax Authority

Taxpayers' interactions with the tax authority were examined based on the partcipants' experiences with the tax authority. Their positive and negative experiences were shared and information about the impact of tax treatment on their tax compliance attitudes was sought. In general, the treatment by the tax

authority of taxpayers was perceived to be positive. Tax treatment was said to have greatly improved as compared to many years ago. Overall, the tax authority appeared to be very helpful and accommodating with friendly, professional and trained tax officers. Another reason for the participants' positive responses was the employment of an efficient and convenient technology in filing tax returns, e-filing. A large number of participants acknowledged the user-friendliness of the e-filing system which has reduced the complexities of the tax filing process, duration of time in submitting tax returns and less communication with tax officers. However, one participant claimed to have a negative experience with the tax authority. This opposite view might represent the voice of the self-employed who have a better opportunity to evade and who thus view tax officers as threats. In conclusion, most participants received reasonable treatment from the tax authority. The illustrative quotes are shown in Table 6.17.

Table 6.17: Treatment by the Tax Authority

Theme	Sub-Theme	Example of Quotation
Positive	Friendly/ Professional/ Helpful Services	"The services are also improved as they appeared to be very friendly and professional because these people are well trained and their responses are quite reasonable. When you called them, their answers are quite acceptable." *(P2, Malay, General Manager)*
		"In terms of customers' service, I think they have improved a lot. They have specialists [experts] who talk to taxpayers. With [the combination of] technology, people and procedures, I think they are doing quite well." *(P4, Chinese, Senior Manager)*
		"I am very surprise that they are very helpful and friendly. They guide you step by step how to do it [file tax return using e-filing]. What I need to do and bring to submit. It is very helpful." *(P11, Chinese, Executive Officer)*
	E-Filing	"Since now, it is more towards IT [information technology]. You don't really meet them. Now, everything is online compared to many years ago, when you have to go to the [tax] office, to see the officers. You only need to submit online, it is very much efficient and convenient." *(P3, Chinese, General Manager)*
		"E-filing simplifies and encourages people to declare and make payment. The online service really helps a lot because we don't have to go through the hassle to go there." *(P7, Malay, Executive Officer)*
		"The e-filing thing is so easy. You don't need to submit the whole thing of document and filling up the form each and every page anymore." *(P11, Chinese, Executive Officer)*
Negative	Threat	"The communication is not a good experience. If you are straight, they will find your fault, it doesn't work. Tax officers are seen as a threat." *(P5, Indian, Self-employed)*

The taxpayers' compliance attitudes were strongly influenced by the positive tax treatment by the tax authority. This is because, if taxpayers are treated politely, they are going to respond positively and vice versa. Almost all of the participants agreed that positive tax treatment may strongly encourage them to incline towards positive attitudes about paying taxes even though they have the opportunity not to pay taxes. The availability of the e-filing system and clear reasons for contributing might increase the motivation to comply with tax laws. These views can be observed in the following quotes:

> "It [positive tax treatment] is part of the reason why people are willing to comply." *(P14, Malay, Retiree)*
>
> "I can say, reluctantly, I pay happily." *(P4, Chinese, Senior Manager)*
>
> "It reduces discomfort of having to pay tax. You still have to pay but when they listen to you and be reasonable, you don't feel disgruntle to pay tax." *(P6, Indian, Self-employed)*
>
> "Hmm… you are happy to pay that few hundreds ringgit." *(P12, Indian, Senior Lecturer)*
>
> "So, I would say the system [e-filing] is quite encouraging people to comply." *(P3, Chinese, General Manager)*

6.2.3.5 Social Interaction

Social interaction seemed to influence taxpayers' compliance attitudes from both directions. Family and friends appeared to be the main influence in the process of making a tax compliance decision for many people because they might gather information or even share stories with the people in their surroundings and that might influence taxpayers' attitudes either positively or negatively. In addition, the environment of taxpayers such as a community or residential area may have a strong impact on taxpayers' compliance attitudes. However, this situation also depends on the social status of the community such as the income and education levels. In other words, the positive environment may encourage people's positive attitudes towards paying taxes, while a negative environment may discourage people from contributing to the country as illustrated in the quotes in Table 6.18.

Table 6.18: Impact of Social Interaction on Tax Compliance

Theme	Sub-Theme	Example of Quotation
Strong	Family and Friends	"For friends, maybe in a very positive way, they have influenced me in understanding the process of paying taxes. Friends are very helpful and even you have family [to help you]." *(P1, Malay, Lecturer)*
		"When you are surrounded by people who are positive, your surrounding will mould you, the way you are thinking, if your parents pay tax, most likely you will be paying tax as well because you know that it is you obligation to the country." *(P2, Malay, General Manager)*
	Residential Area	"If society works on sort of localise social community basis, I think they can help a lot. Just like residence association and others where the whole community works together irrespective of what race or religion they are and a place like Bangsar, where probably the income range and level of education are more or less uniform, then that kind of society have more a fair or just perception. In cases where you have very wide divergent and also when you have some sort of extremism, then it will become very difficult for a society to influence them. In fact those societies have a very detrimental impact on governance." *(P6, Indian, Self-employed)*
Fair	Individual's Judgement	"Of course there are some because people tend to share their opinions. But it is all depends on you yourself. You might also make decision based on your economic status or education level." *(P14, Malay, Retiree)*
	Information	"Not so much impact from society but I would say newspaper and media. We see and read every day from media especially about the current issues in the community. I think that might influence. This is because everybody can easily access this information from media, internet and other channels. It is not so much about what other people told you to do. For us as a new generation, we don't really listen to what people say. We prefer to seek for information and make our own judgement." *(P11, Chinese, Executive Officer)*
	Social Contribution	"I would say neutral. The concept of Buddhism are more on social, helping others is helping yourself also [or called] compassion. To Buddhist, it is not [about] paying, but you have to willingly help." *(P4, Chinese, Senior Manager)*

However, some participants argued that society did not have much impact on tax complying attitudes. The strongest impact might come from the media which can be easily accessed through the newspaper, television or internet. The information they gathered was used to build their judgement of the government, as discussed in the previous section,[79] particularly for the younger generation. Other participants also considered paying taxes as an issue of social contribution. Despite views being shared among taxpayers or information gathered from the media, it was considered that the final decision was made by taxpayers based on their judgement and thus society had neither a positive nor a negative impact on taxpayers.

[79] See Section 6.2.3.3.

6.2.3.6 Threat of Punishment

The participants' attitudes towards the threat of punishment were sought to understand the effectiveness of the threat of punishment on tax compliance attitudes. It was viewed as ineffective by some of the participants but effective by another group of participants. It was perceived to be ineffective mainly because enforcement from the tax authority was lacking. One of the common issues raised was that the Malaysian authorities were too considerate particularly towards those who had good relationships with the people in charge. This may lead to more people committing offences because they were certain that they would be free from any punishment if they were caught. The penalty rate was also viewed as too little to deter people from avoiding or evading taxes particularly for high income earners. Further, strong religious values were considered by some of the participants to strongly encourage people to be law-abiding citizens without any major help from the threat of punishment. The relevant quotations are shown in Table 6.19.

Table 6.19: Ineffective Impact of the Threat of Punishment on Tax Compliance

Theme	Sub-Theme	Example of Quotation
Ineffective	Lack of Enforcement	"I know a few people who have not done anything about it [complying with tax laws] and they got away with it. They have been working about almost 13 to 15 years. You are kind of wonder whether the policy of fining and punishing people really take place." *(P1, Malay, Lecturer)*
		"If the chance in getting caught is 1 in 2, or 50 percent, you don't want to commit the offence. But if the chance of getting caught is 1 in 50 or 1 in 100, more people will try and get away with it because they are not getting caught. In tax as well as in other offences, I think the biggest problem in Malaysia is uniform and enforcement of laws. If you know 'who', you can get away, not know 'how'." *(P6, Indian, Self-employed)*
	Religious Values	"They already have good inner values, so they don't need the threat of punishment to push them to abide with tax laws. When you are highly religious, even though the penalty is there, it becomes automatic to abide with the tax authority." *(P3, Chinese, General Manager)*
		"I don't think they need it because they don't need the fine and penalties to remind them. Although, in all religion, you are taught with sin and hell as a penalty for your wrong doings but for tax, even though it is something being played at the back of your mind as a reminder but it won't be a major influence." *(P2, Malay, General Manager)*
	Small Amount of Penalty	"If the amount of the penalty is small, it might not be effective especially for business people." *(P8, Kadazan, Executive Officer)*

In contrast, rules and regulations were regarded as an important factor in shaping one's life. Rules are set in place to guide people about their rights and responsibilities and the consequences of their actions. Thus threats and penalties are expected to reduce taxpayers' tendency to evade. Strong support from trained and knowledgeable staff was acknowledged to strengthen the role of rules and regulations in encouraging taxpayers' positive attitudes. Qualified tax auditors were expected to gain taxpayers' respect by showing their skills and educating taxpayers with their knowledge as highlighted by one of the participants. However, despite the threat of punishment being viewed as effective in encouraging people to comply with tax laws, the only reason for complying for most of the participants was to stay away from any unnecessary problem. They preferred not to waste their time in documenting paperwork, meeting a tax officer or attending a hearing in court even though the amount of the penalty could be considered reasonable. The quotations that illustrate these views are presented in Table 6.20.

Table 6.20: Effective Impact of the Threat of Punishment on Tax Compliance

Theme	Sub-Theme	Example of Quotation
Effective	Rules as a Guidance	"Sometimes, it is effective. Human, if you don't have some rules or regulation, it won't work." *(P12, Indian, Senior Lecturer)*
		"It is effective because as a human being, we need to be guided by laws to live our life." *(P14, Malay, Retiree)*
	Support from Qualified, Trained and Knowledgeable Staff	"… based on our suppliers' experience, the tax authority is getting qualified people, to do audit and enforcement. If the IRBM is hiring experts and know what they are talking when they are doing audit, people will respect because they are dealing with an expert, not only people who ask you to comply and full stop! They are talking with facts and reasons. Historically, all through trials and errors and long-geared of working but it is no longer necessary with the right knowledge." *(P4, Chinese, Senior Manager)*
	Stay Out of Trouble	"To me, yes [effective] because as an ordinary people, I will try not to involve in this mess. I think many people would like to avoid this thing. Although the punishment may not that high, since the amount involved is small, but the time that you have to spent and going through all the hassle may encourage people to comply rather than to evade." *(P2, Malay, General Manager)*
		"… but then, I think better not to involve in this kind of thing because of the thing and action that you need to do. May be you need to submit something or give the document and attend court or whatsoever. It is very troublesome. May be not really effective, but just don't get ourselves into this kind of trouble."*(P11, Chinese, Executive Officer)*
		"Some people would prefer to be out of trouble, they might as well just follow the rules." *(P8, Kadazan, Executive Officer)*

6.2.4 The Impact of Religiosity on the Relationship between External Factors and Tax Compliance

The effect of religiosity on the relationship between tax compliance and the threat of punishment, perception of government, interaction with the tax authority taxpayers' and social interaction was also explored. Firstly, religiosity was found to have no relationship with taxpayers' perceptions of the government. It was argued that the tendency to either support the current government or the opposition party was totally unrelated to their religious levels. From the Muslim participants' perspective, this may be explained by the administration of the current government which they believed was not governing according to the Islamic law. Some of the respondents also emphasised their strong intention to pay taxes to the government to perform their civic duty to the country irrespective of their perceptions of the government. These views are shown in the following quotes:

> "Let say you are religious, even though you don't like the government, but the fact that you have to obey the authority, so you have no choice but to obey with the authority. We have to accept who ever God put in the authority but it doesn't mean you do nothing!" *(P3, Chinese, General Manager)*
>
> "Of course, if you have this belief [contribute for the country] inside, you still have to pay. When you said you are a citizen of a country, you are obliged to contribute to the country. You may put aside your opinions towards the government because you know where the money is going. It is nothing to do with religion because you are bound to your duty as a citizen to pay tax regardless of your opinions towards government." *(P2, Malay, General Manager)*
>
> "It is not necessarily true mainly because there might be some policies that are not in line with our religious beliefs. Therefore, the more religious you are, the probability of you supporting the government, might be less. Unless you are in a country which adopts 'syariah' and 'hudud' law in totalitarian, you will probably a staunch supporter of your country." *(P1, Malay, Lecturer)*

Secondly, a positive relationship was found between religiosity and taxpayers' interaction with the tax authority. This was because the values in religion encouraged people to be polite to each other especially when good treatment was received. Furthermore, they believed that those who were highly religious would prefer to have peaceful lives by abiding by tax laws. The following quotes reflect these views:

> "Yes because religion tells you to treat people nicely, and when you treat them nicely, they will treat you nicely back. This is what I believe. If you give people a very easy time, people will try to give the same response." *(P2, Malay, General Manager)*

> "If you are religious, you are tending to abide by tax laws and do not opposed the authorities." *(P3, Chinese, General Manager)*

Thirdly, the impact of religiosity on taxpayers' social interaction was found to be mixed. Religion was less likely to influence taxpayers' compliance attitudes in a society because other factors were viewed to be more influential than religion such as taxpayers' perceptions of the government. Religion was also seen by one of the participants as a serious threat to racial harmony in the country. However, he believed that this situation was created by only a minority of people who manipulated religion for their personal agendas. The following quotes are related to these views:

> "It doesn't really a religion. It is just people who you meet in your surroundings. It is something inside you, other factors might influence, but you are the one who decide. It is your money, your decision, it is up to you!" *(P2, Malay, General Manager)*

> "It doesn't make much difference at all in terms of tax compliance. But it is rather sad to say that religion is leading to strengthening polarization of society rather than the other way around. Again, I think certain individuals who are creating this [the] trouble maker, not a majority. They are abusing religion, to do what they want to do." *(P6, Indian, Self-employed)*

> "Not really, if yes may be a little. The biggest influence is taxpayers' perceptions of government." *(P13, Malay, Tutor)*

Different views were gathered from the participants who adhered to Christianity and Islam. Religious values appeared to be fairly significant in motivating them to be law-abiding citizens in terms of tax paying attitudes through the practices of giving and reminders from their religious leaders to fulfil their responsibilities as good citizens to the country. These views are represented in the following excerpts:

> "In Christians and Islam most probably yes, especially with the obligation of paying tithing and 'zakat'. But for other communities, most probably education should be instilled since childhood*." (P3, Chinese, General Manager)*

> "In my religion, when the time to pay tax is arrived, they will remind us to pay." *(P8, Kadazan, Executive Officer)*

Finally, religiosity might have some impact on the relationship between tax compliance and the threat of punishment from both directions, positive and negative on tax compliance attitudes. From the positive perspectives, strong inner values and the sense of responsibility held by highly religious people were expected to firmly support their positive tax compliance attitudes. Hence, the threat of punishment is not a necessary factor in influencing them to comply with tax laws as expressed in the following comments:

> "By right, the religious values that we held have instilled us a sense of responsibility. This can be a strong force to encourage us to be a law-abiding citizen." *(P13, Malay, Tutor)*

> "Being religious means you have a strong sense of responsibility to pay tax. You don't need threat of punishment to push you." *(P14, Malay, Retiree)*

Religiosity may also influence this relationship in a negative direction. Muslims who were highly religious perceived 'zakat' to be their main priority compared to tax and thus the threat of punishment may not be effective in encouraging them to pay taxes because they have paid 'zakat'. By paying 'zakat', they felt that they had done their part as Muslims to help others and they were no longer responsible for paying taxes. More importantly, most of the participants preferred to keep themselves away from any possible problem by complying with tax laws and this reason was viewed to be more influential than the threat of punishment or religious values in shaping their tax compliance attitudes. In addition, one of the participants considered that many people were not willing to pay taxes but they were willing to contribute to social causes. The following excerpts represent these views:

> "If you are talking about people who are more pious or who devote themselves to religion, probably the threat or the fine does not really move them even further. One officer I know of and he is working with government, he is just pay 'zakat'. I don't know how he evades taxes. May be because they know where the money goes to and they feel that it is not worth it to pay taxes. May be if they pay 'zakat', it would be more worthwhile to them." *(P1, Malay, Lecturer)*

> "I don't think there is much impact. If they want to do it, they will do it. No matter what religion or what level of religiosity or commitment they are professing. But if they don't want to do it, even though they don't considered themselves as religious, they still don't do it. The social values play an important role. For example, "soup kitchen". People from different religions serve "soup kitchen" for the poor. There are three or four soup kitchens in Kuala Lumpur serving the poor from all races. They don't differentiate [people], even the drug addicts are given food such as in Pudu, Chow Kit and Seri Petaling. All of them together in a soup kitchen regardless of races, Indian,

Chinese and Malays. Some contribute in money and others contribute in service." *(P6, Indian, Self-employed)*

"They just want to avoid being penalised. It is nothing to do with your religious levels." *(P7, Malay, Executive Officer)*

"It is not really about religion. We just do what we need to do and pay what we should pay to get ourselves out of trouble." *(P8, Kadazan, Executive Officer)*

6.3 Chapter Summary

This chapter discussed the perceptions of taxpayers of tax compliance issues which relate to the study's variables, namely religiosity, perception of government, interaction with the tax authority, social interaction and the threat of punishment. The participants considered a majority of individual taxpayers in Malaysia to have a general understanding of the tax compliance concept and strong attitudes in complying with tax laws except for those who are self-employed. Religiosity was considered by most of the participants to have little impact on taxpayers' compliance attitudes. This minimal impact was mostly shaped by interpersonal religiosity, which can be seen from the willingness to help others and strong civic duties. Further, the sense of paying a religious payment such as 'zakat' and a tithe was expected to motivate taxpayers to pay their taxes to the government. However, it was also argued that 'zakat' encouraged taxpayers to pay their taxes in order to claim their tax deduction to reduce their taxes since 'zakat' is treated as a rebate. Besides its direct effect on tax compliance, religiosity was also said to have some influence on the relationship between the external factors and tax compliance.

The threat of punishment was perceived to be effective in deterring people from avoiding paying taxes but only with strong enforcement from the tax authority. The positive treatment received from the tax authority has strongly encouraged taxpayers to willingly and voluntarily pay their taxes. In the opposite direction, the taxpayers' perceptions towards the government appeared to be unsteady and this negative perception had a negative impact on tax compliance attitudes. The impact of social interaction was observed to be reasonably fair in influencing taxpayers' attitudes particularly interaction with family and friends. This is because other

factors appeared to be more influential than taxpayers' social interaction such as information gathered from the internet and media. Overall, the findings from these interviews provided useful information to help understand the possible grounds behind the findings gathered from the survey as reported in the previous chapter. The integration of the data from the mixed-methods research is discussed in the following chapter and some implications are drawn from these combined empirical findings.

CHAPTER 7

DISCUSSION AND IMPLICATIONS OF THE STUDY

7.1 Introduction

This chapter presents a comprehensive discussion of the variables investigated in this study by integrating the findings from the surveys[80] and interviews.[81] The presentation of this chapter is organised in a clear and logical way to reflect the presentation of findings in Chapters 5 and 6.[82] The discussion begins with the perceptions held by individual taxpayers regarding tax compliance components and external factors and a comparison of these perceptions based on the religiosity levels of taxpayers. This is followed by a discussion of the impact of religiosity and external factors on tax compliance components to try to understand the issue of tax compliance problems in Malaysia. The influence of religiosity commitments, intrapersonal and interpersonal on tax compliance is evaluated to determine the aspect of religiosity that specifically impacts on tax compliance. Religiosity is also explored as a moderating variable to understand its influence on the relationship between tax compliance and external factors. A discussion on the implications of the study concludes the chapter.

7.2 Perceptions of Individual Taxpayers

7.2.1 Introduction

This section presents a discussion of the perceptions of individual taxpayers in Malaysia regarding tax compliance components and external factors, namely perception of government, interaction with the tax authority, social interaction and the threat of punishment. These perceptions are further compared between highly religious people and less religious people to see whether there is any difference between these two groups. The information from the interviews is expected to complement the results from the study's surveys in assisting the researcher to

[80] The term "respondents" in this chapter refers to the respondents from the surveys, Chapter 4, Section 4.3.
[81] The term "participants" in this chapter refers to the participants from the interviews, Chapter 4, Section 4.4.
[82] A summary of the discussion according to the six research questions is presented in Chapter 8.

answer the relevant research questions so as to increase the understanding of tax compliance issues from taxpayers' perspectives.

7.2.2 Tax Compliance

The highest mean score perceived by individual taxpayers in Malaysia between all three tax compliance components was voluntary tax compliance. This may indicate a high tendency of individual taxpayers in Malaysia to comply voluntarily with tax laws which lends support to the prior research (Riahi-Belkaoui, 2004, p. 138; Loo et al., 2010, p. 21).[83] Similar findings were found in the interviews where many participants repeatedly raised the same issue of paying taxes to the government as a duty of a citizen and to help the development of the country. These issues were similar to items VTC1, VTC2 and VTC3 that shaped the component of voluntary tax compliance in the surveys. However, even though Malaysians are classified as highly compliant taxpayers, the findings from earlier research have demonstrated that Malaysia has a wide income tax gap with an earlier study (Kasipillai et al., 2000, p. 36) estimating lower tax gap than a later study (Abdul and Sheehan, 2003, p. 33).[84]

These contradictory findings are probably because of the timing whereby the latest data on the Malaysian tax gap was determined for the year 1997 while the first research regarding the positive attitudes of Malaysian taxpayers was conducted in 2004. More research on the tax gap is probably required to provide a better picture of the current development of the tax compliance issue in Malaysia. Further, the calculation of the income tax gap is based on the estimation of taxable income from economic activity, deducted by the taxable income declared to the IRBM which includes individuals, trust, clubs and associations, Hindu joint family, companies and cooperative incomes (Abdul and Sheehan, 2003, p. 33). Hence, the income tax gap was not only based on the estimation but also represented a broader scope of income tax compared to the current study and other studies (Riahi-Belkaoui, 2004; Loo et al., 2010) which focused only on individual income tax.

[83] In 2004, Malaysia was ranked at the 8th highest tax compliance rate in 30 countries (Riahi-Belkaoui, 2004, p. 138).
[84] See Chapter 3, Section 3.4.1.

One of the potential explanations for this strong positive attitude may be because the majority of the respondents were salaried taxpayers. Being salaried taxpayers, a portion of taxpayers' salaries was deducted automatically by their employers for payment of income taxes based on the STD scheme set up by the IRBM. This was evident in the findings of the interviews and hence they had no option but to comply with tax laws. Further, the process of filing a tax return via the e-filing system was viewed by some of the participants as easy and efficient which meets the main purpose of the system (Hanefah, 2007, p. 88). The provision of convenient and inexpensive ways to deal with the tax authority is stressed by McKerchar and Evans (2009, p. 193) as an important strategy in fostering voluntary tax compliance. The e-filing system in Malaysia probably offers an easy and economical transaction for taxpayers who have straight-forward tax affairs such as salaried taxpayers who were the majority of the survey respondents and interview participants in this study. Thus high levels of voluntary tax compliance were evident among the individuals in this study. The mean of the tax compliance components derived from the descriptive analysis is summarised in Table 7.1.

Table 7.1: The Mean of Tax Compliance Components

Variable	Total	Low Level of Religiosity	High Level of Religiosity
	Mean	Mean	Mean
Voluntary Tax Compliance**	3.67	3.56	3.77
Enforced Tax Compliance	3.39	3.37	3.41
Tax Avoidance Attitude*	2.53	2.64	2.44

* Significant at $p < 0.05$ and ** Significant at $p < 0.01$.

Highly religious people had a higher mean for voluntary tax compliance and enforced tax compliance but a lower mean for the tax avoidance attitude as compared to less religious people. The *t*-test results indicated that there was a statistically significant difference between both groups for voluntary tax compliance and tax avoidance attitude. The correlation analyses confirmed the above findings, whereby religiosity was only found to have a positive statistically significant relationship with voluntary tax compliance and a negative statistically significant relationship with tax avoidance attitude. The values derived from religion may play an important role in compliance attitude since religion is expected to provide

"supernatural policing" (Anderson and Tollison, 1992, p. 376). Most probably, highly religious taxpayers are more likely to be guided by these values in pushing their positive side to be more voluntarily tax compliant and at the same time reducing the negative side of taxpayers to be less tax avoiding.

Another possible explanation is that since most of the highly religious people in this study were Muslims, they may have been complying because of their obligations towards the ruler. The obligation of obedience to the ruler is stated clearly in the Holy Qur'an (4:59) "Believer! Obey Allah and obey the Messenger, and those of you (Muslims) who are in authority". The issue of obedience to the ruler is not only stressed in Islam, but also in other religions such as Christianity and Hinduism as evident in the findings from the interviews. In other words, highly religious people are obliged to obey their ruler whether they like it or not, provided that the ruler is lawful. It is most likely that highly religious people in Malaysia are willing to pay taxes voluntarily by abiding by the tax laws made by their ruler because paying tax is viewed as contributing towards the well-being of the nation.

7.2.3 External Factors

The survey findings indicate that interaction with the tax authority was inclined towards agreement while the other variables of perception of government, social interaction and the threat of punishment inclined towards disagreement. The *t*-test results for interaction with the tax authority and threat of punishment indicated a statistically significant difference between both groups of religiosity levels. The findings from the correlation analyses confirmed the above findings. A statistically significant positive relationship was observed between religiosity and interaction with the tax authority but religiosity and the threat of punishment appeared to have a statistically significant negative relationship. There was no significant relationship between religiosity and perception of government and social interaction. The mean of the external factors' variables is presented in Table 7.2.

Table 7.2: The Mean of External Factors

Variable	Total	Low Level of Religiosity	High Level of Religiosity
	Mean	Mean	Mean
Perception of Government	2.70	2.71	2.69
Interaction with the Tax Authority***	3.37	3.20	3.51
Social Interaction	2.88	2.82	2.92
Threat of Punishment***	2.85	3.03	2.69

*** Significant at $p = 0.00$.

The positive interactions between the tax authority and people with strong religious beliefs when the majority were Muslims, may be explained by the religion's commandment made in the Holy Qur'an (5:2) "Cooperate in good and piety and do not cooperate in sin and transgression". In other words, Muslims are encouraged to work together and help each other for the greater good and therefore they are more likely to cooperate with the tax authority for the benefit of all. Further, religious values are suggested as an important promoter of cooperation between human beings from the "supernatural policing" perspective (Atkinson and Bourrat, 2011, p. 48). Possibly, the religious values that act as "supernatural policing" may encourage taxpayers to be more cooperative with the tax authority in fulfilling their responsibilities as a good citizen. Additionally, the services of the tax authority were perceived as friendly, professional and helpful by the interviewees, consequently it can be postulated that highly religious people are more likely to cooperate with the tax authority because all religions teach their followers to treat others politely and as the individual wishes to be treated.

The indirect correlation between the threat of punishment and religiosity is probably because of these two reasons. As noted earlier, highly religious people are highly tax compliant as compared to less religious people. Hence, from a positive point of view, the threat of punishment is meaningless for highly religious people because their strong religious values are considered sufficient to motivate them to be law-abiding citizens who pay their taxes accordingly. Alternatively, the interview findings reveal that paying 'zakat' for some Muslim participants or donating to their religious institutions for some Hindu participants without paying any tax to the government is considered adequate in meeting their obligations to the nation. Since

they have fulfilled their obligations to their religions, they have no obligations to the government. In other words, the threat of punishment is ineffective to motivate highly religious people to pay taxes to the government because their obligations towards their religion are placed higher than their obligations towards the government.

Taxpayers' religiosity seemed to have an insignificant relationship with their perceptions of government. This is probably because the majority of highly religious people in the survey were Malay Muslims. As argued by Hussein (2002, p. 88), Malay Muslims are sceptical of the Malaysian Government's ability to fully assimilate Islamic values in government policies and practices. Such a promise was made by Dr Mahathir Mohamad in one of his earliest policy statements as Prime Minister (New Straits Times, 1983, p. 2). Based on this, Leigh and Lip (2004, pp. 307-308) concluded that the United Malays National Organisation as a dominant player in Malaysian politics "has never been fully recognised by Malays as the champion of religion, but rather as the champion of Malay rights, uplifting the economic and societal status of Malays". A similar opinion was expressed by one of the Muslim participants in this study who stated that some of the policies implemented by the government were not consistent with their religious beliefs. This lends support to the ethics of tax evasion from Islamic (Jalili, 2012, p. 192) as well as Christian (McGee, 2012, p. 208) perspectives whereby if the government supports sinful activities such as corruption, it is ethical for taxpayers to evade taxes.

An insignificant relationship was also observed between religiosity and social interaction. This is probably best explained by the first item of interpersonal religiosity (Inter1) that shaped the religiosity dimensions in the survey. More than 60 percent of the respondents rarely and moderately joined religious activities held by their religious organisations. Further, only about 20 percent of the respondents were seriously involved in influencing the way the local religious group was managed. It is clear that most of the respondents preferred to avoid social interactions with their religious members which most probably indicates that the same attitude was practiced in their daily life. Further, it was evident in the

interview findings that social interaction was highly associated with taxpayers' economic and social status and therefore, social interaction was less likely to be related to their religiosity levels.[85]

7.3 The Role of Religiosity and External Factors in Tax Compliance

7.3.1 Introduction

The multiple regression analyses indicated that interaction with the tax authority and religiosity had a significant impact on voluntary tax compliance and the threat of punishment appeared to only significantly influence the tax avoidance attitude. Perception of government seemed to have a significant influence on two tax components, namely voluntary and enforced tax compliance. The findings of the surveys showed that social interaction had a stronger significant impact on enforced tax compliance but less significant impact on the tax avoidance attitude.

7.3.2 Religiosity

The findings from this study provide clear support for the importance of religiosity as a factor that influences voluntary tax compliance as shown in most of the prior studies that employed tax morale as a dependent variable (Torgler, 2003b, p. 297; 2006, p. 101; Feld and Torgler, 2007, p. 29; Torgler and Schneider, 2007, p. 466; Torgler et al., 2008, p. 335; Torgler, 2012, p. 277). These findings are similar to the findings in research involving the impact of moral values on voluntary tax compliance (Trivedi et al., 2003, p. 189). Mostly, international tax research (for example: Hanno and Violette, 1996; Kaplan, Newberry and Reckers, 1997; Bobek and Hatfield, 2003) or even tax research in Malaysia (Kasipillai et al., 2003) has treated moral values as an independent variable with no influence from religious values except for a study by Torgler and Murphy (2004, p. 334) wherein a moral obligation was measured based on the respondents' religiosity. This may be because morality is defined as a system that determines right or wrong conduct. Thus it can be related to religious practice and faith and can also be totally

[85] As noted in Chapter 6, Section 6.2.2, the participants of the interviews were biased towards higher levels of education.

independent, with no influence from religion particularly for people with no religion. Possibly, since nearly all of the respondents in this study had a religious adherence, their strong moral commitment to comply with tax laws may be derived from religious practices and faith.

Other explanations offered for this trend include the concept of giving such as 'zakat' for Muslims and tithing for Christians which was strongly practised by more than 70 percent of the respondents (Inter2) and highly supported by the participants. Their practice of giving either to their religious organisations or to the poor and needy was expected to improve their willingness to pay taxes. For example, the Muslim participants viewed the sense of paying 'zakat' as strongly driving the same sense of paying tax to the government from the concept of 'sadaqah' and 'barakah'. 'Sadaqah' means giving something voluntarily to somebody without asking for something in return, only with the intention to please Allah SWT[86] so that 'barakah' or blessing from Allah SWT will be received. 'Barakah' is commonly understood by Muslims as being able to achieve more with few resources, doing much in little time and generating a lot with little effort with the blessings of Allah SWT. Hence, tax paying was considered as 'sadaqah' in helping others to get 'barakah' from Allah SWT. A similar view is shared in Christianity as stressed by one of the participants regarding the concept of blessings from God from the practice of giving.

Further, Muslims are obliged to pay 'zakat' on their total wealth, when a certain amount of money called 'nisaab' is reached. 'Zakat' is one of the five pillars of Islam and is paid at a fixed rate of 2.5 percent from the total income for one complete 'haul' or equivalent to one 'Hijri' year (about 334 days). Given that Muslims are obliged to pay two compulsory payments levied on the same source of income every year, 'zakat' in Malaysia is treated as a tax rebate in order to avoid "double taxation". It is clearly stated in the *Income Tax Act 1967*, Section 6A (3) that "a rebate shall be granted for any 'zakat', 'fitrah' or any other Islamic religious dues, payment of which is obligatory". For example, if a person earns RM60,000 per

[86] SWT stands for glorified and exalted.

annum with income tax payable of RM3,000 and contributes RM1,250 of 'zakat', the tax due to the tax authority is only RM1,750 because 'zakat' is directly deducted from the tax payable. Hence, possibly some or nearly all Muslims who pay 'zakat' in Malaysia are willing to comply with tax laws because 'zakat' has lowered their actual cost of taxes. The findings from the interviews support the same notion. These results are consistent with the finding of a previous study that a tax rebate positively increased taxpayers' attitudes towards the tax system (Hasseldine and Hite, 2003, p. 10). In contrast to the earlier and current findings, no strong evidence of the role of religiosity in tax morale was found (McKerchar et al., 2013, p. 18). These differences can probably be explained by the different religiosity measurement used compared to other prior studies or even the current study. McKerchar et al. (2013, p. 10) used the itemised deductions that represent both contributions to religious and civic organisations as an indicator of religiosity in their study. Since the actual proportion between the religious and civic contributions was not provided, this indicator probably can be argued to incline more to civic contributions rather than to religious contributions.

However, religiosity was found to have no significant impact on enforced tax compliance and the tax avoidance attitude. This probably can be supported by the findings from the interviews that almost all participants considered that religiosity had only a minor impact on taxpayers' compliance attitudes and some of them, particularly the Buddhists, totally rejected the possibility that taxpayers' attitudes can be influenced by religiosity. This is probably because Buddhism is argued as going beyond a religion and is more about a philosophy or a way of life. This is in line with the statement made by one of the participants that social benefit is the main reason for complying. Further, this thesis shows that religion has a strong correlation with ethnicity which probably supports the finding by Loo and McKerchar (2012, p. 100) that ethnicity had no relationship with tax compliance. Welch et al. (2005, p. 47) discovered a similar perception of tax evasion between community members regardless of their religiosity level. In other words, there is no relationship between being religious and the intention to evade or tax evading attitudes. Table 7.3 summarises the findings from the current and prior studies.

Table 7.3: Current and Selected[a] Tax Compliance Studies on the Influence of Religiosity

Study (Year)	Country	Method	Dependent Variable(s)	Findings
Richardson (2008)	47 countries including Malaysia	Secondary data	Tax evasion	The higher is the level of tax evasion across countries, the lower is the level of religiosity.
Current study (2012)	Malaysia	Surveys	VTC	Religiosity mainly from intrapersonal religiosity has a positive significant impact on VTC and it moderates the relationship between IwTA and SI with VTC.
			ETC TAA	Religiosity has no significant impact on ETC and TAA.
		Interviews	Tax compliance	Religiosity has the least influence on tax compliance. The main reason of complying derives from a strong civic duty encouraged by most religions.
Tittle and Welch (1983)	USA	Interviews	Tax evasion	The effects of individual religiosity are more moderate for tax evasion.
Grasmick et al. (1991)	USA	Interviews	Tax evasion	Religious identity salience and church attendance are found to influence the inclination to cheat on taxes independently.
Grasmick et al. (1991)	USA	Interviews	Tax evasion	People with no religious affiliation are more inclined to cheat in taxes than moderate Protestants but only with little difference.
Welch et al. (1991)	USA	Survey	Tax evasion	Private and community religiosity have negative relationships with the intention to evade taxes.
Petee et al. (1994)	USA	Survey	Tax evasion	The threat of informal sanctions in religious community seems to be effective for inhibiting actions such as tax evasion.
Torgler (2003)	Canada	Secondary data	Tax morale	Religiosity has a significant positive influence on tax morale.
Welch et al. (2005)	USA	Survey	Tax evasion	Similar perceptions of tax evasion are similar between community members regardless of their religious level.
Stack and Kposowa (2006)	36 countries	Secondary data	Tax fraud acceptability	The higher the level of religiosity, the lower the level of tax fraud acceptability. Tax fraud acceptability is approved the most by people with no religious affiliation.
Torgler (2006)	30 countries	Secondary data	Tax morale	People with religion have high tax morale compared to people without a religious denomination except for Muslims.
Feld and Torgler (2007)	Germany	Secondary data	Tax morale	Religiosity raises tax morale significantly.
Torgler and Schneider (2007)	Switzerland, Belgium and Spain	Secondary data	Tax morale	Religiosity in Switzerland and Belgium appears to have a robust impact on tax morale.
Torgler et al. (2008)	USA and Turkey	Survey interviews	Tax morale	A higher level of religiosity leads to a higher tax morale.
Torgler (2012)	USA	Secondary data	Tax morale	Religiosity has a strong effect on tax morale.
McKerchar et al. (2013)	USA	Secondary data	Tax morale	There is no strong support for the role of religiosity as an indicator of tax morale.

[a] Only empirical research involved individual taxpayers.

* Voluntary Tax Compliance (VTC), Enforced Tax Compliance (ETC), Tax Avoidance Attitude (TAA), Interaction with the Tax Authority (IwTA) and Social Interaction (SI).

The earlier research findings which were all conducted in the USA (Tittle and Welch, 1983, p. 676; Grasmick et al., 1991, p. 263; Grasmick et al., 1991, p. 104; Welch et al., 1991, p. 169; Petee et al., 1994, p. 103) and the recent cross-country research (Stack and Kposowa, 2006, p. 349; Richardson, 2008, p. 75) are contradictory with the current study on the influence of religiosity on tax evasion. These studies found that the higher the level of religiosity, the lower is the level of tax evasion. Surprisingly, Malaysia was one of the 47 countries in the study by Richardson (2008, p. 72). These conflicting findings may be due to the calculation for each variable that was based on the mean value of 47 countries with various sources used in measuring different variables in that study. For example, while data for tax evasion was collected from the Global Competitiveness Report and World Competitiveness Year Book for the years 2002, 2003 and 2004, religiosity was measured based on the European Values Survey and WVS data from Inglehart (2003). Hence, it may not really represent the true picture of the relationship between religiosity and tax evasion in Malaysia.

7.3.3 Perception of Government

The impact of the overall perception towards the government appears to be significant on voluntary as well as enforced tax compliance. Explanations offered for this trend include, as noted earlier, that even though Malay Muslims are largely unhappy with the current government due to Islamic administration issues, most Malays are happy with the increase of their social and economic status (Leigh and Lip, 2004, pp. 307-308). Since most of the respondents in this study were Malay, they were more likely to view paying taxes as their citizenship duty rather than a burden when they believed that they were in an equitable relationship with the government (Riahi-Belkaoui, 2004, p. 141). This is because taxpayers' decision-making processes are mostly affected by equity (Kim, 2002, p. 781).

Further, the participants from the Malay and other indigenous groups observed the government services as improving and considered the taxes paid to be relatively small, as compared to the services provided by the government. This indicates

strong positive tax attitudes because individuals may improve their tax compliance behaviour if public goods are delivered to them (Alm, McClelland, et al., 1992, p. 36), equivalent to the amount of taxes they have paid (Torgler, 2003a, p. 137). However, the findings from the interviews regarding equity issues were found to be mixed. An explanation as to why the results were not consistent may be due to the issue of imbalanced opportunity and wealth distribution between groups, as pointed out by some of the Indian participants. Probably, since most of the respondents were Malay salaried taxpayers, the issue of imbalanced opportunity and wealth distribution was not their main problem. Overall, this lends strong support to the psychological tax contract proposed by Feld and Frey (2007, p. 111) whereby taxpayers are more compliant when government adheres to the principle of fiscal exchange.

The taxpayer's view on the fairness of the tax systems is one of the elements that determine taxpayers' attitudes towards tax compliance (Chan et al., 2000, p. 98; Richardson, 2006, p. 164). The management of the IRBM is observed as improving, particularly from the e-filing and tax refund system aspects, and the tax structure is considered to be reasonable which is in line with the findings by Saad (2010, p. 59) that Malaysians perceived the income tax system as fair. However, Saad found no conclusive evidence of the impact of this perception on tax compliance behaviour which was totally opposite with the finding of the recent research by Loo and McKerchar (2012, p. 100). A significant relationship was found between the perception of tax fairness and tax compliance. Further, the policies and services of the Malaysian Government in general were considered as fair by some of the participants in the present study even though Sia et al. (2008, p. 9) found that there was no difference between the perceptions of compliers and non-compliers regarding the fairness of the government. Despite their perceptions of fairness, most of them were dissatisfied with the way the government policies were being carried out and the increasing cost of living in Malaysia. Hence, fairness may not be the top factor to promote Malaysians' willingness to pay taxes voluntarily. A summary of the current and prior research findings on this variable is shown in Table 7.4.

Table 7.4: Current and Selected[a] Tax Compliance Studies on the Influence of Perception of Government

Study (Year)	Country	Method	Dependent Variable(s)	Findings
Sia et al. (2008)	Malaysia	Survey	Tax compliance	Fairness is similarly perceived by the compliant and non-compliant taxpayers.
Richardson (2008)	47 countries including Malaysia	Secondary data	Tax evasion	The lower the level of legal enforcement and trust in government, the higher is the level of tax evasion across countries.
Saad (2010)	Malaysia	Survey	Tax compliance	The is no major impact of tax fairness on income tax system and tax compliance.
Loo and McKerchar (2012)	Malaysia	Survey	Tax compliance	There is a relationship between tax fairness perception and tax compliance.
Current study (2012)	Malaysia	Surveys	VTC ETC	A significant positive impact is found on taxpayers' PoG of VTC and ETC.
			TAA	Taxpayers' PoG have a negative but insignificant impact with the TAA.
		Interviews	Tax compliance	Trust in government and the use of taxpayers' money affect tax compliance.
Wallschutzky (1984)	Australia	Survey	Tax evasion	The rich consider tax evading to be justified because of an inequity issue.
Alm et al. (1992)	USA	Experiment	Tax compliance	The amount of public goods received has a direct effect on taxpayers' attitudes.
Pommerehne et al. (1994)	Not indicated	Experiment	Tax morale	Tax payments are higher in a direct democratic framework.
Kucher and Götte (1998)	Switzerland	Secondary data	VTC	Trust in government encourages voluntary tax compliance.
Chan et al. (2000)	USA and Hong Kong	Survey	Tax compliance	USA (Hong Kong) taxpayers have more (less) favourable attitudes toward the tax system and are more (less) compliant.
Torgler (2003a)	European countries	Secondary data	Tax morale	Taxpayers are more compliant in an equitable relationship with government.
Torgler (2003b)	Canada	Secondary data	Tax morale	Trust in government has a significant positive influence on tax morale.
Riahi-Belkaoui (2004)	30 countries	Secondary data	Tax compliance	People tend to comply due to their civic duties in an equitable relationship.
Torgler and Murphy (2004)	Australia	Secondary data	Tax morale	The higher the levels of citizens' trust, the higher the level of their tax morale.
Torgler (2004a)	Costa Rica and Switzerland	Secondary data	Tax morale	Trust in the government and legal system, and voting rights have a positive effect on tax morale.
Torgler (2004b)	Asian countries	Secondary data	Tax morale	Trust in the government has a significant positive effect on tax morale.
Torgler (2005)	Switzerland	Secondary data	Tax morale	Direct democracy significantly influences tax morale.
Richardson (2006)	45 countries	Secondary data	Tax evasion	The is a negative relationship between tax fairness on tax policy and tax evasion.
Frey and Torgler (2007)	30 European countries	Secondary data	Tax morale	The quality of political institutions has a strong observable effect on tax morale.
Torgler and Schneider (2007)	Switzerland, Belgium and Spain	Secondary data	Tax morale	Trust in legal system and government and pro-democratic attitudes appear to have a robust impact on tax morale.
van Dijke and Verboon (2010)	The Netherlands	Experiment and survey	Tax compliance	Higher trust in authorities enhances tax compliance.
Torgler (2012)	USA	Secondary data	Tax morale	Trust in the state and legal system has a strong effect on tax morale.
McKerchar et al. (2013)	USA	Secondary data	Tax morale	Trust in government and tax fairness has a material influence on tax compliance.

[a] Only empirical research involving individual taxpayers.

* Voluntary Tax Compliance (VTC), Enforced Tax Compliance (ETC), Tax Avoidance Attitude (TAA), Perception of Government (PoG).

The findings from the interviews in the present study in terms of the influence of trust in government on tax compliance are totally different from the findings in prior studies from many countries such as Canada (Torgler, 2003b, p. 297), Australia (Torgler and Murphy, 2004, p. 334), Costa Rica and Switzerland (Torgler, 2004a, p. 36), Belgium and Spain (Torgler and Schneider, 2007, p. 465), Asian countries (Torgler, 2004b, p. 262), the Netherlands (van Dijke and Verboon, 2010, p. 90), the USA (Torgler, 2012, p. 277; McKerchar et al., 2013, p. 18) and other countries (Richardson, 2008, p. 75). The Malaysians' trust in government was observed by almost all of the participants as getting weaker despite its importance in reinforcing voluntary compliance among taxpayers (Kucher and Götte, 1998, p. 442). The negative sign most probably can be explained by the phenomenon of corruption which was considered by some of the participants as a disturbing problem for the country. Further, the issue of mismanagement of taxpayers' money through unnecessary projects was observed by the participants to benefit only a certain group of people. Frey and Torgler (2007, p. 156) emphasised the importance of political institutions' quality from many aspects such as effectiveness, regulatory quality and control of corruption to increase taxpayers' tax morale. This is evident in the finding by Wallschutzky (1984, p. 382) that tax evasion is considered justified by higher income earners because they believe that their money is unwisely spent by the government.

Further, as citizens in a democratic country, Malaysians have a right to self-determine who is going to rule the country. The right to be involved in the political process brings about a major difference to tax compliance, which is in line with the findings of previous research (Pommerehne et al., 1994, p. 66; Torgler, 2004a, p. 34; 2005, p. 530). Even though Malaysia was classified by most of the participants as a partially democratic country, they believed that Malaysia was moving towards full democracy and that there were logical reasons for the delay such as the different cultural heritages of the people. Despite trust in government being weak, the overall perception towards the government was found to have a statistically positive significant impact on tax compliance, specifically voluntary and enforced tax compliance. Perhaps the strength of equity and fairness perceived by the

Malays and other indigenous groups who represented the majority of the respondents in the survey with a democratic right to choose government overcame the Malaysians' low level trust in government. Overall, even though two different views were found in this study, it is interesting to note that the government's actions are one of the important elements in shaping taxpayers' positive attitudes and these attitudes are crucial to motivate their willingness to comply with tax laws.

7.3.4 Interaction with the Tax Authority

The willingness of taxpayers to comply with tax laws is significantly influenced by the positive tax treatment received from the tax authority. The psychological tax contract also involves the tax treatment received by taxpayers from the tax authority (Feld and Frey, 2007, p. 114). Malaysian taxpayers seem to acknowledge their good experiences with the IRBM with high voluntary tax compliance. They are pleased with the professional treatment provided by the IRBM in their communication even though in earlier research, the capability of the tax authority in handling e-filing[87] was not convincing due to tax officers' lack of skill, experience and competency to deal with technological problems (Lai, Obid and Meera, 2004, p. 103). In the present study, the treatment was described by most of the participants as friendly and helpful service delivered by trained, skilled and knowledgeable officers The implementation of the e-filing system was also believed to have improved the management of the IRBM. Similar findings were found in the prior research conducted in Malaysia from survey (Loo, 2006a, p. 223; Mohamad, Ahmad and Deris, 2010, p. 254) and case study (Loo et al., 2010, p. 21) data.

On the contrary, almost 50 percent of Malaysian tax practitioners, based on survey evidence, claimed that they were unfairly treated by the IRBM (Choong and Lai, 2008b, p. 15). This conflicting finding may be due to the different types of respondents involved in the previous survey, coupled with the scope of taxation, which focused more on corporate taxpayers. The result of this study affirms the importance of taxpayers' positive interactions with the tax authority for improving

[87] E-filing is not mandatory for all taxpayers. Taxpayers are allowed to choose either using the conventional way of filing the tax return form or using e-filing in the SAS.

voluntary tax compliance. However, positive interaction with the tax authority has an insignificant impact on enforced tax compliance and the tax avoidance attitude.

Possibly, the positive treatments may only trigger taxpayers' intentions to comply voluntarily and might be ineffective in enforcing them to comply or even reduce their intentions to avoid taxes. This is strongly supported by a number of studies from Australia such as the use of the motivational posture concept in previous studies in order to understand the way a tax authority is being evaluated by taxpayers (Braithwaite, 2003a, p. 33). The closer the social distance between taxpayers and tax authority, the higher their commitment to pay taxes as part of their responsibilities to the country and vice versa (Hartner et al., 2008, p. 150). If a tax authority is perceived to be less representative, taxpayers are more likely to position themselves in a negative motivational posture that leads to negative compliance attitudes (Taylor, 2003, p. 85).

The way Australian taxpayers were treated by the tax authority was observed to shape their next compliance attitudes (Wallschutzky, 1984). Respectful treatment from a tax authority enhanced taxpayers' voluntary compliance in Switzerland (Feld and Frey, 2002b, p. 97). As similarly stressed by some of the participants in the current study, the tax authority's positive treatment reduced the discomfort of paying taxes. Respectful treatment by a tax authority may further improve trust in the tax authority and consequently induce positive attitudes towards tax compliance (Feld and Frey, 2002b, p. 97; Murphy, 2004, p. 203). The implementation of the SAS in Malaysia since 2004 was considered by one of the participants to be one sign of trust developed between Malaysian citizens and the government. Most probably, the positive interaction with the authority from these aspects had inspired most taxpayers to be more compliant with tax laws. Table 7.5 summarises the findings from the current study and prior studies on the influence of interaction with the tax authority.

Table 7.5: Current and Selected[a] Tax Compliance Studies on the Influence of Interaction with the Tax Authority

Study (Year)	Country	Method	Dependent Variable(s)	Findings
Loo (2006a)	Malaysia	Survey	Tax compliance	Taxpayers' perceptions of the IRBM officers appear to be a significant determinant of individual tax compliance.
Loo et al. (2010)	Malaysia	Case study	Tax compliance	Taxpayers' attitudes towards the tax administration and experience encountered with the tax officers are the determinants of their compliance behaviour.
Mohamad et al. (2010)	Malaysia	Survey	Tax compliance	Satisfaction with the IRBM's services appears to have a significant correlation with tax compliance.
Current study (2012)	Malaysia	Surveys	VTC	Taxpayers' IwTA have a significant direct impact on VTC.
			ETC TAA	There is an insignificant impact of taxpayers' IWTA on ETC and TAA.
		Interviews	Tax compliance	A majority of the participants considers that positive tax treatment motivates them to comply with tax laws.
Wallschutzky (1984)	Australia	Survey	Tax evasion	The taxpayers' satisfaction with treatment by the tax authority might influence taxpayers' future compliance attitudes.
Taylor (2003)	Australia	Survey	Tax compliance	The less representative the taxpayers' authorities is perceived to be, the more resistant taxpayers are in their motivational postures and the more negative are their attitudes towards paying taxes.
Feld and Frey (2002b)	Switzerland	Survey	Tax compliance	The respectful treatment by the tax authority may increase the taxpayers' willingness to comply with tax laws.
Murphy (2004)	Australia	Survey	Tax avoidance	Poor treatment of taxpayers by the tax authority may lead to a decrease in taxpayers' trust and willingness to comply with tax laws.
Wenzel (2006)	Australia	Field experiment	Tax compliance	Reminder letters that implemented principles of fairness from the tax authority yielded greater levels of compliance.
Hartner et al. (2008)	Australia	Secondary data	Tax compliance	A fair treatment by the tax authority has a direct effect on tax compliance.

[a] Only empirical research involved individual taxpayers.

* Voluntary Tax Compliance (VTC), Enforced Tax Compliance (ETC), Tax Avoidance Attitude (TAA) and Interaction with the Tax Authority (IwTA).

7.3.5 Social Interaction

Social interactions, either through peer influence or social environment, do not show any significant impact on voluntary tax compliance, although it influences both the enforced tax compliance and tax avoidance attitude significantly. This may be because, as stated earlier, despite having the narrow opportunity to avoid or evade paying taxes (Wallschutzky, 1984, p. 381), Malaysian salaried taxpayers are entitled to claim limited allowable reliefs and rebates some of which are fixed. For example, in the 2010 year of assessment, personal relief and ordinary child relief

were fixed at RM9,000 and RM1,000 per child, respectively (Inland Revenue Board of Malaysia, 2011d).

It is also argued that taxpayers' strong positive perceptions towards other taxpayers may not necessarily have a positive impact on their tax compliance attitudes (Trivedi et al., 2003, p. 191) which is in contrast with other findings in terms of taxpayers' perceptions of others (Wenzel, 2005a, p. 881; Frey and Torgler, 2007, p. 156) and taxpayers' identification of a group in regard to compliance patterns (Wenzel, 2004, p. 226). The taxpayers' negative perceptions appear to be insignificant for those who view tax evasion as immoral with a strong fear of social condemnation (Welch et al., 2005, p. 43). Therefore, even though they are getting either positive or negative influences from their social interactions, it does not really affect their willingness to voluntarily comply.

However, for those who have any intention or experience of tax avoidance, the ways community members are perceived by taxpayers in carrying out their tax obligations (Kaplan and Reckers, 1985, p. 101; Witte and Woodbury, 1985, p. 45; Trivedi et al., 2003, p. 191; Welch et al., 2005, p. 45; Frey and Torgler, 2007, p. 156) or information about the way other people manage their tax problems (Wallschutzky, 1984, p. 383; Witte and Woodbury, 1985, p. 9; Torgler, 2004a, p. 36) probably can be a strong driver to either push them to comply or discourage them from avoiding taxes. The findings from the interviews indicate that the source of the influence of social interactions may come not only from families, friends or even neighbours from the same residential area in the taxpayers' surroundings but also from information that can easily be accessed from the internet. A survey in three countries, namely Australia, Singapore and the USA, found that besides taxpayers' own moral beliefs, the beliefs of people who are close to taxpayers such as friends have a strong influence on taxpayers' attitudes (Bobek et al., 2007, p. 61). However, it is somewhat difficult to identify the actual source of the social interaction influence on taxpayers (Fortin, 2007, p. 2107). Table 7.6 provides a summary of the current and prior studies on the influence of social interaction.

Table 7.6: Current and Selected[a] Tax Compliance Studies on the Influence of Social Interaction

Study (Year)	Country	Method	Dependent Variable(s)	Findings
Sia et al. (2008)	Malaysia	Survey	Tax compliance	There is no significant difference between the compliant and non-compliant taxpayers' perceptions of the influence of peers.
Current study (2012)	Malaysia	Surveys	VTC ETC TAA	SI has an insignificant impact on VTC. SI has a significant impact on ETC and TAA but the impact is stronger on ETC.
		Interviews	Tax compliance	Social interactions can either have a positive or negative impact on tax compliance depending on the taxpayer's environment. However, information that can be accessed from the internet is more influential than social interaction in influencing taxpayers' attitudes.
Wallschutzky (1984)	Australia	Survey	Tax evasion	Taxpayers learn to evade from those who are successful and the pressure of peer group influences compliance behaviour.
Kaplan and Reckers (1985)	USA	Experiment	Tax evasion	The greater the perception of tax evasion occurrence, the greater the tendency to evade.
Witte and Woodbury (1985)	USA	Secondary data	VTC	People who live in a less compliant environment tend to be less compliant than those who live in areas with positive tax attitudes.
Trivedi et al. (2003)	Canada	Experiment	Tax compliance	Only high negative perceptions decrease tax compliance but high positive perceptions may not necessarily increase high tax compliance.
Torgler (2004a)	Costa Rica and Switzerland	Secondary data	Tax morale	Taxpayers' perceptions of law obedience and other people's compliance behaviour have a positive effect on tax morale.
Wenzel (2004)	Australia	Survey	Tax compliance	Social norms have a strong positive influence on taxpayers only if they have a strong identification with a positive group.
Welch et al. (2005)	USA	Survey	Tax evasion	The intention to evade is high for those who perceive that others commit tax evasion but if they believe that tax evasion is morally wrong and they fear the social disapproval, they are less inclined to cheat.
Wenzel (2005)	Australia	Survey	Tax compliance	The taxpayers' perceptions and misperceptions of others influence tax compliance behaviour.
Bobek et al. (2007)	Australia, Singapore, and USA	Survey	Tax compliance	The most influential factor on taxpayers' compliance is personal and subjective norms.
Frey and Torgler (2007)	30 European countries	Secondary data	Tax morale	If tax evasion is considered common in a society, individual's tax morale may decrease and vice versa.
Wenzel (2007)	Australia	Survey	Tax ethics	Identification with a group of taxpayers undermines taxpayers' personal tax ethics.

[a] Only empirical research involved individual taxpayers.

* Voluntary Tax Compliance (VTC), Enforced Tax Compliance (ETC), Tax Avoidance Attitude (TAA) and Social Interaction (SI).

It was argued that the role of society on taxpayers' attitudes may only work effectively if residents' economic and social status is almost equal because positive

influences are more likely to impact on taxpayers from this type of society as compared to a mixed society with divergent social and economic levels. However, Wenzel (2007, p. 42) argued that when taxpayers identified themselves with other taxpayers, they were more easily negatively influenced in a way that may deteriorate their tax ethic. Surprisingly, a Malaysian survey study found that peer influence had no statistically significant influence either on compliant or on non-compliant taxpayers (Sia et al., 2008, p. 12). The possible explanation may be because most of the non-compliant tax matters are handled by tax preparers, and thus peer influence is less likely to be influential. Overall, social interaction is more likely to strongly influence taxpayers with a negative compliance attitude compared to a positive one.

7.3.6 Threat of Punishment

The influence of threat of punishment on tax compliance components in this study was found to be positively statistically significant only on the tax avoidance attitude. The threat of punishment has encouraged taxpayers to be more inclined towards the tax avoidance attitude. Even though it was stressed in the interviews that rules and regulations were important to encourage social harmony in a country by using fear to force people to comply, without effective enforcement from the tax authority and the uniformity of action imposed on all citizens regardless of their social status, the threat of punishment seemed to be less intimidating to taxpayers.

Further, since they were already willing to comply, the use of threat of punishment may only encourage them to be less compliant which might indicate their rebellious attitude against the government. This is probably because compliers are less likely to be affected by the threat of punishment as compared to non-compliers (Scholz and Pinney, 1995, p. 508; Hanno and Violette, 1996, p. 71) but the threat of punishment might trigger rather than discourage negative intentions or attitudes. This lends strong support to prior Malaysian studies, even though the term used is different (Loo, 2006a, p. 223; 2006b, p. 139; Loo et al., 2009, p. 191). Tax structure (tax audits and penalties) appeared to have an indirect influence on tax compliance

which led some taxpayers to over-comply. However, their main reason for complying was to get a tax refund. A summary of the current and selected findings of tax compliance studies is presented in Table 7.7.

Table 7.7: Current and Selected[a] Tax Compliance Studies on the Influence of Threat of Punishment

Study (Year)	Country	Method	Dependent Variable(s)	Findings
Loo (2006a)	Malaysia	Survey	Tax compliance	The penalty has a significant impact on tax compliance but the tax audit appears to be insignificant.
Loo (2006b)	Malaysia	Experiment	Tax compliance	Audit and penalty rates are found to influence taxpayers' compliance attitudes.
Loo et al. (2009)	Malaysia	Survey, experiment and case study	Tax compliance	Tax audit and penalty have indirect influence on taxpayers' decisions to comply with the tax law but tax audit is a less effective tool for salaried taxpayers because most of them filed tax returns to get the refund of their over-withheld taxes.
Loo and McKerchar (2012)	Malaysia	Survey	Tax compliance	Monetary and non-monetary penalties have no relationship with tax compliance.
Current study (2012)	Malaysia	Surveys	VTC	ToP has a negative relationship with VTC but the impact appears to be insignificant.
			ETC	ToP has a positive relationship with ETC but the impact appears to be insignificant.
			TAA	ToP has a significant positive impact on TAA.
		Interviews	Tax compliance	ToP is perceived by most participants to be an effective tool to avoid taxpayers getting into more trouble but lack of enforcement deteriorates the positive impact of ToP on tax compliance.
Witte and Woodburry (1985)	USA	Secondary data	VTC	Audit probability is more influential for sole-proprietors than salaried taxpayers. Penalty rate has a statistically negatively significant influence on voluntary tax compliance.
Alm et al. (1990)	Jamaica	Secondary data	Tax compliance	Taxpayers are less compliant if more severe penalties are imposed or detection becomes more certain.
Scholz and Pinney (1995)	USA	Survey	Tax compliance	Audit probabilities affect only taxpayers with greater temptation to cheat.
Hanno and Violette (1996)	USA	Experiment	Tax compliance	The non-compliers are more concerned about the threat of audit from the tax authority compared to the compliers.
Park and Hyun (2003)	Korea	Experiment	Tax compliance	Audit probability and penalty rates are found to have a significant positive impact on tax compliance but the penalty rate is more effective than audit probability.
Trivedi et al. (2003)	Canada	Experiment	Tax compliance	Audit probability has a significant impact on tax compliance but the presence of audits is more influential on risk averse subjects than on others.
Devos (2009)	Australia	Survey and interviews	Tax compliance	Penalties are viewed as ineffective in influencing compliance behaviour unless it is used with other measures to achieve greater compliance.

[a] Only empirical research involved individual taxpayers.

* Voluntary Tax Compliance (VTC), Enforced Tax Compliance (ETC), Tax Avoidance Attitude (TAA), Threat of Punishment (ToP).

Interestingly, despite the fragile impact of the threat of punishment, most taxpayers would prefer to abide by the tax laws in order to live a stress-free life. They were willing to pay taxes rather than spend their precious time to meet tax officers, prepare relevant documentation or even attend court to settle their tax problems. This might be the possible explanation for the finding of the insignificant impact of the threat of punishment on voluntary and enforced tax compliance in the current research. Somewhat surprisingly, the threat of punishment has an influence on tax compliance in two different directions, that is, it has a negative and positive relationship with voluntary and enforced tax compliance, respectively. Similar findings regarding voluntary tax compliance are evident in the early research which found that the amount of penalty had an indirect relationship with voluntary tax compliance but the impact was statistically significant (Witte and Woodbury, 1985, p. 8).

The findings of the prior research produced mixed findings. On one hand, the probability of audits and penalties had a statistically significant positive impact on tax compliance but the penalty rate appeared to be more influential (Park and Hyun, 2003, p. 681) and the tax audit was found to have a stronger influence on risk-averse taxpayers (Trivedi et al., 2003, p. 190). On the other hand, the rise of the penalty amount may encourage taxpayers to be less compliant (Alm et al., 1990, p. 613). Further, the relationship between tax compliance and enforcement in a form of monetary and non-monetary penalties including imprisonment was found to be insignificant (Loo and McKerchar, 2012, p. 100). Devos (2009, p. 36) suggested that the individual impact of penalties on tax compliance behaviour is barely minimal unless it is combined with other variables.

The insignificant impact of the threat of punishment on taxpayers' positive attitudes probably reflects the salaried taxpayers being the majority in the current study. The interview findings indicated that not only were their salaries subject to the STD scheme but they also had to avoid or even to evade paying taxes because their tax affairs were direct and simple. Self-employed taxpayers were considered to have more complicated tax affairs that enable them to make use of the various loopholes

in the income tax rules. This strongly supports the prior international (Witte and Woodbury, 1985, p. 9) and Malaysian (Loo et al., 2009, p. 191) studies that showed the prospect of a tax audit was ineffective for salaried taxpayers. However, the threat of punishment still appeared to be effective if they had the intention to avoid taxes, regardless of their employment status. Overall, almost all of the previous studies focused on the impact of either audit probability or penalty rate or both factors on tax compliance. Even though the overall impact of the threat of punishment on tax compliance components in the current study had a different approach, it was clearly apparent in this research that the threat of punishment had a different impact on taxpayers' compliance attitudes.

7.4 The Impact of Religiosity and External Factors on Tax Compliance

The strength of impact between religiosity and external factors is only examined on voluntary tax compliance (Model 1) because religiosity had no significant influence on enforced tax compliance and the tax avoidance attitude. Based on the findings from the regression analysis from Model 1, religiosity (b = 0.02) was found to have the least impact on voluntary tax compliance as compared to perception of government (b = 0.32) and interaction with the tax authority (b = 0.27).[88] In other words, one added point to religiosity may only increase voluntary tax compliance by two percent but one added point to perception of government and interaction with the tax authority increases the value of voluntary tax compliance by 32 percent and 27 percent, respectively.

The findings from the interviews also pointed in the same direction. Religiosity was viewed by most of the participants as having little impact on tax compliance. Taxpayers' strong civic duties and high responsibilities to contribute to other people are emphasised as being the main reasons for people paying taxes. The minimal impact of religiosity on voluntary tax compliance may be because only intrapersonal religiosity was found to impact on voluntary tax compliance in the multiple regression analyses. Nearly all of the participants acknowledged that the minimal

[88] The b value refers to B value from multiple regression analyses as shown in Chapter 5, Section 5.2.3.10, Table 5.28.

impact of religiosity on tax compliance was firmly determined by the internal values in each individual. The reflection of taxpayers' religious beliefs and faiths was expected to be translated into their actions; hence, the inner values in taxpayers derived from religious beliefs and faith had nurtured a sense of carrying out civic duties to the country, as well as contributing to help others. Overall, although voluntary tax compliance is influenced significantly by religiosity, the impact is minimal.

7.5 The Moderating Effect of Religiosity

Religiosity only appeared to have a moderating effect on the relationship between external factors and voluntary tax compliance. Based on the findings from the hierarchical multiple regression analyses, religiosity was found to modify the relationship between interaction with the tax authority and voluntary tax compliance from a positive to a negative relationship as shown in Figure 7.1. Even though Malaysian taxpayers perceived their interaction with the tax authority as improving, such a positive perception was moderated by higher level of religiosity which contributed to a less favourable attitude. The possible explanation may be because highly religious people have a higher tendency to fulfil their obligations to their religion rather than to the government, as clearly shown in the survey and interview findings. Thus even though they had a strongly positive interaction with the tax authority, their main priority was towards their religion which may reduce their intention to comply voluntarily.

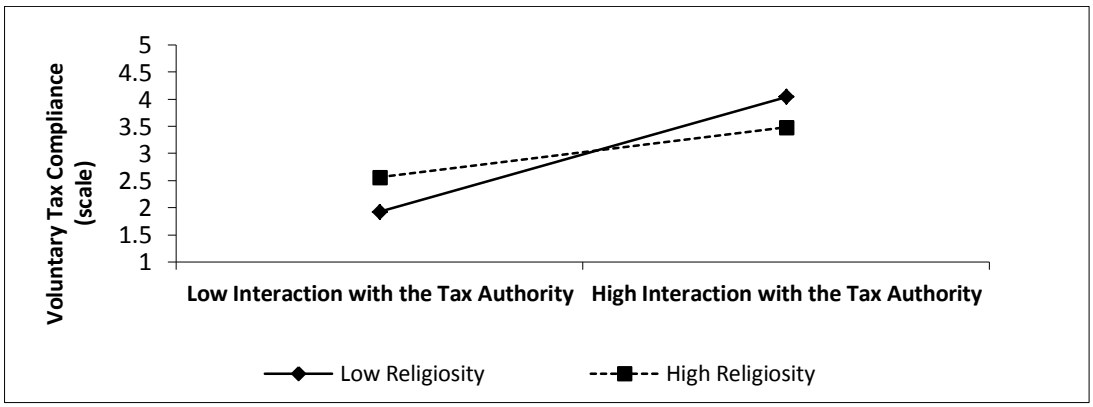

Figure 7.1. Interaction Effect between Interaction with the Tax Authority and Religiosity on Voluntary Tax Compliance

Another moderating effect of religiosity is on the relationship between social interaction and voluntary tax compliance. Religiosity was found to modify the relationship between social interaction and voluntary tax compliance from a negative to a positive relationship. In other words, the presence of religiosity increases the positive influence of taxpayers' social interaction on voluntary tax compliance as shown in Figure 7.2. This is clearly evident in the interview findings where some of the participants recognised the impact of religiosity on their social interaction particularly for those who adhered to Islam and Christianity. This is because reminders from religious leaders and the practice of making religious payments strongly moved them to contribute to the country. Probably, the positive encouragement from a religious community as well as the positive intrapersonal religious values in every individual deterred the negative intention to avoid or evade paying taxes.

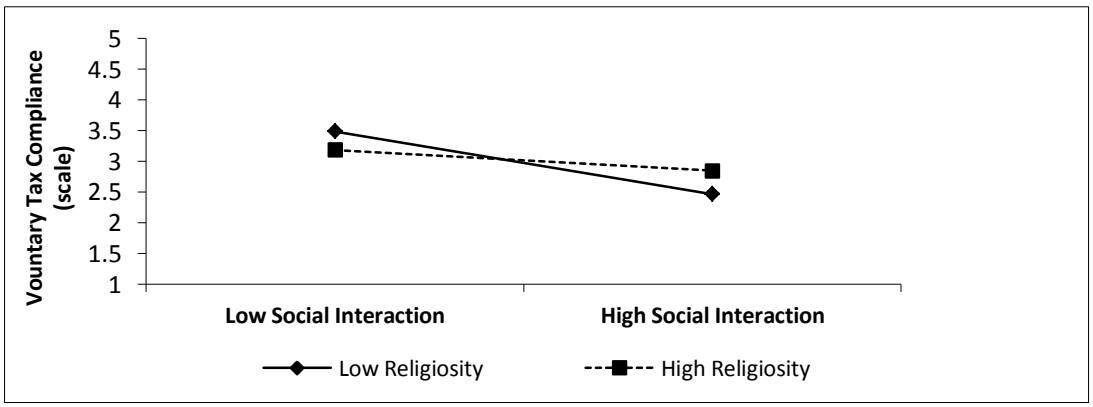

Figure 7.2. Interaction Effect between Social Interaction and Religiosity on Voluntary Tax Compliance

Religiosity was found to have no moderating effect on the relationship between the threat of punishment and the perception of government with voluntary tax compliance. It was argued by the participants that the tendency to either support or oppose the government was less likely to be correlated with religiosity, as clearly apparent in the findings of the surveys and interviews. The intention to pay taxes was solely determined by their positive perceptions towards the Malaysian Government from the overall perspective on fairness and equity regardless of their religiosity level. In terms of the threat of punishment, it is observed that the most

threatening impact of punishment for most of the participants was to avoid being caught by the tax authority so that they would not have to waste their time and energy in solving unnecessary problems irrespective of their religiosity level and religion. Hence, religiosity levels appeared to have an insignificant influence on the relationships between voluntary tax compliance and perception of government, and the threat of punishment.

7.6 Theoretical Implications

This study makes a number of contributions to the existing literature. Firstly, this study enriches the limited literature of tax compliance from the perspective of developing countries, particularly Malaysia. This is because empirical and institutional research in taxation outside the USA especially in developing countries has been strongly encouraged to stimulate comparative analysis across countries (Andreoni et al., 1998, p. 836). Most of the prior studies have been carried out in developed countries such as the USA, Europe and Australia except for a few studies, most of which employed omnibus surveys such as the WVS which covered a number of countries including developing countries (for example: Torgler, 2004b; Torgler, 2006). Further, this study adds to the limited literature internationally from a religiosity perspective. As noted in Chapter 3,[89] religiosity has been neglected by most researchers in earlier tax compliance studies and to the best of the author's knowledge, this is the second study to explore the impact of religiosity on tax compliance in Malaysia.

As indicated earlier,[90] the studies of tax compliance in Malaysia have only focused on certain determinants of tax compliance such as demographics and tax knowledge. The only determinants studied in Malaysia that employed individual taxpayers as the subject of the study were tax structure[91] (Loo, 2006a, 2006b; Loo et al., 2010), fairness as one of the perception of government components (Sia et al., 2008; Saad, 2010), perceptions of IRBM officers and services (Loo, 2006a; Loo et

[89] See Chapter 3, Section 3.2.2.
[90] See Chapter 3, Section 3.5.
[91] Tax structure is similar to threat and punishment (ToP) in this study.

al., 2010; Mohamad et al., 2010), peer influence[92] (Sia et al., 2008) and religiosity (Richardson, 2008). The present study not only offers additional information for the same determinants but also examines religiosity as one of the determinants of Malaysians' tax compliance attitudes from a single country's perspective.

Secondly, tax compliance was explored based on three different components, namely voluntary tax compliance, enforced tax compliance and tax avoidance attitude. This is because most of the previous studies focused only on tax evasion (for example: Richardson, 2006, 2008), tax compliance (for example: Trivedi et al., 2003; Trivedi, Shehata and Mestelman, 2005) or tax morale (for example: Torgler, 2003a; Torgler, 2004b). In point of fact, some of the studies of tax morale employed only one item to measure the level of tax morale in a society (for example: Frey, 2003, pp. 394-395; Torgler, 2006, p. 87). Hence, these components would offer further information to the current literature in terms of the real impacts of the determinants explored in this study on each of the tax compliance components.

For example, religiosity, perception of government and interaction with the tax authority seemed to have a strong influence on voluntary tax compliance. In other words, highly religious people and taxpayers' positive perceptions towards government and interaction with the tax authority may only motivate their willingness to comply voluntarily, which is similar to the findings found in the tax morale research regarding the impact of religiosity (for example: Torgler, 2006), perception of government and the tax authority's treatment of taxpayers (for example: Feld and Frey, 2007). These findings concur with the suggestion made by Schmölders (1959, 1970) and Hasseldine and Bebbington (1991) to explore the effects of economic issues and government actions on people's attitudes in order to improve the cooperation between taxpayers and government.

However, taxpayers' perceptions towards government have the same significant influence on enforced tax compliance together with taxpayers' social interaction. The more positive the taxpayers' perceptions towards the government and social

[92] Peer influence is similar to social interaction (SI) in this study.

interaction, the more the taxpayers are inclined to comply with tax laws. Based on this, the findings from this study help to provide a clearer picture in defining the term "tax morale" since, as argued previously[93] tax morale has been treated as a black box in a number of previous studies (Feld and Frey, 2002b, pp. 88-89). In order to explain tax morale, it is important to determine the elements that shape tax morale by comparing the determinants that influence voluntary and enforced tax compliance with the determinants that influence tax morale. It is possible that the definition of tax morale might encompass not only voluntary but also involuntary compliance.

The final tax compliance component, tax avoidance attitude, is influenced by the threat of punishment and social interaction. It is clearly apparent in this study that deterrence appeared to have an unfavourable impact on taxpayers' compliance attitudes. Possibly, since taxpayers already had a genuine intent to comply with their tax obligations, the threat of punishment may only demote their genuine commitment. Similar findings were found in other Malaysian studies (Loo, 2006a, p. 223; 2006b, p. 139; Loo et al., 2009, p. 191). Further, the interactions between taxpayers and society may have either positive or negative impacts depending on the taxpayers' social status. This study lends support to the recommendation made in prior research (for example: Alm et al., 1995, p. 15; Andreoni et al., 1998, p. 855) to include economic and non-economic determinants in tax compliance research. The findings of this study add to a comprehensive model of tax morale developed by Pope and McKerchar (2011, p. 600) to fully understand taxpayers' complex attitudes including when they have different intentions of complying with tax laws.

Thirdly, the impact of religiosity on tax compliance in this study is emphasised as merely minimal compared to other determinants, namely the perception of government and interaction with the tax authority. Religiosity may only inspire people who have a strong intention to pay taxes voluntarily and is possibly ineffective in reducing the intention to avoid paying taxes. Despite its minimal impact on voluntary tax compliance, this study provides an indicator to further

[93] See Chapter 3, Section 3.2.1.

explore taxpayers' complex attitudes from a tax compliance perspective, particularly when the majority of taxpayers are viewed as having a high intention to willingly comply with tax laws (Kirchler et al., 2008, p. 211). In addition, the direction of tax research has moved from a single focus on tax evasion, as evident in earlier tax research,[94] to now include the concepts of tax compliance and non-compliance (McKerchar, 2001, p. 121). Further, the impact of religiosity as a moderator was also explored in this study. Religiosity was found to moderate the relationship between taxpayers' positive attitudes to comply with taxpayers' interaction with the tax authority and their social interactions. Therefore, caution needs to be taken in generalising the true association of these two factors with taxpayers' compliance attitudes in Malaysia in particular and in other countries in general.

In terms of the measurement of religiosity commitments, the universal religiosity statements were adapted in the present survey to minimise their association with a specific religion as discussed previously.[95] Further, in order to avoid the use of church attendance to measure respondents' religiosity levels,[96] multi-dimensional religiosity statements were adopted in this study as in some other studies (for example: Torgler, 2006, p. 86). However, the religiosity dimensions in this study were divided into two types of religiosity commitments, namely intrapersonal and interpersonal religiosity. This study has probably moved the existing literature even further by identifying the actual religiosity commitment that has a major impact on taxpayers' compliance attitudes. This is because religiosity was treated in most of the prior research as a single variable except for some studies such as Grasmick et al. (1991, p. 263). An independent impact is found between religious identity salience and church attendance on the inclination to cheat on taxes in their study. However, these religiosity dimensions were not grouped accordingly. Thus the current study provides further evidence that the minimal impact of religiosity on tax compliance mainly derives from taxpayers' intrapersonal religiosity.

[94] See Chapter 2, Section 2.2.2.
[95] See Chapter 3, Section 3.2.2.
[96] See Chapter 4, Section 4.3.7.

Finally, since taxpayers' attitudes are considered complicated, different types of methods are needed to best understand these complexities (McKerchar, 2008, p. 21). The comparison between the findings in the current and prior studies as discussed previously[97] has shown that most of the prior studies adopted a single method to gather data such as experiments, surveys, interviews and heavy reliance on secondary data except for a few of the latest studies which have adopted a mixed-methods approach (for example: Devos, 2009; Loo et al., 2009). It is argued that secondary data particularly from a cross-cultural survey suffers from many drawbacks, creating impediments such as the definition of culture being loosely defined and cultural groups possibly being divided according to geographical area (Roberts and Boyacigiller, 1984, p. 432). Thus the people and culture from different countries or even within the same country are assumed to be homogenous (Silver and Dowley, 2000, p. 543).

The mixed-methods approach carried out in this study provides better evidence from different perspectives to overcome the limitation of a single design. The interviews enable the researcher to confirm theories from the surveys and explain either the supporting or contradicting results that emerged from both methods. This is because it is "perfectly logical for researchers to select and use differing methods, mixing them as they see the need, applying their findings to a reality that is at once plural and unknown" (Maxcy, 2003, p. 59). This approach is consistent with the growing trend to incorporate a combination of quantitative and qualitative research methods in a study (for example: McKerchar, 2002; Saad, 2011) even though the question of balance between both methods is arguable in this method. Ultimately, the weighting of each method probably depends on how the research questions need to be addressed together with the chosen research paradigm because no method is superior to the other.

[97] See Tables 7.3, 7.4, 7.5, 7.6 and 7.7 in Chapter 7, Section 7.3.

7.7 Major Policy Implications

7.7.1 Introduction

Tax is essential to provide financial support to government to construct the infrastructure of the country, which allows for the delivery of public services to the people and the nation as a whole. This is clearly evident in Malaysia where the collection of direct taxes in 2010 contributed to more than 50 percent of the total government revenue. Even though the individual income tax only contributed about 18 percent of the total amount of direct taxes, the contribution has improved gradually and is considered as the third biggest contributor in direct taxes. Hence, despite its relatively small contribution, it remains important for the government to keep taxpayers motivated, so that people continue to fulfil their civic duties in order to help others by paying their due taxes.

7.7.2 The Integrity of the Government

The empirical evidence from this study has significantly shown the importance of taxpayers' perceptions of government in encouraging taxpayers' willingness to voluntarily comply with tax laws. Taxpayers' perceptions of the government in the surveys were built based on three aspects, namely trust, equity and fairness in the government. Based on the survey findings which were then strongly supported by the findings from the interviews, trust in the government was growing weaker and the most likely reason was the issue of corruption which needs to be addressed seriously by the Malaysian Government in order to ensure that the Malaysian taxpayers' attitudes are persistently positive towards paying taxes.

Public anger and frustration with the issues of corruption in the government were clearly evident in the interviews across ethnicities and religions. Further, technology continues to blossom in the country, and information about the government was considered crucial by a number of participants in building people's perceptions of the government. This is because contradictory information can be compared between the media free from the government control, such as the internet, and the media under government control, such as newspapers and television networks.

Even though the reliability of information is uncertain, people are still making their judgements and assumptions towards the government which may undermine the government's integrity in the eyes of its citizens. This may be reflected in the Corruption Perceptions Index (CPI)[98] between 2010 and 2011. Malaysia fell from the rank of 56 out of 178 countries with a CPI score of 4.4 to the rank of 60 out of 183 countries with a CPI score of 4.3 on a scale of 0 (highly corrupt) to 10 (very clean) (Transparency International, 2010, p. 4; 2011, p. 6). The corruption problem appears to be a long-standing issue in the country and its consequences seem to be damaging to the country in a number of ways.

Firstly, corruption reduces the availability of the resources through the mismanagement of public money on certain projects which are considered as being unbeneficial to the population as a whole. In addition, waste in spending is spreading in the government agencies through the overpriced purchases or unnecessary expenses. For example, it was reported in the 2010 Auditor General Report[99] (National Audit Department of Malaysia, 2010) that the Malaysian Marine Parks Department spent RM56,350 for a pair of night vision marine binoculars, 29 times more than its market price of RM1,940, and nine ministries or departments have overspent the operating allocation by a total of RM3.73 billion. If the money is wisely managed, the public transportation system in the country, for example could be improved for the people's benefit; this was given as an example of highly unreliable public services by one of the participants in the interviews.

Secondly, corruption weakens the equality in the population. As a pluralist society, inequality between ethnic groups is anticipated from the cultural, political and economic dimensions. This is probably because of the issues of the privileges received by the 'bumiputra' which includes Malays and other indigenous groups

[98] The Corruption Perceptions Index ranks countries according to their perceived levels of public sector corruption.

[99] The scope of audit is: (1) to certify the annual financial statements submitted by the Federal and State Government/Government Agencies as required by law and in accordance with accepted accounting standards; (2) to determine whether financial management at Ministries/Department/Government agencies is in compliance with the laws and other financial regulations and procedures; and (3) to appraise whether the government programs or activities are executed in an effective, efficient and economical manner and achieve intended objectives (National Audit Department of Malaysia, 2012).

compared to the 'non-bumiputra' which refers to the immigrants originally from China and India. However, the inequality issue raised in the interviews was not really between the 'bumiputra' and 'non-bumiputra' but rather inequality in terms of favouring certain groups particularly in relation to the granting of business opportunities by the government. For example, it was also reported in the 2010 Auditor General Report that one of the departments in the Ministry of Tourism Malaysia had overpaid advertising fees to a total of RM194.31 million when it chose to use direct bookings instead of open tenders (National Audit Department of Malaysia, 2010). This may indicate the possibility of a favouritism approach that is practised in the government departments or ministries when appointing companies for the government jobs which may increase the perceptions of inequality among Malaysian taxpayers.

Finally, the corruption issue was viewed by most of the participants as weakening the integrity of the legal system in the country. This was considered by some of the participants as the most disappointing issue for citizens because no legal or disciplinary action is taken against the public servants who commit misconduct even though similar cases are reported every year by the Auditor General. The widespread corruption problems in the country as perceived by most taxpayers may increase taxpayers' negative perceptions towards the government and probably affect the country because corruption appears to have the effect of retarding the development of a firm (Fisman and Svensson, 2007). Therefore, the rising issue of corruption may not only affect taxpayers' compliance attitudes but also pose a risk to the country's growth.

Even though Malaysia has established legal frameworks such as the *Prevention of Corruption Act 1961* and institutions such as the Anti-Corruption Agency (ACA) to eradicate widespread corruption among public servants, it is strongly suggested to the government that it tackles these alarming issues seriously by adopting a number of effective anti-corruption strategies. Firstly, the integrity and effectiveness of the ACA is crucial in combating the corruption issues in Malaysia by ensuring that the legitimacy and public image of the ACA is intact (Abdullah, 2008, p. 47). Hence, it is

important for the ACA to be independent from any control particularly from police and political influences as well as to maintain and promote an incorruptible environment for the ACA staff because if they are corrupted, curbing corruption appears to be impossible (Quah, 2008, pp. 95-96).

Secondly, effective enforcement of the law and severe penalty are the keys to eliminating the public's perceptions that everyone can get away from this wrongdoing. This probably can be done if the enforcement of the law and regulations is exercised uniformly throughout the country irrespective of the status and position of the person involved. Therefore, those who are found guilty must be punished according to the law without any protection from political influences, as political influences are considered to be the largest obstacle for the ASEAN countries to seriously curb corruption (Quah, 2008, p. 104). Finally, in order to reduce the need for corruption, the government should revise the minimum wages in the country particularly for public servants and political leaders (Abdullah, 2008, p. 51) to match the increasing cost of living as emphasised by a number of participants in the interviews.

7.7.3 The Services of the Tax Authority

This study has shown that the services of the IRBM have improved tremendously compared to some 10 to 20 years ago. Almost all of the respondents and participants reported that they were happy with the helpful and professional services provided by the tax officers during their visits. In addition, the introduction of the e-filing to file a tax return was considered as the most convenient and time-saving system particularly for the salaried taxpayers who have less complex tax matters. However, based on the responses from this study, there are a number of issues that can be addressed by the IRBM to realise its mission in order to increase the quality and integrity of taxation services it offers together with the promotion of voluntary tax compliance among Malaysians (Inland Revenue Board of Malaysia, 2011a, p. 4).

Firstly, law enforcement by the tax authority was considered by most of the participants as lacking even though the civil and criminal investigations were conducted by the IRBM. For example, those individuals who fail to settle their income taxes are banned from leaving the country and given civil summonses, and when they are found guilty, they might be fined, penalised, jailed or declared bankrupt (Inland Revenue Board of Malaysia, 2011a, p. 22). However, since these enforcements were not publicised most of the people in the country are making an assumption that enforcement is not being effectively undertaken by the IRBM. Thus the punitive actions taken on tax evaders should be publicised to inform others that such issues are taken seriously which at the same time can be sent as a message to deter those with the intention to evade.

Secondly, 'zakat' was viewed by most of the Muslim participants as one of the influential factors to encourage them to voluntarily pay taxes to the government. This is because 'zakat' can reduce the amount of tax due to the government since it is treated as a rebate (see Appendix D). However, one of the non-Muslim participants argued that other religious payments are not given the same treatment by the IRBM. This is because, as stated earlier,[100] Muslims are obliged to pay two obligatory taxes on the same source of income in a year.[101] In order to reduce their burden, the treatment of 'zakat' as a rebate is stated in the *Income Tax Act 1967* so that no extra payment will be imposed on Muslims who paid 'zakat'.

For the non-Muslims, their religious payments are not considered as rebates because these payments are not regarded as obligatory but as voluntary payments. The payment is treated as an approved donation which is subject to the seven percent restriction on the aggregate income as clearly stated in Section 34B, *Income Tax Act 1967* (see Appendix A). In order to reduce the perception of inequality as raised in the interviews, it is suggested that the IRBM should educate taxpayers by clearly explaining to them the difference between the treatment of obligatory and

[100] See Section 7.3.2.

[101] This is totally different to the practice of the German tax system where the collection of income tax includes the collection of religious payment on behalf of the church which was argued by some taxpayers as taxing and affecting their willingness to pay taxes to the government (Walpole, 2012, pp. 1-2).

voluntary religious payments in the calculation of income tax. However, introducing a new mechanism to treat all religious payments equally is probably the best way to reduce the sense of inequality that can generate tension and conflict among citizens and taxpayers.

Finally, the IRBM's mission can probably be achieved based on the findings drawn from the current study regarding the impact of religiosity on tax compliance. It might be feasible for the IRBM to foster voluntary tax compliance in Malaysia because religious values are rooted in most Malaysians regardless of their beliefs, given the fact that less than one percent of the population does not belong to a religious group according to the 2010 census (Department of Statistics Malaysia, 2011). This is because religion may actually reinforce a sense of obligation and put moral and ethical pressure on taxpayers, which may be exploited by authorities as a means of improving taxpayers' compliance.

Further, taxpayers' willingness to comply with tax laws can be improved with the positive and negative information communicated by the tax authority to taxpayers as practised by the Australian Tax Office (2012a). For example, the Australian Tax Office plan for compliance activities for 2012 to 2013 was released to the public in July 2012 as a means of communicating relevant information to taxpayers and the compliance information is also conveyed through the media and tax practitioner community. It is probable that such a targeted policy could be practised in Malaysia. For example, positive information is effective for taxpayers in Malaysia because the religious values held by most Malaysians might easily push them to respond to positive appeals from the tax authority and negative information most probably is more appropriate to threaten taxpayers who have the intention to evade taxes. Interestingly, both types of information are found to be effective on "high opportunity" taxpayers such as the self-employed (Hasseldine, Hite and Toumi, 2007, p. 189) but "little can therefore be concluded on the relative merits of these options" (Hasseldine, 1999/2000, p. 239).

7.8 Chapter Summary

This chapter has shown that Malaysians are considered to have a strong positive tax compliance attitude which supports the IRBM mission to foster voluntary tax compliance among Malaysians. This positive attitude is strongly influenced by taxpayers' perceptions of the government, positive interaction with the tax authority and religious values held by almost all Malaysians regardless of their religion. These findings strongly confirm the existence of a psychological tax contract between taxpayers and the authorities, government and tax authority. Further, the impact of the external values derived from taxpayers' perceptions of government and their interactions with the tax authority on voluntary tax compliance is stronger compared to their own internal values, religiosity. The true religiosity commitment that influences taxpayers' willingness to pay taxes is intrapersonal religiosity. Hence, it may only influence taxpayers who already have a positive intention to comply rather than those who have a negative intention to evade. Religiosity also appears to moderate the relationship between voluntary tax compliance and interaction with the tax authority and social interaction.

The impact of social interaction is found to have a significant positive influence on both enforced tax compliance and the tax avoidance attitude. However, the impact of social interaction on enforced tax compliance is more significant than the tax avoidance attitude. Surprisingly, the threat of punishment appears to have a negative influence on taxpayers' compliance attitudes. The discussion of the theoretical implications indicates that this study enhances understanding on the role of religiosity in influencing tax compliance as well as the function of religiosity as a moderating variable. Further, the findings of this study confirm the presence of the psychological tax contract between the authorities and taxpayers. From the methodological implications standpoint, the use of a mixed-methods approach in this field provides insightful information from different perspectives. By employing a universal religiosity measurement in this study, the tendency to focus on certain religions is avoided. The policy implications derived from this study were discussed based on two aspects, namely the integrity of the government and the services of

the tax authority, and concluded this chapter. The final chapter discusses the overall conclusions, limitations of the study and future directions of the research.

CHAPTER 8

CONCLUSIONS AND LIMITATIONS

8.1 Introduction

This chapter presents the conclusions drawn from this research regarding the overall influence of religiosity and external factors on tax compliance for individual taxpayers in Malaysia. The overall objective of this study was to determine the real impact of religiosity as compared to four factors, namely perception of government, interaction with the tax authority, social interaction and threat of punishment on different tax compliance components even though it can be argued that these factors may have some level of inter-relatedness with each other. In addition, religiosity as a form of commitment (intrapersonal and interpersonal) was further analysed to determine the key influence on tax compliance. The function of religiosity as a moderating variable was also explored to extend the prior research on the influence of religiosity on tax compliance. For this purpose, a review of the key findings is discussed in this chapter according to the research questions.[102] The major limitations of this research are then discussed, followed by suggestions for future directions in research on this topic. The final section concludes the thesis.

8.2 Summary of Key Findings

This study builds on the important findings of previous research regarding the elements that shape an individual's tax compliance through tax morale. These elements are basically divided into the internal values of an individual taxpayer which are derived from his/her religious and moral values, and the external values which are derived from the external environment, namely the government, the tax authority and society. The threat of punishment represents an economic factor and was also included in this study to provide a clear picture of the impact of both economic and non-economic factors on taxpayers' compliance attitudes. Tax compliance attitude was measured based on three different intentions: voluntary

[102] See Chapter 1, Section 1.3.

compliance, enforced compliance and avoidance.[103] In order to assess the real impact of religiosity as compared to the external factors on tax compliance, six research questions were developed in this study.

The first research question sought to determine the types of intention to pay tax among Malaysian individual taxpayers. The results of this study from the surveys and interviews suggest that the most common intention of complying with tax laws for the majority of Malaysian individual taxpayers was voluntary tax compliance. A one-way ANOVA analysis was conducted and a significant difference regarding the level of voluntary tax compliance was found among those in the government and the private sector. Other categories indicated a similar level of voluntary tax compliance between groups. The level of enforced tax compliance for Malaysian individual taxpayers was slightly lower than voluntary tax compliance and the lowest was the tax avoidance attitude. The one-way ANOVA analyses indicated that there was no significant difference between groups regarding enforced tax compliance but there was a significant difference between groups regarding tax avoidance attitude. The income level groups were found to have a significant difference between taxpayers who earned less than RM35,000 per annum and taxpayers who earned more than RM35,000 but less than RM100,000 per annum.

These findings lend strong support to the conclusion made by Graetz and Wilde (1985, p. 358) that "the high compliance rate can only be explained either by taxpayers' commitment to the responsibilities of citizenship and respect for the law or lack of opportunity for tax evasion". This information provides positive indicators to the tax authority in terms of the taxpayers' attitudes of complying voluntarily with tax laws after the implementation of the SAS and e-filing to file tax returns. Besides taxpayers' strong sense of duty to the country, e-filing has also been identified as one of the main factors of taxpayers' willingness to comply with tax laws, particularly for salaried taxpayers who have simpler tax matters. Surprisingly,

[103] Tax evasion was not examined in this study even though it can be argued that tax avoidance and tax evasion are quite distinct because the majority of respondents in this study were salaried taxpayers, hence they have less opportunity to evade (Wallschutzky, 1984, p. 381). Therefore, only three tax components were examined because they were considered to be more relevant to salaried taxpayers.

the survey findings indicated that salaried and self-employed taxpayers appeared to have a similar level of tax compliance even though the interview findings considered some of the self-employed taxpayers to be less compliant than salaried taxpayers. This is probably because the ratio of self-employed to salaried taxpayers in the survey was relatively small (about 1:10).

The second research question aimed to observe the perceptions of people with different degrees of religiosity regarding tax compliance and external factors. The survey findings indicated that highly religious people appeared to have a high level of voluntary and enforced tax compliance and high interaction with the tax authority and society. Less religious people were observed to have a high level of tax avoidance attitude, were highly threatened by the threat of punishment and had high positive perceptions of government. The *t*-test analyses showed that there was a significant difference between the perceptions of highly and less religious people regarding voluntary tax compliance, tax avoidance attitude, interaction with the tax authority and the threat of punishment. The correlation analyses confirmed the above findings. On one hand, high levels of religiosity were found to have a significant positive relationship with voluntary tax compliance and interaction with the tax authority; on the other hand, low levels of religiosity were found to have a significant negative relationship with the tax avoidance attitude and threat of punishment. These results were generally supported by the interview findings conducted among the individual taxpayers in Malaysia.

The findings from both approaches are consistent with the existing literature regarding the positive relationship of religiosity and tax compliance. However, this study provides an understanding of the impact of religiosity from a different perspective. As Islam is the most widely practised religion in Malaysia, most of the Muslim taxpayers considered 'zakat' as one of the influential factors to motivate them in fulfilling their civic duty to the government by paying taxes because of two reasons. Firstly, it drives the same sense of contributing in order to help others and at the same time to be blessed by Allah SWT. Secondly, it is treated as a rebate in reducing the actual amount of taxes owed by taxpayers to the government.

However, other religious payments are not treated as a rebate because these payments are not obligatory, such as tithing in Christianity. Despite the positive impact of 'zakat' as a rebate on tax compliance for Muslims, this issue is considered as one of the inequitable issues in the Malaysian population that need to be addressed by the government in order to avoid conflict in a multicultural country like Malaysia. In addition, these findings offer additional information on the relationships of religiosity and external factors, since these relationships have not been explored in prior research. Table 8.1 provides a summary of the first and second research question findings.

Table 8.1: Findings of Research Questions One and Two

Research Question	Description	Findings
RQ1	What is the strongest intention of Malaysian individual taxpayers in paying taxes?	VTC

Research Question	Description	Findings	
		High Level of Variable	Degree of Religiosity
RQ2	What are the perceptions of people with different degrees of religiosity on tax compliance and external factors?	VTC	High
		ETC	High
		TAA	Low
		PoG	Low
		IwTA	High
		SI	High
		ToP	Low

* Voluntary Tax Compliance (VTC), Enforced Tax Compliance (ETC), Tax Avoidance Attitude (TAA), Perception of Government (PoG), Interaction with the Tax Authority (IwTA), Social Interaction (SI) and Threat of Punishment (ToP).

The third research question of this study aimed to investigate the role of religiosity and external factors on all three tax compliance components, namely voluntary tax compliance, enforced tax compliance and tax avoidance attitude. The empirical evidence from the multiple regression analyses of this study showed that religiosity, perception of government, interaction with the tax authority and social interaction, and the threat of punishment can only explain 30 percent[104] of an individual taxpayer's motivation to voluntarily comply with tax laws (Model 1). This was deemed acceptable because influences from other factors on tax compliance, as evident in the prior research, were outside the scope of this study. However, the

[104] This figure is derived from the value of adjusted $R^2 = 0.30$.

predictive power of these variables on enforced tax compliance (Model 2) and tax avoidance attitude (Model 3) was relatively weak.

Interestingly, religiosity and interaction with the tax authority were found to have a significant impact only on voluntary tax compliance, and the threat of punishment appeared to have a positive significant influence only on tax avoidance attitude. These findings suggest that strong religious values and positive treatment from the tax authority may only drive taxpayers' willingness to comply voluntarily and that the threat of punishment seems to trigger the negative attitudes of highly compliant taxpayers and motivate them to become less compliant. The significant impact of taxpayers' perceptions towards government and social interaction was apparent on voluntary tax compliance and tax avoidance attitude, respectively, and both were found to have a significant impact on enforced tax compliance. The interview findings largely corroborated the above findings. These findings strongly correspond to the findings by Feld and Frey (2007, p. 111) in confirming the existence of the psychological tax contract between taxpayers and the authorities, specifically the government and IRBM in the Malaysian context. A summary of the third research question findings is presented in Table 8.2.

Table 8.2: Findings of Research Question Three

Research Question	Description	Findings[a]
$RQ3_{VTC}$	Do religiosity and external factors influence voluntary tax compliance?	Rel PoG IwTA
$RQ3_{ETC}$	Do religiosity and external factors influence enforced tax compliance?	PoG SI
$RQ3_{TAA}$	Do religiosity and external factors influence tax avoidance attitude?	SI ToP

[a] The findings represent significant predictors of each tax compliance model.
* Voluntary Tax Compliance (VTC), Enforced Tax Compliance (ETC), Tax Avoidance Attitude (TAA), Religiosity (Rel), Perception of Government (PoG), Interaction with the Tax Authority (IwTA), Social Interaction (SI) and Threat of Punishment (ToP).

The role of religiosity on voluntary tax compliance was examined in order to evaluate the real strength of religiosity as compared to other factors as stated in the fourth research question. This is because religiosity was found to have a significant

impact only on voluntary tax compliance (Model 1). However, the strength of religiosity appeared to be the weakest among the variables as evident in the multiple regression analyses. This was in line with the findings collected from the interviews because the importance of religious values in influencing taxpayers' positive attitudes was merely recognised by a minority of the participants. In contrast, taxpayers' perceptions of government were stressed by participants to be among the most important factors to achieve the IRBM mission to promote voluntary tax compliance among Malaysians. Hence, improving the government's integrity seems to be essential for the Malaysian Government by rectifying the more alarming issues such as corruption and mismanagement of resources in order to increase taxpayers' positive perceptions of the government.

Despite the weak but significant impact of religiosity on voluntary tax compliance, the religiosity commitments that shaped religiosity were explored in the fifth research question to determine the primary commitment that truly influences voluntary tax compliance. The survey findings showed that taxpayers' intrapersonal religiosity, such as the inner values of an individual which are developed from the religious rituals and strong faith, appeared to have a significant impact on voluntary tax compliance. These findings were strongly supported by the interview findings. These inner values are probably derived from nearly all religious teachings in cultivating the values of giving to the needy and at the same time contributing to the development of the nation. These findings might indicate the similarity between the religious values held by most taxpayers and the values of citizenship or the sense of responsibility towards the country.

The effect of religiosity as a moderating variable was also studied in the final research question in regard to the relationship between the external factors and tax compliance components but the effects were found only on voluntary tax compliance. The moderating effect of religiosity existed in two relationships of the external factors with voluntary tax compliance, namely interaction with the tax authority and social interaction. However, the reverse effect appeared in the interview results regarding the interaction with the tax authority and mixed findings

were obtained for social interaction. Due to the moderating effect of religiosity, caution needs to be taken in generalising the impact of these two factors on voluntary tax compliance. These findings add another dimension to the existing literature on the impact of religiosity on tax compliance. A summary of the findings for the fourth, fifth and sixth research questions is shown in Table 8.3.

Table 8.3: Findings of Research Questions Four, Five and Six

Research Question	Description	Findings	
		Variable	Strength
$RQ4_{VTC}$	How strongly do religiosity and external factors influence different types of tax compliance (if any)?	PoG IwTA Rel	Strong Medium Weak
Research Question	**Description**	**Findings**	
$RQ5_{VTC}$	Which religiosity commitments influence tax compliance the most (if any)?	Intra	
$RQ6_{VTC}$	Is there any moderating effect of religiosity on the relationships between external factors and tax compliance (if any)?	IwTA SI	

* Voluntary Tax Compliance (VTC), Religiosity (Rel), Intrapersonal Religiosity (Intra), Perception of Government (PoG), Interaction with the Tax Authority (IwTA) and Social Interaction (SI).

Overall, this study provides evidence that religiosity is one of the influential factors in influencing taxpayers' attitudes to voluntarily fulfil their tax obligations even though its influence is the weakest compared to the external factors. The key religiosity commitment in motivating taxpayers' positive attitudes towards taxation appears to be intrapersonal religiosity. Further, religiosity also works effectively to moderate the relationship between the external factors and taxpayers' willingness to comply voluntarily with tax laws. Reflecting this, the puzzle of tax compliance in Malaysia probably can be partially explained by religious values held by the vast majority of taxpayers.

8.3 Limitations of the Study

Despite the significant contributions of this study, several key limitations of the present study should be noted. The first major limitation of this study is in regard to the assumed source of internal values of an individual. In this study, internal values were deemed to be completely derived from religion because almost all of the

respondents in this study adhered to a religion. However, it can be argued that the source of morality of an individual in guiding him/her to determine what is morally right or wrong can come from religion or from principles or beliefs of an individual which are unrelated to religion. This was accentuated by Hemingway and Maclagan (2004, p. 37) who pointed out that moral values are unlike religious values even though moral teaching is taught in most of the major religions. Similarly, moral values can be distinguished from other categories such as religious values (Rescher, 1969, p. 16). However, no question in terms of the distinction between moral and religious values was asked in this study. This may have helped shed some light on this important issue in tax compliance. Hence since this study did not differentiate between religious values and moral values in measuring the source of respondents' internal values, there was a possibility that their internal values may be derived from both sources.

The second obvious limitation was the selection of taxpayers involved in this study. The subjects of this study were individual taxpayers in Malaysia who included salaried and self-employed taxpayers, with the majority being salaried taxpayers (about 90 percent) compared to those in the self-employed taxpayer group (about 10 percent) even though several attempts were made to include more self-employed taxpayers in the surveys. Furthermore, the opportunities to avoid or evade paying taxes between these two types of taxpayers are different because salaried taxpayers have fewer opportunities to evade compared to self-employed taxpayers (Braithwaite, 2003b, p. 344). Thus they might have different perspectives and attitudes towards tax compliance issues. The questionnaires were distributed mainly to public and private companies located in Kuala Lumpur and Putrajaya, which means only the urban areas were covered. It can be argued that location plays an important role in shaping an individual's perception towards certain crimes, particularly tax evasion, as pointed out by Burton, Karlinsky and Blanthorne (2005, p. 45). A comparison of data between the current study and Malaysian population showed that the respondents were considered as generally representing the true population in terms of respondents' age, gender, religion and ethnicity. However, since data from the Malaysian population is not available in terms of

Malaysians' level of education and income groups, no comparison can be made. Hence, caution should be exercised in generalising these findings to all individual taxpayers in Malaysia because they may not truly represent the entire population. Similarly, additional caution may be needed to generalise the findings to other individual taxpayers in other tax jurisdictions.

The third most apparent limitation of this research is that it relied on a self-reported method to collect data and that may have led to inaccuracies in the data. This is because extensive under-reporting can be expected from a self-reported survey that relates to sensitive topics (Tourangeau and Yan, 2007, p. 878). Respondents may not respond sincerely when dealing with sensitive issues because they do not want to reveal their true beliefs (Rasinski, Willis, Baldwin, Yeh and Lee, 1999, p. 465) or they are concerned that their information will be obtained by a third party (Rosenfeld, Booth-Kewley, Edwards and Thomas, 1996, p. 271). Respondents may also interpret the questions differently according to their understanding and may misunderstand the questions because of certain terminologies even though reasonable efforts were made to ensure the wording was simple and precise. This may lead to misinterpretations or incorrect conclusions being made. Despite its disadvantages, it can be argued that a self-reported survey gathers accurate data because respondents tend to use their own experiences to answer questions. A self-reported survey is also deemed to offer both practical and conceptual advantages, especially in measuring respondents' perceptions towards certain issues, within the social sciences (Harrison, McLaughlin and Coalter, 1996, p. 259).

The fourth limitation was the use of mixed-mode surveys in this study. Despite the same questions being used in both surveys, response bias was anticipated to be present because an internet survey lacks anonymity as compared to the paper survey; hence, respondents may be hesitant to reveal their actual attitudes particularly in a survey involving sensitive issues (de Leeuw and Hox, 2011, p. 57). The layout of the questionnaire for each survey was slightly different because certain formatting options such as colour and font were only available in the online survey which may have encouraged response bias between different respondents.

In addition, younger and more highly educated respondents tend to be more keen to participate in online surveys rather than paper surveys (Kaplowitz, Hadlock and Levine, 2004, p. 100) because they are more familiar with the internet and more likely to have easy access to it. Consequently, the age gap might indicate a different perspective on certain issues. The *t*-test analyses indicated that there were no response bias problems in this study; however, the weaknesses of employing mixed-mode methods may have persisted to a certain extent.

The final limitation of this study was the employment of face-to-face interviews in a cross-cultural study that related to the sensitive topics of tax compliance and religiosity. The participants might have felt uneasy and embarrassed to respond to the interviewer's questions during the interview process because their anonymity was not fully preserved (Sturges and Hanrahan, 2004, p. 108). Consequently, they may have tended to give answers that they thought the interviewer wanted to hear rather than what they really did feel, in order to avoid being impolite or offensive to the interviewer. This may have been caused by the different ethnic backgrounds of the participants and interviewer. It has been found that higher quality responses can be obtained when the interviewer and interviewee have similar ethnic backgrounds compared to when they have dissimilar ethnic backgrounds (Webster, 1996, pp. 70-71). This situation most probably remained an obstacle to the researcher in obtaining useful and reliable information despite reasonable efforts being made to ensure the participants were comfortable during the interviews. It may have led to information that did not really represent their true perceptions.

8.4 Recommendations for Future Research

The key direction for future research in this particular field would be to compare the impact of individuals' religious values with individuals' moral values that have no influence from religion on tax compliance. This could be done by comparing a group of taxpayers who adhere to a religion with another group of taxpayers who claim to have no religion. It would provide additional information in distinguishing the independent impact of moral and religious values on tax compliance so that

comparisons between these two factors can be made. It might further clarify the distinction between these two values because there has to date, been no clearly pronounced definition of religious and moral values. These differences can be used to further explore individuals who carry both religious and moral values as well as individuals who carry only moral values with no influence from religion in shaping their attitudes towards taxation. However, it would be difficult to conduct this type of research in a country like Malaysia because the percentage of people who have no religion is less than one percent (Department of Statistics Malaysia, 2011).

As indicated earlier, this study was dominated by salaried taxpayers and the minority were self-employed taxpayers. Since self-employed taxpayers are recognised to have more opportunities to avoid or evade paying taxes as compared to salaried taxpayers, exploring self-employed taxpayers' perspectives in future research may provide interesting information to fully understand the attitudes of individual taxpayers. These differing viewpoints could be seen as a source of additional knowledge in understanding the possibility of taxpayers' changing attitudes depending on the avoidance opportunities available to them. In addition, it is suggested that future research could include all groups of taxpayers including different age groups and education levels from every state in the country in order to represent the true population of Malaysia. This might help to improve the generalisation of the findings.

Further, exploring other qualitative methods such as focus group discussions to complement the quantitative methods or even as the main tool of data collection may provide rich information that can be assessed not only from verbal behaviour but also non-verbal behaviour in order to interpret taxpayers' complex compliance attitudes. Even though it is argued that the focus group method is inappropriate for sensitive topics (Morgan, 1996, p. 141), several researchers have challenged this approach by stressing the dynamics of this method which not only encourage people to share opinions but also provide generous information to be interpreted by researchers through different levels of communication (Kitzinger, 1995, p. 300; Wellings, Branigan and Mitchell, 2000, p. 264). Hence, the employment of focus

group interviews in future research may provide additional information to help fully understand taxpayers' complex attitudes.

8.5 Concluding Remarks

The tax compliance issue is a complex and long-standing one that has not yet been fully resolved, even though many attempts have been made. Despite the responsibility of meeting tax obligations being placed solely on individual taxpayers in the SAS in Malaysia, taxpayers' well-being should be considered in the actions and decisions made by the authorities, either the government or tax authority, in order to develop a positive tax compliance culture particularly in a developing country. Thus both parties are required to engage in mutually acceptable relationships to cultivate a harmonious culture between taxpayers and authorities. Designing policies that benefit citizens as a whole and developing common understanding between these parties may increase taxpayers' willingness to pay taxes for the benefit of the country. This remains an important challenge for the authorities. Even with its limitations, this study has provided evidence that religiosity is important in helping to explain tax compliance, in particular the significant impact of taxpayers' perceptions of government, their interaction with the tax authority and their social interactions on tax compliance, as well as the negative effect of the threat of punishment on highly compliant taxpayers.

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APPENDICES

Appendix A: Allowable Deduction from Aggregate Income for Individual

No.	Contribution	Notes
1	Gift of money to the Government, State Government or Local Authorities.	Sub-section 44(6)
2	Gift of money to Approved Institutions or Organisations. (Amount is limited to 7% of aggregate income)	Sub-section 44(6)
3	Gift of money or cost of contribution in kind for any Approved Sports Activity or Sports Body. (Amount is limited to 7% of aggregate income)	Sub-section 44(11B)
4	Gift of money or cost of contribution in kind for any Approved Project of National Interest Approved by Ministry of Finance. (Amount is limited to 7% of aggregate income)	Sub-section 44(11C)
5	Gift of artefacts, manuscripts or paintings.	Sub-section 44(6A)
6	Gift of money for provision of Library Facilities or to Libraries.	Sub-section 44(8)
7	Gift of money or contribution in kind for the provision of facilities in Public Places for the benefit of disabled persons.	Sub-section 44(9)
8	Gift of money or medical equipment to any healthcare facility approved by the Ministry of Health.	Sub-section 44(10)
9	Gift of paintings to the National Art Gallery or any State Art Gallery.	Sub-section 44(11)

Source: Extracted from the Inland Revenue Board of Malaysia (2011b)

Appendix B: Tax Rates for Individual Resident for Year 2009, 2010 and 2011

Chargeable Income	Calculations (RM)	Year 2010/2011		Year 2009	
		Rate %	Tax(RM)	Rate %	Tax(RM)
0-2500	On the first 2,500	0	0	0	0
2,501-5,000	Next 2,500	1	25	1	25
5,001-10,000	On the first 5,000		25		25
	Next 5,000	3	150	3	150
10,001-20,000	On the first 10,000		175		175
	Next 10,000	3	300	3	300
20,001-35,000	On the first 20,000		475		475
	Next 15,000	7	1,050	7	1,050
35,001-50,000	On the first 35,000		1,525		1,525
	Next 15,000	12	1,800	12	1,800
50,001-70,000	On the first 50,000		3,325		3,325
	Next 20,000	19	3,800	19	3,800
70,001-100,000	On the first 70,000		7,125		7,125
	Next 30,000	24	7,200	24	7,200
Exceding 100,00	On the first		14,325		
	100,000	26	.....		
100,001-150,000					14,325
	On the first			27	13,500
	100,000				
	Next 50,000				
150,001-250,000	On the first				27,825
	150,000			27	27,000
	Next 100,000				
Exceeding	On the first				54,825
250,000	250,000			27	.....
	Next RM				

Source: Extracted from the Inland Revenue Board of Malaysia (2012)

Appendix C: Tax Relief for Resident Individual for Year 2009 and 2010 Onwards

Number	Individual Relief Types	Year 2010 onwards Amount (RM)	Year 2009 Amount (RM)
1	Self and Dependent	9,000	8,000
2	Medical expenses for parents	5,000 (Limited)	5,000 (Limited)
3	Basic supporting equipment	5,000 (Limited)	5,000 (Limited)
4	Disabled Individual	6,000	6,000
5	Education Fees (Individual)	5,000 (Limited)	5,000 (Limited)
6	Medical expenses for serious diseases	5,000 (Limited)	5,000 (Limited)
7	Complete medical examination	500 (Limited)	500 (Limited)
8	Purchase of books, journals, magazines and publications	1,000 (Limited)	1,000 (Limited)
9	Purchase of personal computer	3,000 (Limited)	3,000 (Limited)
10	Net saving in SSPN's scheme	3,000 (Limited)	3,000 (Limited)
11	Purchase of sport equipment for sport activities	300 (Limited)	300 (Limited)
12	Subscription fees for broadband registered in the name of the individual	500 (Limited)	N/A
13	Interest expended to finance purchase of residential property. Relief of up to RM10,000 a year for three consecutive years from the first year the interest is paid. Subject to the following conditions: (i) the taxpayer is a Malaysian citizen and a resident; (ii) limited to one residential unit; (iii) the sale and purchase agreement is signed between 10th March 2009 and 31st December 2010; (iv) the residential property is not rented out. Where: (a) 2 or more individuals are eligible to claim relief for the same property; and (b) total interest expended by those individuals exceeds the allowable amount for that year. Each individual is allowed an amount of relief for each year based on the following formula: $A \times \frac{B}{C}$ where; A = total interest allowable in the relevant year; B = total interest expended by the relevant individual in the relevant year; C = total interest expended by all the individuals.	10,000 (Limited)	10,000 (Limited)
14	Husband/Wife/Alimony Payments	3,000 (Limited)	3,000 (Limited)
15	Disable Wife/Husband	3,500	3,500
16	Ordinary Child relief	1,000	1,000
17	Child age 18 years old and above, not married and receiving full-time tertiary education	1,000	1,000
18	Child age 18 years old and above, not married and pursuing diplomas or above qualification in Malaysia @ bachelor degree or above outside Malaysia in program and in Higher Education Institute that is accredited by related Government authorities	4,000	4,000
19	Disabled child Additional exemption of RM4,000 disable child age 18 years old and above, not married and pursuing diplomas or above qualification in Malaysia @ bachelor degree or above outside Malaysia in program and in Higher Education Institute that is accredited by related Government authorities	5,000	5,000
20	Life insurance and EPF	6,000 (Limited)	6,000 (Limited)
21	Premium on new annuity scheme or additional premium paid on existing annuity scheme commencing payment from 01/01/2010 (amount exceeding RM1,000 can be claimed together with life insurance premium)	1,000 (Limited)	N/A
22	Insurance premium for education or medical benefit	3,000 (Limited)	3,000 (Limited)

Source: Extracted from the Inland Revenue Board of Malaysia (2011d)

Appendix D: Income Tax Rebates for Resident Individual with Chargeable Income Less than RM35,000 and Other Rebates

Type of Assessment	Tax Rebate	
	YA[a] 2001 - 2008	YA[a] 2009 Onwards
	(RM)	(RM)
Separate Assessment		
Wife	350	400
Husband	350	400
Combined Assessment		
Wife	350	400
Husband	350	400
Total	700	800
Assessment Where Husband Or Wife Does Not Has Any Total Income		
Wife	350	400
Husband	350	400
Total	700	800

Tax Rebate	(RM)
'Zakat'/'Fitrah'	Subject to the maximum of tax charged
Fees/Levy on Foreign Workers	Subject to the maximum of tax charged

[a] Year of Assessment

Source: Extracted from the Inland Revenue Board of Malaysia (2011c)

Appendix E: Example of Income Tax Calculation for a Malaysian Resident Individual Salaried Taxpayer

Mr Mohd Ali
Computation of Income Tax Payable for Year of Assessment 2011

	RM
Section 4(b) Employment	
Gross income	80,000
Less: Wholly and exclusively revenue expenses	(8,000)
	72,000
Section 4(c)	
Dividend, interest, discounts	5,000
	77,000
Section 4(d)	
Rent, royalties, premiums	2,000
	79,000
Section 4(e)	
Pensions, annuities, periodic payments	-
	79,000
Section (f)	
Casual income	-
Aggregate Income	79,000
Less: Approved donation restricted to 7% of aggregate income	(3,000)
	76,000
Less: Personal reliefs	(15,000)
Chargeable income	**61,000**
Income tax payable at scaled rate	
First RM50,000	3,325
Next RM11,000 at 19%	2,090
	5,415
Less: Rebate including 'zakat'	(1,500)
	3,915
Less: Section 110 set off	(1,000)
Tax Due	**2,915**

Appendix F: Example of Income Tax Calculation for a Malaysian Resident Individual Self-Employed Taxpayer

Mrs Ramlah Mahat
Computation of Income Tax Payable for Year of Assessment 2011

	RM
Section 4(a) Business	
Gross income	142,000
Less: Allowable expenses	(60,000)
Adjusted income	82,000
Add: Balancing charge	15,000
	97,000
Less: Capital allowances	(10,000)
Statutory income	87,000
Less: Unabsorbed business loss	(2,000)
	85,000
Section 4(c)	
Dividend, interest, discounts	5,000
	90,000
Section 4(d)	
Rent, royalties, premiums	2,000
	92,000
Section 4(e)	
Pensions, annuities, periodic payments	3,000
	95,000
Section (f)	
Casual income	4,000
Aggregate Income	99,000
Less: Current year business loss	(8,000)
	91,000
Less: Approved donation restricted to 7% of aggregate income	(3,000)
	88,000
Less: Personal reliefs	(15,000)
Chargeable income	**73,000**
Income tax payable at scaled rate	
First RM70,000	7,125
Next RM3,000 at 24%	720
	7,845
Less: Rebate including 'zakat'	(5,500)
	2,345
Less: Section 110 set off	(3,000)
Tax refund	**655**

Appendix G: Relevant Religiosity/Tax Questions from the World Values Survey Questionnaire (2005-2006) in the Fifth Wave

For each of the following, indicate how important it is in your life.

		Very important	Rather important	Not very important	Not at all important
V9.	Religion	1	2	3	4

Here is a list of qualities that children can be encouraged to learn at home. Which, if any, do you consider to be especially important? Please choose up to five.

		Mentioned	Not mentioned
V19.	Religious faith	1	2

Could you tell me whether you are an active member, an inactive member or not a member of that type of organization?

		Active member	Inactive member	Don't belong
V24.	Church or religious organization	2	1	0

For each organization, could you tell me how much confidence you have in them: is it a great deal of confidence, quite a lot of confidence, not very much confidence or none at all?

		A great deal	Quite a lot	Not very much	None at all
V131.	The **[churches]***	1	2	3	4

** [Substitute "religious leaders" in non-Christian countries.]*

V185. Do you belong to a religion or religious denomination? If yes, which one?

No	Do not belong to a denomination	0
Yes	Roman Catholic	1
	Protestant	2
	Orthodox (Russian/Greek/etc.)	3
	Jew	4
	Muslim	5
	Hindu	6
	Buddhist	7
	Other (write in): _____	8

V186. Apart from weddings and funerals, about how often do you attend religious services these days?

1	More than once a week
2	Once a week
3	Once a month
4	Only on special holy days
5	Once a year
6	Less often
7	Never, practically never

(Note: In Islamic societies, ask how frequently the respondent prays?)

V187. Independently of whether you attend religious services or not, would you say you are:

1	A religious person
2	Not a religious person
3	An atheist

Generally speaking, do you think that the [**churches**]* in your country are giving adequate answers to:

		Yes	No
V188.	The moral problems and needs of the individual	1	2
V189.	The problems of family life	1	2
V190.	People's spiritual needs	1	2
V191.	The social problems facing our society	1	2

[In non-Christian societies substitute "religious authorities" for "churches**"]*

V192. How important is God in your life? Please use this scale to indicate.

Not at all important									Very important
1	2	3	4	5	6	7	8	9	10

V193. Do you take some moments of prayer, meditation or contemplation or something like that?

1	Yes
2	No

How strongly do you agree or disagree with each of the following statements?

		Strongly agree	Agree	Neither agree nor disagree	Disagree	Strongly disagree
V194.	Politicians who do not believe in God are unfit for public office.					
V195.	Religious leaders should not influence how people vote in elections.					
V196.	It would be better for [**Brazil**]* if more people with strong religious beliefs held public office.					
V197.	Religious leaders should not influence government decisions.					

** [Substitute your own nationality for "**Brazil**"]*

Please tell me for each of the following actions whether you think it can always be justified, never be justified, or something in between.

		Never justifiable									Always justifiable
V200.	Cheating on taxes if you have a chance	1	2	3	4	5	6	7	8	9	10

Source: Extracted from the World Values Survey (2009)

Appendix H: Ethics Approval

memorandum

Curtin University of Technology

To	Nor Raihana Mohd Ali
From	*Dr Tom Cronje*
Subject	Protocol Approval : E&F/006/2010
Date	7 December 2010
Copy	A/Prof Thorsten Stromback

Office of Research and Development

Human Research Ethics Committee

TELEPHONE 9266 2784
FACSIMILE 9266 3793
EMAIL hrec@curtin.edu.au

Thank you for your "Form C Application for Approval of Research with Minimal Risk (Ethical Requirements)" for the project titled "THE INFLUENCE OF RELIGIOSITY ON TAX COMPLIANCE: A CROSS CULTURAL STUDY IN MALAYSIA". On behalf of the Human Research Ethics Committee I am authorised to inform you that the project is approved.

Approval of this project is for a period of twelve months 19/11/2010 to 19/11/2011.

If at any time during the twelve months changes/amendments occur, or if a serious or unexpected adverse event occurs, please advise me immediately. The approval number for your project is **E&F/006/2010.** *Please quote this number in any future correspondence*.

Dr Tom Cronje

Please Note: The following standard statement must be included in the information sheet to participants:
This study has been approved by the Curtin University Human Research Ethics Committee. If needed, verification of approval can be obtained either by writing to the Curtin University Human Research Ethics Committee, c/- Office of Research and Development, Curtin University of Technology, GPO Box U1987, Perth, 6845 or by telephoning 9266 2784.

Appendix I: Questionnaire for Drop-Off Survey

Curtin University

School of Economics and Finance, Curtin Business School, GPO Box U1987, Perth Western Australia 6845
Telephone +61 8 9266 7756 Facsimile +61 8 9266 7694

Date: 1 January 2011

Dear Sir/Madam

SURVEY OF THE INFLUENCE OF RELIGIOSITY ON TAX COMPLIANCE IN MALAYSIA

This survey is being conducted as part of an educational research project and is not connected or affiliated with any governmental agency such as the Inland Revenue Board of Malaysia (IRBM). The purpose of this study is to obtain certain tax opinions and to gain insights into the way certain tax decisions are made especially from the religiosity perspective.

I request your kind assistance to complete the questionnaire. Your valuable information will be a great contribution to the body of knowledge and will be a valuable input to the government and tax authority in improving the tax system in Malaysia by considering all relevant factors especially from the taxpayers' perspectives.

The questionnaire is expected to take about only 10 minutes to complete. Please be assured that all information obtained will be treated with strict confidence and used solely for the purpose of this study. Please remember that there are no rights or wrong answers to the questions and please state your own true and sincere response or opinion.

If you would like to discuss the questionnaire or need any help in completing particular questions, please do not hesitate to call this numbers +61 (0)41 200 182 (Perth) or e-mail me at n.mohdali@postgrad.curtin.edu.au

This research has been approved by the Curtin University Human Research Ethics Committee (Approval No: E&F/006/2010). Should you wish to lodge a complaint about any matter relating to this survey, please contact:

Secretary
Human Research Ethics Committee
Office of Research and Development
P.O. Box U1987, Perth WA 6845.
hrec@curtin.edu.au

Thank you very much for your kind cooperation and assistance.

Yours faithfully

NOR RAIHANA MOHD ALI
Doctoral Research Student
School of Economics and Finance
Curtin Business School
Curtin University
Perth, Western Australia

1

Curtin University

School of Economics and Finance, Curtin Business School, GPO Box U1987, Perth Western Australia 6845
Telephone +61 8 9266 7756 Facsimile +61 8 9266 7694

Tarikh: 1 Januari 2011

Tuan/Puan/Encik/Cik

KAJIAN PENGARUH KEAGAMAAN KE ATAS PEMATUHAN CUKAI DI MALAYSIA

Kajian ini dijalankan sebagai sebahagian daripada projek kajian pendidikan dan tiada kaitan dengan mana-mana agensi kerajaan seperti Lembaga Hasil Dalam Negeri Malaysia (LHDNM). Tujuan kajian ini adalah untuk mendapatkan pendapat cukai serta kaedah pembuatan keputusan cukai dilaksanakan terutama daripada perspektif keagamaan.

Saya memohon jasa baik anda untuk melengkapkan borang soal-selidik ini. Maklumat yang berharga daripada anda akan menjadi sumbangan besar kepada dunia penyelidikan dan pengetahuan serta akan menjadi input berguna bagi pihak kerajaan serta pihak berkuasa cukai dalam meningkatkan kualiti sistem cukai di Malaysia dengan mengambil kira semua faktor yang berkenaan terutama daripada perspektif pembayar cukai.

Borang soal-selidik ini dijangka hanya mengambil masa lebih kurang 10 minit untuk dilengkapkan. Semua maklumat yang diberi adalah sulit dan digunakan semata-mata untuk tujuan kajian. Untuk makluman, tiada jawapan yang benar atau salah bagi setiap soalan ini dan sila nyatakan jawapan atau pendapat anda yang paling jujur dan ikhlas.

Jika anda ingin berbincang mengenai borang soal-selidik ini atau memerlukan sebarang bantuan untuk melengkapkan mana-mana soalan, sila hubungi saya di nombor +61 (0)41 200 182 (Perth) atau e-mail saya di n.mohdali@postgrad.curtin.edu.au

Kajian ini telah diluluskan oleh Jawatankuasa Etika Kajian Manusia Curtin University (No Kelulusan: E&F/006/2010). Jika anda ingin membuat sebarang aduan berkenaan kajian ini, sila hubungi:

Secretary
Human Research Ethics Committee
Office of Research and Development
P.O. Box U1987, Perth WA 6845.
hrec@curtin.edu.au

Terima kasih yang tidak terhingga di atas kerjasama dan bantuan yang telah diberikan.

Yang benar

NOR RAIHANA MOHD ALI
Doctoral Research Student
School of Economics and Finance
Curtin Business School
Curtin University
Perth, Western Australia

2

Curtin University

Survey of the Influence of Religiosity on Tax Compliance
(Kajian Pengaruh Keagamaan ke atas Pematuhan Cukai)

Notes *(Nota)*:
- **IRBM** refers to the Inland Revenue Board of Malaysia.
  *(**LHDNM** merujuk kepada Lembaga Hasil Dalam Negeri Malaysia).*
- **Tax Compliance** is defined as filing all required tax returns at the proper time and accurately reporting the tax liability in accordance with the rules, regulations and court decisions.
  *(Definisi **Pematuhan Cukai** ialah menyediakan semua keperluan borang cukai pada masa yang ditetapkan dan melaporkan tanggungan cukai dengan tepat berdasarkan peraturan, undang-undang dan keputusan mahkamah).*
- **Religiosity** is defined as the extent to which an individual is committed to the religion he or she professes and its teachings, such that individual attitudes and behaviours reflect this commitment.
  *(Definisi **Keagamaan** ialah tahap seseorang itu komited terhadap ajaran agama yang dipegang sehinggakan komitmen tersebut dapat dilihat melalui tingkah laku individual tersebut).*

INSTRUCTION *(ARAHAN)*:
Please answer **ALL** questions with your own true and sincere response or opinion. All responses will be kept strictly confidential.
*(Sila jawab **SEMUA** soalan dengan jujur dan ikhlas. Semua jawapan adalah sulit).*

SECTION A: PERSONAL DETAILS *(BAHAGIAN A: BUTIRAN PERIBADI)*
*Please tick (√) only **one** box for each question or fill in the appropriate details as requested.*
*(Sila tandakan (√) hanya **satu** kotak bagi setiap soalan atau isikan butiran yang berkenaan seperti diminta).*

1. **Age *(Umur)***
   - ☐ 18 – 24
   - ☐ 25 – 44
   - ☐ 45 – 64
   - ☐ 65 and above *(dan ke atas)*
2. **Gender *(Jantina)***
   - ☐ Female *(Perempuan)*
   - ☐ Male *(Lelaki)*
3. **Ethnicity *(Bangsa)***
   - ☐ Chinese *(Cina)*
   - ☐ Indian *(India)*
   - ☐ Malay *(Melayu)*
   - ☐ Other, please state: _____
     (Lain-lain, sila nyatakan:)
4. **Religion *(Agama)***
   - ☐ Buddhism *(Buddha)*
   - ☐ Christianity *(Kristian)*
   - ☐ Hinduism *(Hindu)*
   - ☐ Islam
   - ☐ Other, please state: _____
     (Lain-lain, sila nyatakan:)
5. **Highest education level**
   (Tahap pendidikan tertinggi)
   - ☐ Secondary level *(Peringkat Menengah)*
   - ☐ Certificate level *(Peringkat Sijil)*
   - ☐ Diploma level *(Peringkat Diploma)*
   - ☐ Bachelor Degree level *(Peringkat Sarjana Muda)*
   - ☐ Postgraduate level *(Peringkat Sarjana)*
6. **Marital status *(Taraf Perkahwinan)***
   - ☐ Single *(Bujang)*
   - ☐ Married *(Berkahwin)*
   - ☐ Other, please state: _____
     (Lain-lain, sila nyatakan:)
7. **Number of children *(Bilangan anak)***
   - ☐ None *(Tiada)*
   - ☐ 1 – 3
   - ☐ 4 – 6
   - ☐ 7 and above *(dan ke atas)*
8. **Employment status *(Status pekerjaan)***
   - ☐ Government servant *(Penjawat Awam)*
   - ☐ Private company staff *(Staf syarikat swasta)*
   - ☐ Self-employed *(Bekerja sendiri)*
9. **Total gross income for year 2009**
   (Jumlah pendapatan kasar bagi tahun 2009)
   - ☐ Less than *(Kurang daripada)* RM35,000
   - ☐ RM35,000 – RM69,999
   - ☐ RM70,000 – RM99,999
   - ☐ RM100,000 – RM149,999
   - ☐ RM150,000 or more *(atau lebih)*
10. **Total tax liability for year 2009**
    (Jumlah tanggungan cukai bagi tahun 2009)
    - ☐ None *(Tiada)*
    - ☐ Less than *(Kurang daripada)* RM1,500
    - ☐ RM1,500 – RM6,999
    - ☐ RM7,000 – RM14,999
    - ☐ RM15,00 – RM26,999
    - ☐ RM27,000 or more *(atau lebih)*
11. **Filing status *(Status pemfailan)***
    - ☐ Single *(Bujang)*
    - ☐ Separate assessment *(Taksiran berasingan)*
    - ☐ Joint assessment *(Taksiran bersama)*
12. **Number of year(s) paying taxes**
    (Bilangan tahun membayar cukai)
    - ☐ 1 - 10
    - ☐ 11 - 20
    - ☐ 21 - 30
    - ☐ 31 or more *(atau lebih)*

SECTION B: TAX OPINIONS *(BAHAGIAN B: PENDAPAT CUKAI)*

The following statements ask your opinion regarding tax system in Malaysia. Based on the following scale, please tick (√) the appropriate box to indicate your opinion for each statement.

(Penyataan berikut memerlukan pendapat anda berkenaan sistem cukai di Malaysia. Berdasarkan skala berikut, sila tandakan (√) bagi kotak yang berkenaan untuk menyatakan pendapat anda bagi setiap penyataan).

No.	Statement *(Penyataan)*	Scale *(Skala)*				
		Strongly Disagree *(Sangat Tidak Setuju)*	Disagree *(Tidak Setuju)*	Neutral	Agree *(Setuju)*	Strongly Agree *(Sangat Setuju)*
1.	It is worth paying tax penalties rather than actual taxes because the likelihood of being caught is minimal. *(Adalah lebih berbalai membayar penalti cukai daripada membayar cukai sebenar kerana kemungkinan untuk ditangkap adalah kecil).*	☐ 1	☐ 2	☐ 3	☐ 4	☐ 5
2.	There is no problem with taxpayers claiming higher tax deductions than they are entitled to. *(Adalah tidak menjadi masalah jika pembayar cukai menuntut potongan cukai yang lebih tinggi daripada yang layak dituntut).*	☐ 1	☐ 2	☐ 3	☐ 4	☐ 5
3.	Since the tax law does not treat everyone equally, it is fair for taxpayers to NOT declare all information correctly. *(Memandangkan undang-undang cukai tidak melayan semua orang sama rata, adalah adil bagi pembayar cukai untuk TIDAK melaporkan semua maklumat yang sebenarnya).*	☐ 1	☐ 2	☐ 3	☐ 4	☐ 5
4.	IRBM's staff are helpful with my enquiries about tax returns. *(Staf LHDNM sangat membantu apabila saya bertanya tentang borang cukai).*	☐ 1	☐ 2	☐ 3	☐ 4	☐ 5
5.	The IRBM rarely finds out if someone has overly understated their income or overstated their deductions. (IRBM sukar untuk menjejaki mereka yang terlebih dalam terkurang nyata pendapatan atau terlebih nyata potongan).	☐ 1	☐ 2	☐ 3	☐ 4	☐ 5
6.	I pay my taxes as required by the regulations because of a sense of responsibility. *(Saya membayar cukai seperti yang dikehendaki oleh undang-undang di atas rasa tanggungjawab).*	☐ 1	☐ 2	☐ 3	☐ 4	☐ 5
7.	In my opinion, the IRBM is professional in dealing with me as a taxpayer. *(Pada pendapat saya, LHDNM adalah profesional apabila berurusan dengan saya sebagai pembayar cukai).*	☐ 1	☐ 2	☐ 3	☐ 4	☐ 5
8.	My decision to pay taxes is mostly influenced by my surroundings. *(Keputusan untuk membayar cukai kebanyakannya dipengaruhi oleh persekitaran saya).*	☐ 1	☐ 2	☐ 3	☐ 4	☐ 5
9.	I pay taxes as required by the regulations because the penalties for tax evaders are very severe. *(Saya membayar cukai seperti yang dikehendaki oleh undang-undang kerana penalti bagi mereka yang mengelak cukai adalah sangat berat).*	☐ 1	☐ 2	☐ 3	☐ 4	☐ 5
10.	The government is NOT being transparent in spending taxpayers' money. *(Kerajaan TIDAK bersikap telus dalam membelanjakan duit pembayar cukai).*	☐ 1	☐ 2	☐ 3	☐ 4	☐ 5
11.	It is NOT everyone's responsibility to pay the correct amount of tax. *(BUKAN menjadi tanggungjawab semua orang untuk membayar jumlah cukai yang sebenarnya).*	☐ 1	☐ 2	☐ 3	☐ 4	☐ 5
12.	The services provided by the government are NOT comparable with the amount of taxes paid. *(Perkhidmatan yang disediakan oleh kerajaan adalah TIDAK berpadanan dengan jumlah cukai yang telah dibayar).*	☐ 1	☐ 2	☐ 3	☐ 4	☐ 5

No.	Statement *(Penyataan)*	Scale *(Skala)*				
		Strongly Disagree *(Sangat Tidak Setuju)*	Disagree *(Tidak Setuju)*	Neutral	Agree *(Setuju)*	Strongly Agree *(Sangat Setuju)*
13.	I pay taxes as required by the regulations to support the country. *(Saya membayar cukai seperti yang dikehendaki oleh undang-undang untuk menyokong negara).*	☐ 1	☐ 2	☐ 3	☐ 4	☐ 5
14.	I usually make decisions to pay taxes based on my friends' experiences or suggestions. *(Saya selalunya membuat keputusan untuk membayar cukai berdasarkan pengalaman atau cadangan kawan-kawan).*	☐ 1	☐ 2	☐ 3	☐ 4	☐ 5
15.	It is unlikely for taxpayers to be discovered and punished by the IRBM if they were to evade income taxes. *(Kemungkinan bagi pembayar cukai untuk dikenal pasti dan dihukum oleh LHDNM jika mereka mengelak cukai pendapatan adalah tipis).*	☐ 1	☐ 2	☐ 3	☐ 4	☐ 5
16.	The amount of tax expected to be paid by all Malaysians is fair because it is based on taxable income (after allowable deductions). *(Jumlah anggaran cukai yang perlu dibayar oleh semua rakyat Malaysia adalah adil kerana ia berasaskan pendapatan boleh cukai setelah ditolak potongan yang dibenarkan).*	☐ 1	☐ 2	☐ 3	☐ 4	☐ 5
17.	It is my duty as a citizen to pay taxes as required by the regulations. *(Adalah menjadi tanggunjawab saya sebagai warganegara untuk membayar cukai berdasarkan undang-undang).*	☐ 1	☐ 2	☐ 3	☐ 4	☐ 5
18.	The tax laws ensure that everyone pays a fair and correct amount of taxes. *(Undang-undang cukai memastikan semua orang membayar jumlah cukai yang adil dan betul).*	☐ 1	☐ 2	☐ 3	☐ 4	☐ 5
19.	I pay taxes as required by the regulations because many tax audits are carried out. *(Saya membayar cukai seperti yang dikehendaki oleh undang-undang kerana banyak audit cukai yang dijalankan).*	☐ 1	☐ 2	☐ 3	☐ 4	☐ 5
20.	The IRBM is fair and considerate with those who get audited. *(LHDNM adalah adil dan bertimbang rasa dengan mereka yang diaudit).*	☐ 1	☐ 2	☐ 3	☐ 4	☐ 5
21.	Public funds are allocated equitably for Malaysian citizens' well-being. *(Dana awam diperuntukkan sama rata untuk kesejahteraan warganegara Malaysia).*	☐ 1	☐ 2	☐ 3	☐ 4	☐ 5
22.	Despite being able to vote, I have NO say over the government's decisions to spend public funds. *(Walaupun boleh mengundi, saya TIADA hak untuk bersuara dalam sebarang keputusan kerajaan membelanjakan dana awam).*	☐ 1	☐ 2	☐ 3	☐ 4	☐ 5
23.	I do NOT pay taxes as required by the regulations because I know the probability of being audited is very slim. *(Saya TIDAK membayar cukai seperti yang dikehendaki oleh undang-undang kerana saya tahu kemungkinan untuk diaudit adalah tipis).*	☐ 1	☐ 2	☐ 3	☐ 4	☐ 5
24.	If everyone paid the correct amount of tax, we would enjoy better public facilities. *(Jika semua orang membayar jumlah cukai yang sebenar, kita boleh menikmati kemudahan awam yang lebih baik).*	☐ 1	☐ 2	☐ 3	☐ 4	☐ 5
25.	It is immoral NOT to pay taxes to the government. *(Adalah tidak bermoral untuk TIDAK membayar cukai kepada kerajaan).*	☐ 1	☐ 2	☐ 3	☐ 4	☐ 5
26.	I prepare my tax return correctly because there is a strong chance I may get caught if I did not follow the regulations. *(Saya menyediakan borang cukai dengan betul kerana kemungkinan untuk ditangkap adalah tinggi jika saya tidak mengikut undang-undang).*	☐ 1	☐ 2	☐ 3	☐ 4	☐ 5

No.	Statement *(Penyataan)*	Scale *(Skala)*				
		Strongly Disagree *(Sangat Tidak Setuju)*	Disagree *(Tidak Setuju)*	Neutral	Agree *(Setuju)*	Strongly Agree *(Sangat Setuju)*
27.	I believe that the Malaysian government is spending public funds prudently. *(Saya percaya bahawa kerajaan Malaysia membelanjakan dana awam secara berhemah).*	☐ 1	☐ 2	☐ 3	☐ 4	☐ 5
28.	I prepare my tax return correctly because I fear my reputation would be ruined if I were to get caught for not follow the regulations. *(Saya menyediakan borang cukai dengan betul kerana saya risau nama baik saya akan tercemar jika saya ditangkap kerana tidak mengikut undang-undang).*	☐ 1	☐ 2	☐ 3	☐ 4	☐ 5
29.	I am NOT aware of the type and extent of penalties and risks that exist for income tax evasion in Malaysia. *(Saya TIDAK sedar dengan kewujudan jenis dan tahap penalti serta risiko yang wujud jika mengelak daripada membayar cukai di Malaysia).*	☐ 1	☐ 2	☐ 3	☐ 4	☐ 5

SECTION C: RELIGIOSITY DIMENSIONS ***(BAHAGIAN C: DIMENSI KEAGAMAAN)***

The following statements ask your opinion regarding religiosity dimensions. Based on the following scale, please tick (√) the appropriate box to indicate your opinion for each statement.

(Penyataan berikut memerlukan pendapat anda berkenaan dimensi keagamaan di Malaysia. Berdasarkan skala berikut, sila tandakan (√) bagi kotak yang berkenaan untuk menyatakan pendapat anda bagi setiap penyataan).

No.	Statement *(Penyataan)*	Scale *(Skala)*				
		Not at All True of Me *(Semua Tidak Benar Tentang Saya)*	Somewhat True of Me *(Sedikit Benar Tentang Saya)*	Moderately True of Me *(Sederhana Benar Tentang Saya)*	Mostly True of Me *(Kebanyakannya Benar Tentang Saya)*	Totally True of Me *(Semua Benar Tentang Saya)*
1.	I rarely try to live all my life according to my religious beliefs. *(Saya jarang mencuba untuk membina seluruh kehidupan saya berdasarkan kepada kepercayaan agama saya).*	☐ 1	☐ 2	☐ 3	☐ 4	☐ 5
2.	I rarely join the activities of my religious organization. *(Saya jarang mengikuti aktiviti keagamaan di tempat saya).*	☐ 1	☐ 2	☐ 3	☐ 4	☐ 5
3.	I rarely read books and magazines about my faith. *(Saya jarang membaca buku dan majalah berkenaan kepercayaan saya).*	☐ 1	☐ 2	☐ 3	☐ 4	☐ 5
4.	Religion is very important to me because it answers many questions about the meaning of life. *(Agama adalah sangat penting bagi saya kerana ia banyak menjawab soalan mengenai erti sebuah kehidupan).*	☐ 1	☐ 2	☐ 3	☐ 4	☐ 5
5.	It is important for me to spend periods of time in private to think and reflect on my religion. *(Adalah penting bagi saya mengambil masa berseorangan untuk berfikir dan berefleksi tentang agama).*	☐ 1	☐ 2	☐ 3	☐ 4	☐ 5
6.	I make financial contributions to my religious organization. *(Saya memberikan sumbangan kewangan kepada organisasi agama saya).*	☐ 1	☐ 2	☐ 3	☐ 4	☐ 5
7.	I do NOT enjoy spending time with others of my religious affiliation. *(Saya TIDAK seronok menghabiskan masa bersama rakan seagama saya yang lain).*	☐ 1	☐ 2	☐ 3	☐ 4	☐ 5

No.	Statement *(Penyataan)*	Scale *(Skala)*				
		Not at All True of Me *(Semua Tidak Benar Tentang Saya)*	Somewhat True of Me *(Sedikit Benar Tentang Saya)*	Moderately True of Me *(Sederhana Benar Tentang Saya)*	Mostly True of Me *(Kebanyakannya Benar Tentang Saya)*	Totally True of Me *(Semua Benar Tentang Saya)*
8.	I keep well informed about my local religious group and have some influence on its decisions. *(Saya mengambil tahu berkenaan kumpulan agama di tempat saya dan mempunyai sedikit pengaruh ke atas keputusannya).*	☐ 1	☐ 2	☐ 3	☐ 4	☐ 5
9.	I spend time trying to enhance my understanding of my faith. *(Saya memperuntukkan masa untuk meningkatkan kefahaman terhadap kepercayaan saya).*	☐ 1	☐ 2	☐ 3	☐ 4	☐ 5
10.	Religious beliefs do NOT influence most of my dealings in life. *(Kepercayaan agama TIDAK mempengaruhi cara saya menjalani kehidupan saya).*	☐ 1	☐ 2	☐ 3	☐ 4	☐ 5

SECTION D: COMMENTS AND SUGGESTIONS ***(BAHAGIAN D: KOMEN DAN CADANGAN)***

Please answer all questions in the space provided and if you need more space please continue on a blank piece of paper.

(Sila jawab semua soalan di ruangan yang disediakan dan jika anda memerlukan lebih ruangan, sila tulis di atas sehelai kertas kosong).

1. Do you believe that there is a relationship between religiosity and tax compliance? If so, please explain the link.
   (Adakah anda percaya bahawa keagamaan mempunyai hubungan dengan pematuhan cukai? Jika ada, sila jelaskan hubungan tersebut).

2. How strongly do you think individual tax compliance is influenced by religion in Malaysia?
   (Pada pendapat anda, sejauh manakah pematuhan cukai bagi individu dipengaruhi oleh agama di Malaysia)?

3. Why is it important/unimportant for a religious person to be a good citizen including paying the correct amount of taxes?
(Mengapakah penting/tidak penting bagi seseorang yang kuat agama menjadi seorang rakyat yang baik termasuk membayar jumlah cukai yang sebenarnya)?

4. Please state if you have any suggestions or comments to improve the level of tax compliance for individual taxpayers in Malaysia.
(Sila nyatakan jika anda mempunyai sebarang cadangan atau komen untuk meningkatkan tahap pematuhan cukai bagi pembayar cukai individu di Malaysia).

Thank you for your kind assistance in completing this questionnaire. Kindly return this questionnaire to the person in charge in your company.
(Terima kasih di atas sokongan anda mengisi borang soal-selidik ini . Sila hantar borang soal-selidik ini kepada pegawai yang bertanggungjawab di syarikat anda).

Appendix J: Questionnaire for Online Survey

SURVEY OF THE INFLUENCE OF RELIGIOUSITY ON TAX COMPLIANCE IN MALAYSIA

Date: 1 January 2011
(Tarikh: 1 Januari 2011)

Dear Sir/Madam
(Tuan/Puan/Encik/Cik)

SURVEY OF THE INFLUENCE OF RELIGIOSITY ON TAX COMPLIANCE IN MALAYSIA
(KAJIAN PENGARUH KEAGAMAAN KE ATAS PEMATUHAN CUKAI DI MALAYSIA)

This survey is being conducted as part of an educational research project and is not connected or affiliated with any governmental agency such as the Inland Revenue Board of Malaysia (IRBM). The purpose of this study is to obtain certain tax opinions and to gain insights into the way certain tax decisions are made especially from the religiosity perspective.
(Kajian ini dijalankan sebagai sebahagian daripada projek kajian pendidikan dan tiada kaitan dengan mana-mana agensi kerajaan seperti Lembaga Hasil Dalam Negeri Malaysia (LHDNM). Tujuan kajian ini adalah untuk mendapatkan pendapat cukai serta kaedah pembuatan keputusan cukai dilaksanakan terutama daripada perspektif keagamaan.)

I request your kind assistance to complete the questionnaire. Your valuable information will be a great contribution to the body of knowledge and will be a valuable input to the government and tax authority in improving the tax system in Malaysia by considering all relevant factors especially from the taxpayers' perspectives.
(Saya memohon jasa baik anda untuk melengkapkan borang soal-selidik ini. Maklumat yang berharga daripada anda akan menjadi sumbangan besar kepada dunia penyelidikan dan pengetahuan serta akan menjadi input berguna bagi pihak kerajaan serta pihak berkuasa cukai dalam meningkatkan kualiti sistem cukai di Malaysia dengan mengambil kira semua faktor yang berkenaan terutama daripada perspektif pembayar cukai.)

The questionnaire is expected to take about only 10 minutes to complete. Please be assured that all information obtained will be treated with strict confidence and used solely for the purpose of this study. Please remember that there are no rights or wrong answers to the questions and please state your own true and sincere response or opinion.
(Borang soal-selidik ini dijangka hanya mengambil masa lebih kurang 10 minit untuk dilengkapkan. Semua maklumat yang diberi adalah sulit dan digunakan semata-mata untuk tujuan kajian. Untuk makluman, tiada jawapan yang benar atau salah bagi setiap soalan ini dan sila nyatakan jawapan atau pendapat anda yang paling jujur dan ikhlas.)

If you would like to discuss the questionnaire or need any help in completing particular questions, please do not hesitate to call this numbers +61 (0)41 200 182 (Perth) or e-mail me at n.mohdali@postgrad.curtin.edu.au
(Jika anda ingin berbincang mengenai borang soal-selidik ini atau memerlukan sebarang bantuan untuk melengkapkan mana-mana soalan, sila hubungi saya di nombor +61 (0)41 200 182 (Perth) atau e-mail saya di n.mohdali@postgrad.curtin.edu.au)

This research has been approved by the Curtin University Human Research Ethics Committee (Approval No: E&F/006/2010). should you wish to lodge a complaint about any matter relating to this survey, please contact:
(Kajian ini telah diluluskan oleh Jawatankuasa Etika Kajian Manusia Curtin University (No Kelulusan: E&F/006/2010). Jika anda ingin membuat sebarang aduan berkenaan kajian ini, sila hubungi:)

Secretary
Human Research Ethics Committee
Office of Research and Development
P.O. Box U1987, Perth WA 6845.
hrec@curtin.edu.au

Thank you very much for your kind cooperation and assistance.
(Terima kasih yang tidak terhingga di atas kerjasama dan bantuan yang telah diberikan.)

Yours faithfully
(Yang benar)

NOR RAIHANA MOHD ALI
Doctoral Research Student
School of Economics and Finance
Curtin Business School
Curtin University
Perth, Western Australia

Notes ***(Nota):***

- IRBM refers to the Inland Revenue Board of Malaysia.

  (LHDNM merujuk kepada Lembaga Hasil Dalam Negeri Malaysia).

- Tax Compliance is defined as filing all required tax returns at the proper time and accurately reporting the tax liability in accordance with the rules, regulations and court decisions.

  (Definisi Pematuhan Cukai ialah menyediakan semua keperluan borang cukai pada masa yang ditetapkan dan melaporkan tanggungan cukai dengan tepat berdasarkan peraturan, undang-undang dan keputusan mahkamah).

- Religiosity is defined as the extent to which an individual is committed to the religion he or she professes and its teachings, such that individual attitudes and behaviours reflect this commitment.

  (Definisi Keagamaan ialah tahap seseorang itu komited terhadap ajaran agama yang dipegang sehinggakan komitmen tersebut dapat dilihat melalui tingkah laku individual tersebut).

INSTRUCTION
(ARAHAN):

Please answer **ALL** questions with your own true and sincere response or opinion. All responses will be kept strictly confidential.
*(Sila jawab **SEMUA** soalan dengan jujur dan ikhlas. Semua jawapan adalah sulit).*

SECTION A: PERSONAL DETAILS
(BAHAGIAN A: BUTIRAN PERIBADI)

Please click only **one** box for each question or fill in the appropriate details as requested.
*(Sila klik hanya **satu** kotak bagi setiap soalan atau isikan butiran yang berkenaan seperti diminta).*

*1) Age
(Umur)

- ○ 18 – 24
- ○ 25 – 44
- ○ 45 – 64
- ○ 65 and above (dan ke atas)

*2) Gender
(Jantina)

- ○ Female (Perempuan)
- ○ Male (Lelaki)

*3) Ethnicity
(Bangsa)

- ○ Chinese (Cina)
- ○ Indian (India)
- ○ Malay (Melayu)
- ○ Other, please state: (Lain-lain, sila nyatakan):

*4) Religion
(Agama)

- ○ Buddhism (Buddha)
- ○ Christianity (Kristian)
- ○ Hinduism (Hindu)
- ○ Islam
- ○ Other, please state: (Lain-lain, sila nyatakan):

*5) Highest education level
(Tahap pendidikan tertinggi)

- Secondary level (Peringkat Menengah)
- Certificate level (Peringkat Sijil)
- Diploma level (Peringkat Diploma)
- Bachelor Degree level (Peringkat Sarjana Muda)
- Postgraduate level (Peringkat Sarjana)

*6) Marital status
(Taraf Perkahwinan)

- Single (Bujang)
- Married (Berkahwin)
- Other, please state: (Lain-lain, sila nyatakan):

*7) Number of children
(Bilangan anak)

- None (Tiada)
- 1 – 3
- 4 – 6
- 7 and above (dan ke atas)

*8) Employment status
(Status pekerjaan)

- Government servant (Penjawat Awam)
- Private company staff (Staf syarikat swasta)
- Self-employed (Bekerja sendiri)

*9) Total gross income for year 2009
(Jumlah pendapatan kasar bagi tahun 2009)

- Less than (Kurang daripada) RM35,000
- RM35,000 – RM69,999
- RM70,000 – RM99,999
- RM100,000 – RM149,999
- RM150,000 or more (atau lebih)

*10) Total tax liability for year 2009
(Jumlah tanggungan cukai bagi tahun 2009)

- None (Tiada)
- Less than (Kurang daripada) RM1,500
- RM1,500 – RM6,999
- RM7,000 – RM14,999
- RM15,00 – RM26,999
- RM27,000 or more (atau lebih)

*11) Filing status
(Status pemfailan)

- Single (Bujang)
- Separate assessment (Taksiran berasingan)
- Joint assessment (Taksiran bersama)

*12) Number of year(s) paying taxes
(Bilangan tahun membayar cukai)

- 1 - 10
- 11 - 20
- 21 - 30
- 31 or more (atau lebih)

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SECTION B: TAX OPINIONS
(BAHAGIAN B: PENDAPAT CUKAI)

The following statements ask your opinion regarding tax system in Malaysia. Based on the following scale, please click the appropriate box to indicate your opinion for each statement.
(Penyataan berikut memerlukan pendapat anda berkenaan sistem cukai di Malaysia. Berdasarkan skala berikut, sila klik bagi kotak yang berkenaan untuk menyatakan pendapat anda bagi setiap penyataan).

*13) It is worth paying tax penalties rather than actual taxes because the likelihood of being caught is minimal.
(Adalah lebih berbaloi membayar penalti cukai daripada membayar cukai sebenar kerana kemungkinan untuk ditangkap adalah kecil).

1 Strongly Disagree (Sangat Tidak Setuju)	2 Disagree (Tidak Setuju)	3 Neutral	4 Agree (Setuju)	5 Strongly Agree (Sangat Setuju)
○	○	○	○	○

*14) There is no problem with taxpayers claiming higher tax deductions than they are entitled to.
(Adalah tidak menjadi masalah jika pembayar cukai menuntut potongan cukai yang lebih tinggi daripada yang layak dituntut).

1 Strongly Disagree (Sangat Tidak Setuju)	2 Disagree (Tidak Setuju)	3 Neutral	4 Agree (Setuju)	5 Strongly Agree (Sangat Setuju)
○	○	○	○	○

*15) Since the tax law does not treat everyone equally, it is fair for taxpayers to **NOT** declare all information correctly.
*(Memandangkan undang-undang cukai tidak melayan semua orang sama rata, adalah adil bagi pembayar cukai untuk **TIDAK** melaporkan semua maklumat yang sebenarnya).*

1 Strongly Disagree (Sangat Tidak Setuju)	2 Disagree (Tidak Setuju)	3 Neutral	4 Agree (Setuju)	5 Strongly Agree (Sangat Setuju)
○	○	○	○	○

*16) IRBM's staff are helpful with my enquiries about tax returns.
(Staf LHDNM sangat membantu apabila saya bertanya tentang borang cukai).

1 Strongly Disagree (Sangat Tidak Setuju)	2 Disagree (Tidak Setuju)	3 Neutral	4 Agree (Setuju)	5 Strongly Agree (Sangat Setuju)
○	○	○	○	○

*17) The IRBM rarely finds out if someone has overly understated their income or overstated their deductions.
(LHDNM sukar untuk menjejaki mereka yang terlebih dalam terkurang nyata pendapatan atau terlebih nyata potongan).

1 Strongly Disagree (Sangat Tidak Setuju)	2 Disagree (Tidak Setuju)	3 Neutral	4 Agree (Setuju)	5 Strongly Agree (Sangat Setuju)
○	○	○	○	○

*18) I pay my taxes as required by the regulations because of a sense of responsibility.
(Saya membayar cukai seperti yang dikehendaki oleh undang-undang di atas rasa tanggungjawab).

1 Strongly Disagree (Sangat Tidak Setuju)	2 Disagree (Tidak Setuju)	3 Neutral	4 Agree (Setuju)	5 Strongly Agree (Sangat Setuju)
○	○	○	○	○

*19) In my opinion, the IRBM is professional in dealing with me as a taxpayer.
(Pada pendapat saya, LHDNM adalah profesional apabila berurusan dengan saya sebagai pembayar cukai).

1 Strongly Disagree (Sangat Tidak Setuju)	2 Disagree (Tidak Setuju)	3 Neutral	4 Agree (Setuju)	5 Strongly Agree (Sangat Setuju)
○	○	○	○	○

*20) My decision to pay taxes is mostly influenced by my surroundings.
(Keputusan untuk membayar cukai kebanyakannya dipengaruhi oleh persekitaran saya).

1 Strongly Disagree (Sangat Tidak Setuju)	2 Disagree (Tidak Setuju)	3 Neutral	4 Agree (Setuju)	5 Strongly Agree (Sangat Setuju)
○	○	○	○	○

*21) I pay taxes as required by the regulations because the penalties for tax evaders are very severe.
(Saya membayar cukai seperti yang dikehendaki oleh undang-undang kerana penalti bagi mereka yang mengelak cukai adalah sangat berat).

1 Strongly Disagree (Sangat Tidak Setuju)	2 Disagree (Tidak Setuju)	3 Neutral	4 Agree (Setuju)	5 Strongly Agree (Sangat Setuju)
○	○	○	○	○

*22) The government is **NOT** being transparent in spending taxpayers' money.
*(Kerajaan **TIDAK** bersikap telus dalam membelanjakan duit pembayar cukai).*

1 Strongly Disagree (Sangat Tidak Setuju)	2 Disagree (Tidak Setuju)	3 Neutral	4 Agree (Setuju)	5 Strongly Agree (Sangat Setuju)
○	○	○	○	○

*23) It is **NOT** everyone's responsibility to pay the correct amount of tax.
*(**BUKAN** menjadi tanggungjawab semua orang untuk membayar jumlah cukai yang sebenarnya).*

1 Strongly Disagree (Sangat Tidak Setuju)	2 Disagree (Tidak Setuju)	3 Neutral	4 Agree (Setuju)	5 Strongly Agree (Sangat Setuju)
○	○	○	○	○

*24) The services provided by the government are **NOT** comparable with the amount of taxes paid.
*(Perkhidmatan yang disediakan oleh kerajaan adalah **TIDAK** berpadanan dengan jumlah cukai yang telah dibayar).*

1 Strongly Disagree (Sangat Tidak Setuju)	2 Disagree (Tidak Setuju)	3 Neutral	4 Agree (Setuju)	5 Strongly Agree (Sangat Setuju)
○	○	○	○	○

*25) I pay taxes as required by the regulations to support the country.
(Saya membayar cukai seperti yang dikehendaki oleh undang-undang untuk menyokong negara).

1 Strongly Disagree (Sangat Tidak Setuju)	2 Disagree (Tidak Setuju)	3 Neutral	4 Agree (Setuju)	5 Strongly Agree (Sangat Setuju)
○	○	○	○	○

*26) I usually make decisions to pay taxes based on my friends' experiences or suggestions.
(Saya selalunya membuat keputusan untuk membayar cukai berdasarkan pengalaman atau cadangan kawan-kawan).

1 Strongly Disagree (Sangat Tidak Setuju)	2 Disagree (Tidak Setuju)	3 Neutral	4 Agree (Setuju)	5 Strongly Agree (Sangat Setuju)
○	○	○	○	○

*27) It is unlikely for taxpayers to be discovered and punished by the IRBM if they were to evade income taxes.
(Kemungkinan bagi pembayar cukai untuk dikenal pasti dan dihukum oleh LHDNM jika mereka mengelak cukai pendapatan adalah tipis).

1 Strongly Disagree (Sangat Tidak Setuju)	2 Disagree (Tidak Setuju)	3 Neutral	4 Agree (Setuju)	5 Strongly Agree (Sangat Setuju)
○	○	○	○	○

*28) The amount of tax expected to be paid by all Malaysians is fair because it is based on taxable income (after allowable deductions).
(Jumlah anggaran cukai yang perlu dibayar oleh semua rakyat Malaysia adalah adil kerana ia berasaskan pendapatan boleh cukai setelah ditolak potongan yang dibenarkan).

1 Strongly Disagree (Sangat Tidak Setuju)	2 Disagree (Tidak Setuju)	3 Neutral	4 Agree (Setuju)	5 Strongly Agree (Sangat Setuju)
○	○	○	○	○

*29) It is my duty as a citizen to pay taxes as required by the regulations.
(Adalah menjadi tanggunjawab saya sebagai warganegara untuk membayar cukai berdasarkan undang-undang).

1 Strongly Disagree (Sangat Tidak Setuju)	2 Disagree (Tidak Setuju)	3 Neutral	4 Agree (Setuju)	5 Strongly Agree (Sangat Setuju)
○	○	○	○	○

*30) The tax laws ensure that everyone pays a fair and correct amount of taxes.
(Undang-undang cukai memastikan semua orang membayar jumlah cukai yang adil dan betul).

1 Strongly Disagree (Sangat Tidak Setuju)	2 Disagree (Tidak Setuju)	3 Neutral	4 Agree (Setuju)	5 Strongly Agree (Sangat Setuju)
○	○	○	○	○

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*31) I pay taxes as required by the regulations because many tax audits are carried out.
(Saya membayar cukai seperti yang dikehendaki oleh undang-undang kerana banyak audit cukai yang dijalankan).

1 Strongly Disagree (Sangat Tidak Setuju)	2 Disagree (Tidak Setuju)	3 Neutral	4 Agree (Setuju)	5 Strongly Agree (Sangat Setuju)
○	○	○	○	○

*32) The IRBM is fair and considerate with those who get audited.
(LHDNM adalah adil dan bertimbang rasa dengan mereka yang diaudit).

1 Strongly Disagree (Sangat Tidak Setuju)	2 Disagree (Tidak Setuju)	3 Neutral	4 Agree (Setuju)	5 Strongly Agree (Sangat Setuju)
○	○	○	○	○

*33) Public funds are allocated equitably for Malaysian citizens' well-being.
(Dana awam diperuntukkan sama rata untuk kesejahteraan warganegara Malaysia).

1 Strongly Disagree (Sangat Tidak Setuju)	2 Disagree (Tidak Setuju)	3 Neutral	4 Agree (Setuju)	5 Strongly Agree (Sangat Setuju)
○	○	○	○	○

*34) Despite being able to vote, I have NO say over the government's decisions to spend public funds.
(Walaupun boleh mengundi, saya TIADA hak untuk bersuara dalam sebarang keputusan kerajaan membelanjakan dana awam).

1 Strongly Disagree (Sangat Tidak Setuju)	2 Disagree (Tidak Setuju)	3 Neutral	4 Agree (Setuju)	5 Strongly Agree (Sangat Setuju)
○	○	○	○	○

*35) I do **NOT** pay taxes as required by the regulations because I know the probability of being audited is very slim.
*(Saya **TIDAK** membayar cukai seperti yang dikehendaki oleh undang-undang kerana saya tahu kemungkinan untuk diaudit adalah tipis).*

1 Strongly Disagree (Sangat Tidak Setuju)	2 Disagree (Tidak Setuju)	3 Neutral	4 Agree (Setuju)	5 Strongly Agree (Sangat Setuju)
○	○	○	○	○

*36) If everyone paid the correct amount of tax, we would enjoy better public facilities.
(Jika semua orang membayar jumlah cukai yang sebenar, kita boleh menikmati kemudahan awam yang lebih baik).

1 Strongly Disagree (Sangat Tidak Setuju)	2 Disagree (Tidak Setuju)	3 Neutral	4 Agree (Setuju)	5 Strongly Agree (Sangat Setuju)
○	○	○	○	○

*37) It is immoral **NOT** to pay taxes to the government.
*(Adalah tidak bermoral untuk **TIDAK** membayar cukai kepada kerajaan).*

1 Strongly Disagree (Sangat Tidak Setuju)	2 Disagree (Tidak Setuju)	3 Neutral	4 Agree (Setuju)	5 Strongly Agree (Sangat Setuju)
○	○	○	○	○

*38) I prepare my tax return correctly because there is a strong chance I may get caught if I did not follow the regulations.
(Saya menyediakan borang cukai dengan betul kerana kemungkinan untuk ditangkap adalah tinggi jika saya tidak mengikut undang-undang).

1 Strongly Disagree (Sangat Tidak Setuju)	2 Disagree (Tidak Setuju)	3 Neutral	4 Agree (Setuju)	5 Strongly Agree (Sangat Setuju)
○	○	○	○	○

*39) I believe that the Malaysian government is spending public funds prudently.
(Saya percaya bahawa kerajaan Malaysia membelanjakan dana awam secara berhemah).

1 Strongly Disagree (Sangat Tidak Setuju)	2 Disagree (Tidak Setuju)	3 Neutral	4 Agree (Setuju)	5 Strongly Agree (Sangat Setuju)
○	○	○	○	○

*40) I prepare my tax return correctly because I fear my reputation would be ruined if I were to get caught for not follow the regulations.
(Saya menyediakan borang cukai dengan betul kerana saya risau nama baik saya akan tercemar jika saya ditangkap kerana tidak mengikut undang-undang).

1 Strongly Disagree (Sangat Tidak Setuju)	2 Disagree (Tidak Setuju)	3 Neutral	4 Agree (Setuju)	5 Strongly Agree (Sangat Setuju)
○	○	○	○	○

*41) I am **NOT** aware of the type and extent of penalties and risks that exist for income tax evasion in Malaysia.
*(Saya **TIDAK** sedar dengan kewujudan jenis dan tahap penalti serta risiko yang wujud jika mengelak daripada membayar cukai di Malaysia).*

1 Strongly Disagree (Sangat Tidak Setuju)	2 Disagree (Tidak Setuju)	3 Neutral	4 Agree (Setuju)	5 Strongly Agree (Sangat Setuju)
○	○	○	○	○

SECTION C: RELIGIOSITY DIMENSIONS
(BAHAGIAN C: DIMENSI KEAGAMAAN)

The following statements ask your opinion regarding religiosity dimensions. Based on the following scale, please click the appropriate box to indicate your opinion for each statement.
(Penyataan berikut memerlukan pendapat anda berkenaan dimensi keagamaan di Malaysia. Berdasarkan skala berikut, sila klik bagi kotak yang berkenaan untuk menyatakan pendapat anda bagi setiap penyataan).

*42) I rarely try to live all my life according to my religious beliefs.
(Saya jarang mencuba untuk membina seluruh kehidupan saya berdasarkan kepada kepercayaan agama saya).

1 Not at All True of Me (Semua Tidak Benar Tentang Saya)	2 Somewhat True of Me (Sedikit Benar Tentang Saya)	3 Moderately True of Me (Sederhana Benar Tentang Saya)	4 Mostly True of Me (Kebanyakannya Benar Tentang Saya)	5 Totally True of Me (Semua Benar Tentang Saya)
○	○	○	○	○

*43) I rarely join the activities of my religious organization.
(Saya jarang mengikuti aktiviti keagamaan di tempat saya).

1 Not at All True of Me (Semua Tidak Benar Tentang Saya)	2 Somewhat True of Me (Sedikit Benar Tentang Saya)	3 Moderately True of Me (Sederhana Benar Tentang Saya)	4 Mostly True of Me (Kebanyakannya Benar Tentang Saya)	5 Totally True of Me (Semua Benar Tentang Saya)
○	○	○	○	○

*44) I rarely read books and magazines about my faith.
(Saya jarang membaca buku dan majalah berkenaan kepercayaan saya).

1 Not at All True of Me (Semua Tidak Benar Tentang Saya)	2 Somewhat True of Me (Sedikit Benar Tentang Saya)	3 Moderately True of Me (Sederhana Benar Tentang Saya)	4 Mostly True of Me (Kebanyakannya Benar Tentang Saya)	5 Totally True of Me (Semua Benar Tentang Saya)
○	○	○	○	○

*45) Religion is very important to me because it answers many questions about the meaning of life.
(Agama adalah sangat penting bagi saya kerana ia banyak menjawab soalan mengenai erti sebuah kehidupan).

1 Not at All True of Me (Semua Tidak Benar Tentang Saya)	2 Somewhat True of Me (Sedikit Benar Tentang Saya)	3 Moderately True of Me (Sederhana Benar Tentang Saya)	4 Mostly True of Me (Kebanyakannya Benar Tentang Saya)	5 Totally True of Me (Semua Benar Tentang Saya)
○	○	○	○	○

*46) It is important for me to spend periods of time in private to think and reflect on my religion.
(Adalah penting bagi saya mengambil masa berseorangan untuk berfikir dan berefleksi tentang agama).

1 Not at All True of Me (Semua Tidak Benar Tentang Saya)	2 Somewhat True of Me (Sedikit Benar Tentang Saya)	3 Moderately True of Me (Sederhana Benar Tentang Saya)	4 Mostly True of Me (Kebanyakannya Benar Tentang Saya)	5 Totally True of Me (Semua Benar Tentang Saya)
○	○	○	○	○

*47) I make financial contributions to my religious organization.
(Saya memberikan sumbangan kewangan kepada organisasi agama saya).

1 Not at All True of Me (Semua Tidak Benar Tentang Saya)	2 Somewhat True of Me (Sedikit Benar Tentang Saya)	3 Moderately True of Me (Sederhana Benar Tentang Saya)	4 Mostly True of Me (Kebanyakannya Benar Tentang Saya)	5 Totally True of Me (Semua Benar Tentang Saya)
○	○	○	○	○

*48) I do **NOT** enjoy spending time with others of my religious affiliation.
*(Saya **TIDAK** seronok menghabiskan masa bersama rakan seagama saya yang lain).*

1 Not at All True of Me (Semua Tidak Benar Tentang Saya)	2 Somewhat True of Me (Sedikit Benar Tentang Saya)	3 Moderately True of Me (Sederhana Benar Tentang Saya)	4 Mostly True of Me (Kebanyakannya Benar Tentang Saya)	5 Totally True of Me (Semua Benar Tentang Saya)
○	○	○	○	○

*49) I keep well informed about my local religious group and have some influence on its decisions.
(Saya mengambil tahu berkenaan kumpulan agama di tempat saya dan mempunyai sedikit pengaruh ke atas keputusannya).

1 Not at All True of Me (Semua Tidak Benar Tentang Saya)	2 Somewhat True of Me (Sedikit Benar Tentang Saya)	3 Moderately True of Me (Sederhana Benar Tentang Saya)	4 Mostly True of Me (Kebanyakannya Benar Tentang Saya)	5 Totally True of Me (Semua Benar Tentang Saya)
○	○	○	○	○

*50) I spend time trying to enhance my understanding of my faith.
(Saya memperuntukkan masa untuk meningkatkan kefahaman terhadap kepercayaan saya).

1 Not at All True of Me (Semua Tidak Benar Tentang Saya)	2 Somewhat True of Me (Sedikit Benar Tentang Saya)	3 Moderately True of Me (Sederhana Benar Tentang Saya)	4 Mostly True of Me (Kebanyakannya Benar Tentang Saya)	5 Totally True of Me (Semua Benar Tentang Saya)
○	○	○	○	○

*51) Religious beliefs do **NOT** influence most of my dealings in life.
*(Kepercayaan agama **TIDAK** mempengaruhi cara saya menjalani kehidupan saya).*

1 Not at All True of Me (Semua Tidak Benar Tentang Saya)	2 Somewhat True of Me (Sedikit Benar Tentang Saya)	3 Moderately True of Me (Sederhana Benar Tentang Saya)	4 Mostly True of Me (Kebanyakannya Benar Tentang Saya)	5 Totally True of Me (Semua Benar Tentang Saya)
○	○	○	○	○

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SECTION D: COMMENTS AND SUGGESTIONS
(BAHAGIAN D: KOMEN DAN CADANGAN)

Please answer **ALL** questions in the space provided.
*(Sila jawab **SEMUA** soalan di ruangan yang disediakan).*

52) Do you believe that there is a relationship between religiosity and tax compliance? If so, please explain the link.
(Adakah anda percaya bahawa keagamaan mempunyai hubungan dengan pematuhan cukai? Jika ada, sila jelaskan hubungan tersebut).

53) How strongly do you think individual tax compliance is influenced by religion in Malaysia?
(Pada pendapat anda, sejauh manakah pematuhan cukai bagi individu dipengaruhi oleh agama di Malaysia)?

54) Why is it important/unimportant for a religious person to be a good citizen including paying the correct amount of taxes?
(Mengapakah penting/tidak penting bagi seseorang yang kuat agama menjadi seorang rakyat yang baik termasuk membayar jumlah cukai yang sebenarnya)?

55) Please state if you have any suggestions or comments to improve the level of tax compliance for individual taxpayers in Malaysia.
(Sila nyatakan jika anda mempunyai sebarang cadangan atau komen untuk meningkatkan tahap pematuhan cukai bagi pembayar cukai individu di Malaysia).

Thank you for your kind assistance in completing this questionnaire.
(Terima kasih di atas sokongan anda mengisi borang soal-selidik ini).

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Appendix K: Tax Items

No	Item	Reference
1.	I pay my taxes as required by the regulations because of a sense of responsibility.	Kirchler and Wahl (2010)
2.	I pay taxes as required by the regulations to support the country.	
3.	It is my duty as a citizen to pay taxes as required by the regulations.	
4.	I pay taxes as required by the regulations because the penalties for tax evaders are very severe.	
5.	I pay taxes as required by the regulations because many tax audits are carried out.	
6.	I prepare my tax return correctly because I fear my reputation would be ruined if I were to get caught for not follow the	Niemirowski and Wearing (2006)
7.	I prepare my tax return correctly because there is a strong chance I may get caught if I did not follow the regulations.	
8.	There is no problem with taxpayers claiming higher tax deductions than they are entitled to.	
9.	Since the tax law does not treat everyone equally, it is fair for taxpayers to NOT declare all information correctly.	
10.	It is NOT everyone's responsibility to pay the correct amount of tax.	
11.	The amount of tax expected to be paid by all Malaysians is fair because it is based on taxable income (after allowable deductions).	
12.	The tax laws ensure that everyone pays a fair and correct amount of taxes.	
13.	IRBM's staff are helpful with my enquiries about tax returns.	
14.	In my opinion, the IRBM is professional in dealing with me as a taxpayer.	
15.	The IRBM is fair and considerate with those who get audited.	
16.	I do NOT pay taxes as required by the regulations because I know the probability of being audited is very slim.	Verboon and van Dijke (2007)
17.	It is unlikely for taxpayers to be discovered and punished by the IRBM if they were to evade income taxes.	
18.	The IRBM rarely finds out if someone has overly understated their income or overstated their deductions.	
19.	It is immoral not to pay taxes to the government.	Braithwaite et al. (2007)
20.	If everyone paid the correct amount of tax, we would enjoy better public facilities.	
21.	It is worth paying tax penalties rather than actual taxes because the likelihood of being caught is minimal.	Gilligan and Richardson (2005)
22.	I am NOT aware of the type and extent of penalties and risks that exist for income tax evasion in Malaysia.	Self-Developed
23.	The government is not being transparent in spending taxpayers' money (reverse).	
24.	Despite being able to vote, I have no say over the government's decisions to spend public funds (reverse).	
25.	I believe that the Malaysian government is spending public funds prudently.	
26.	The services provided by the government are not comparable with the amount of taxes paid (reverse).	
27.	Public funds are allocated equitably for Malaysian citizens' well-being.	
28.	My decision to pay taxes is mostly influenced by my surroundings	
29.	I usually make decisions to pay taxes based on my friends' experiences or suggestions.	

Appendix L: Reminder by Email

Thank You for Filling My Questionnaire/ Friendly Reminder

Dear all,

Thank you for filling and returning my questionnaire. I wish to take this opportunity to let you know that how grateful I am for what you have done and your help is highly appreciated. Again, I thank you for your response.

Just in case, if you have not filled this questionnaire, I would like to request for your kind assistance and support to help me by filling the questionnaire as distributed by your company representative or go to this link for an online version http://freeonlinesurveys.com/rendersurvey.asp?sid=loz5picx41mvcn7873125 before 31 March 2011. Please note that your responses will be used for educational research purposes only and strictly confidential.

Your great help is kindly appreciated.

Kind regards,

Raihana Mohdali

Appendix M: Interview Instrument

INTERVIEW QUESTIONS FOR INDIVIDUAL TAXPAYERS

The Influence of Religiosity on Tax Compliance in Malaysia

This interview will only inquire into your attitudes to individual taxpayers and some of the questions in this interview will deal with sensitive issues such as religion, politics and economics. If this is acceptable to you, I will continue this interview with these questions.

1. INTRODUCTION

a. Please introduce yourself: name, age, ethnic, religion, level of education, job designation and approximately number of years paying taxes.

2. TAX COMPLIANCE

a. Please explain briefly what do you understand by the term 'tax compliance'? [Explain term in simple words]

b. How strongly do you think Malaysians are complying with tax laws?

3. RELIGIOSITY

a. If religiosity is found to influence tax compliance:

b. How do you think religious values can encourage/motivate people to comply voluntarily with tax laws?

c. There are two religious commitments namely intrapersonal (spiritual) and interpersonal (social) religiosity. How strongly each of these may influence people to comply with tax laws and?

d. What do you think the impact of different levels of religiosity on tax compliance?

e. Honestly, do you really believe that people are complying because of their religious values? Why?

4. TAX AUTHORITY

a. Based on your observations/experiences, how would you mainly describe the tax authority's treatment of their client? [e.g.: Respectful, Professional, Fair]

b. How do you think this tax treatment can affect taxpayers' compliance behaviour?

c. Based on your observations/experiences, how effective is the threat of punishment imposed by the tax authority in deterring people to evade taxes?

d. What do you think the impact of threat of punishment regarding tax compliance only on religious people is?

e. What is the relationship between religiosity and interaction with the tax authority (if any)?

5. GOVERNANCE

a. What is your attitude to the fairness of the Malaysian tax system (e.g.: Tax rate, Tax Reliefs and Rebates) and Malaysian government? (e.g.: Services and Policies)

b. How do you describe the equitable relationship between the Malaysian government and their citizens? (i.e.: Public services vs. Taxes paid)

c. What is your attitude to the citizen's trust in the Malaysian government? (e.g.: decision-making, manage and prudently spend public funds for the interest of citizens.)

d. Based on our discussions above:

i. How democratic do you think Malaysia is?

ii. How do you think the Malaysian perceptions towards government may impact upon their tax compliance behaviour?

iii. What is the relationship between religiosity and perception of government (if any)?

6. TAX COMPLIANCE & SOCIETY INFLUENCES

a. Based on your observations/experiences, how can a society in Malaysia influence taxpayers' compliance behaviour? Please elaborate with example/s.

b. How strong is the role of religion in a Malaysian society from a tax compliance perspective?

7. SUGGESTION FOR TAX COMPLIANCE IMPROVEMENT

a. In what ways do you think religion/religiosity can be used to improve tax compliance in Malaysia?

b. What do you think the government should do to improve tax compliance among taxpayers?

8. CONCLUSIONS

The main objective of this discussion is to get a better picture of how tax compliance is perceived by taxpayers in Malaysia and how the role of religiosity influences tax compliance. We have discussed the definition of tax compliance from your understanding and the role of religiosity in tax compliance. We then discussed further the role of the tax authority, government and society in tax compliance issues. Finally, there were some suggestions for the improvement of tax compliance in Malaysia.

9. WRAPPING-UP SESSION

a. Anything to add?

Appendix N: Participation Information Sheet

Curtin University

PARTICIPANT INFORMATION SHEET

Thank you for considering being involved in this research. This information sheet provides more details of the research I am conducting and what the research involves. Once you have read through the information sheet and have confirmed that you would like to participate, please sign the **Consent Form.**

I am a Doctoral Research Student at the Tax Policy Research Unit, School of Economics and Finance, Curtin University, Perth, Australia. I am conducting research on ***The Influence of Religiosity on Tax Compliance in Malaysia.*** This research is towards fulfilling my PhD thesis.

The main objective of this study is to determine whether religiosity affects individual tax compliance in Malaysia. Other objectives are to investigate how people with different degrees of religiosity respond to threat of punishment as well as the impact of individual's religiosity on the external environment and its impact on tax compliance. This research is concerned with your observations or experiences and perceptions and is **NOT** an assessment of your skills or knowledge. The interview session may take about 30 to 45 minutes.

Please note that your responses will be used for research purposes only and will be strictly confidential. Any information that is obtained in connection with this research and that can be identified with you will remain confidential and will be held in safekeeping and not made available to any other person(s) or institutions. The data may be used for analysis but no personal information identifying any participant will be disclosed.

Your completion of the enclosed **Consent Form** indicates your agreement to participate in this study. You may withdraw your consent at any time and discontinue participation without penalty or consequence. You are not waiving any legal claims, rights or remedies because of your participation in this research. Should you require any additional information relating to the interview, do not hesitate to contact the researcher using the following email address:

n.mohdali@postgrad.curtin.edu.au

This study has been approved by the Curtin University Human Research Ethics Committee.If needed, verification of approval can be obtained either by writing to the Curtin University Human Research Ethics Committee, c/- Office of Research and Development, Curtin University of Technology, GPO Box U1987, Perth, 6845 or by telephoning 9266 2784.

I thank you for your kind support.

Appendix O: Consent Form

Curtin University

CONSENT FORM

THE INFLUENCE OF RELIGIOSITY ON TAX COMPLIANCE IN MALAYSIA

(NOTE: This consent form will remain with the Curtin University researcher for their records.)

I agree to take part in the research project specified above. I have had the project explained to me, and I have read the Information Sheet, which I keep for my records and have been given the opportunity to ask questions.

I understand that agreeing to take part means that I agree to be interviewed by the researcher and agree to allow the interview to be audio-taped.

I understand that my participation is voluntary, that I can choose not to participate in part or all of the project, and that I can withdraw at any stage of the project without being penalised or disadvantaged in any way.

I understand that any data that the researcher extracts from the interview for use in reports or published findings will not, under any circumstances, contain names or identifying characteristics.

Participant's name

Signature

Date

Appendix P: Skewness and Kurtosis Values According to Items

Number	Item	Skewness	Kurtosis
1.	VTC[a]1	-0.99	1.16
2.	VTC2	-0.75	0.84
3.	VTC3	-0.96	2.04
4.	VTC4	-0.80	0.65
5.	VTC5	-0.34	-0.68
6.	ETC[b]1	-0.62	-0.06
7.	ETC2	-0.32	-0.42
8.	ETC3	-0.37	-0.26
9.	ETC4	-0.55	-0.24
10.	TAA[c]1	0.39	-0.74
11.	TAA2	0.03	-0.99
12.	TAA3	0.22	-0.92
13.	TAA4	0.51	-0.47
14.	PoG[d]1	0.63	-0.34
15.	PoG2	0.49	-0.30
16.	PoG3	-0.20	-0.72
17.	PoG4	-0.29	-0.14
18.	PoG5	-0.05	-0.65
19.	PoG6	0.62	-0.36
20.	PoG7	0.04	-0.45
21.	IwTA[e]1	-0.42	0.20
22.	IwTA2	-0.56	0.79
23.	IwTA3	-0.29	1.04
24.	SI[f]1	-0.41	-0.67
25.	SI2	0.09	-1.00
26.	ToP[g]1	0.11	-0.73
27.	ToP2	0.12	-0.64
28.	ToP3	0.67	-0.08
29.	ToP4	-0.14	-1.00

[a] Voluntary Tax Compliance. [b] Enforced Tax Compliance. [c] Tax Avoidance Attitude. [d] Perception of Government. [e] Interaction with the Tax Authority. [f] Social Interaction. [g] Threat of Punishment.

Appendix Q: Rotated Component Matrix[a]

	Component						
	1	2	3	4	5	6	7
PoG[b]2	.778						
PoG7	.754						
PoG1	.735						
PoG5	.726						
PoG6	.626						
PoG3	.594						
PoG4	.551						
VTC[c]2		.771					
VTC4		.663					
VTC3		.622					
VTC1		.588					
VTC5		.533					
ETC[d]3			.761				
ETC1			.723				
ETC4			.668				
ETC2			.658				
TAA[e]2				.700			
TAA3				.699			
TAA1				.668			
TAA4				.601			
IwTA[f]2					.780		
IwTA1					.769		
IwTA3					.623		
ToP[g]1						.770	
ToP3						.700	
ToP4						.530	
ToP2						.529	
SI[h]2							.782
SI1							.767

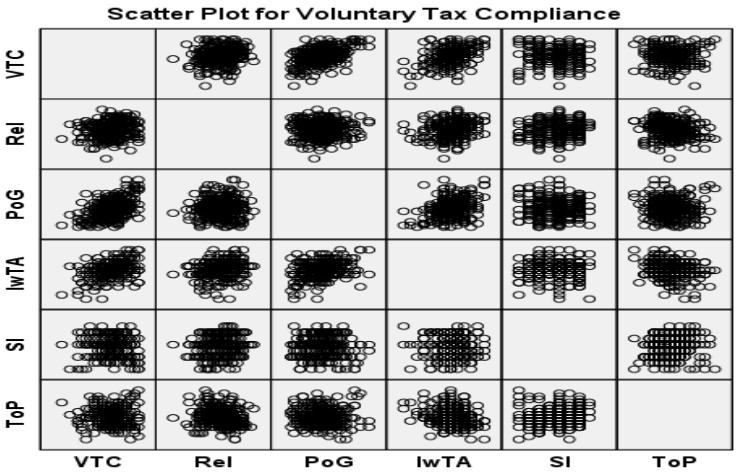
Extraction Method: Principal Component Analysis.
Rotation Method: Varimax with Kaiser Normalization.
[a] Rotation converged in 8 iterations.
[b] Perception of Government. [c] Voluntary Tax Compliance. [d] Enforced Tax Compliance.
[e] Tax Avoidance Attitude. [f] Interaction with the Tax Authority. [g] Threat of Punishment. [h] Social Interaction.

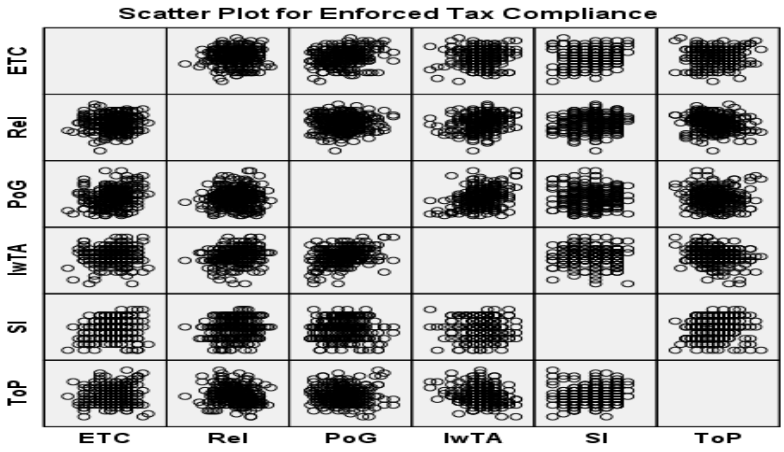
Appendix R: Correlation Matrix

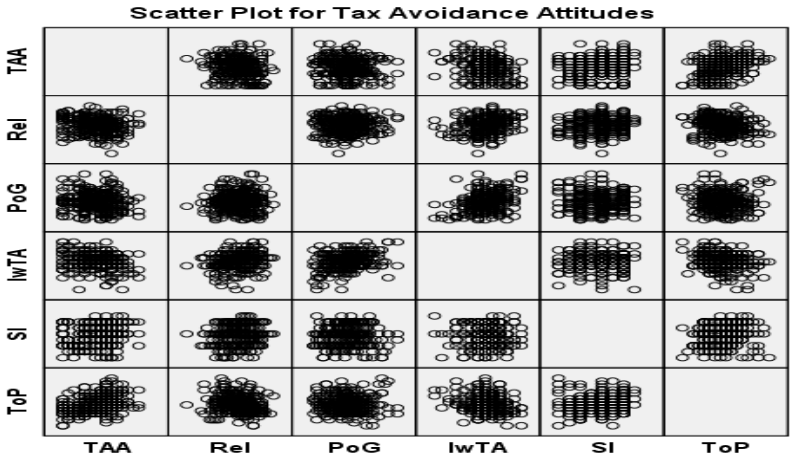
	VTC1	VTC2	VTC3	VTC4	VTC5	ETC1	ETC2	ETC3	ETC4	TAA1	TAA2	TAA3	TAA4	ToP1	ToP2	ToP3	ToP4	PoG1	PoG2	PoG3	PoG4	PoG5	PoG6	PoG7	IwTA1	IwTA2	IwTA3	IwS1	IwS2
VTC[a]1	1.00	0.44	0.39	0.36	0.28	0.09	0.17	0.19	0.17	-0.18	-0.11	-0.26	-0.11	-0.18	-0.03	-0.15	0.05	0.05	0.20	0.19	0.31	0.18	0.06	0.22	0.21	0.38	0.31	-0.02	-0.17
VTC2	0.44	1.00	0.50	0.41	0.36	0.17	0.07	0.12	0.15	-0.06	-0.01	-0.25	-0.16	-0.06	0.02	-0.12	0.11	0.09	0.18	0.17	0.32	0.18	0.02	0.25	0.18	0.27	0.27	0.03	-0.02
VTC3	0.39	0.50	1.00	0.46	0.36	0.08	0.10	0.18	0.21	-0.14	-0.06	-0.36	-0.17	-0.07	-0.06	-0.08	0.06	0.25	0.30	0.35	0.50	0.38	0.14	0.31	0.25	0.31	0.33	-0.03	-0.14
VTC4	0.36	0.41	0.46	1.00	0.36	0.08	0.11	0.21	0.23	-0.11	-0.06	-0.21	-0.12	-0.05	0.10	-0.01	0.04	0.23	0.31	0.30	0.28	0.26	0.18	0.27	0.15	0.26	0.27	0.05	-0.11
VTC5	0.28	0.36	0.36	0.36	1.00	0.15	0.24	0.25	0.24	-0.04	0.01	-0.15	-0.03	-0.02	0.04	-0.04	0.12	0.17	0.28	0.29	0.37	0.32	0.29	0.39	0.08	0.20	0.27	0.02	0.02
ETC[b]1	0.09	0.17	0.08	0.08	0.15	1.00	0.34	0.41	0.35	-0.04	-0.01	-0.09	0.02	-0.05	-0.10	0.01	0.12	-0.10	-0.03	0.03	0.20	0.12	0.04	-0.03	-0.03	0.04	0.15	0.10	0.11
ETC2	0.17	0.07	0.10	0.11	0.24	0.34	1.00	0.38	0.33	0.03	0.11	-0.02	0.13	-0.02	0.00	0.01	0.06	0.11	0.07	0.18	0.31	0.25	0.14	0.17	-0.03	0.03	0.26	0.19	0.35
ETC3	0.19	0.12	0.18	0.21	0.25	0.41	0.38	1.00	0.55	-0.06	-0.09	-0.17	-0.02	-0.05	-0.08	0.01	0.07	0.03	0.13	0.13	0.21	0.12	0.11	0.06	-0.11	0.05	0.19	0.02	0.05
ETC4	0.17	0.15	0.21	0.23	0.24	0.35	0.33	0.55	1.00	0.03	0.01	-0.01	0.03	0.02	0.00	0.09	0.15	0.13	0.12	0.11	0.26	0.18	0.14	0.16	-0.06	0.04	0.18	0.11	0.16
TAA[c]1	-0.18	-0.06	-0.14	-0.11	-0.04	-0.04	0.03	-0.06	0.03	1.00	0.41	0.35	0.40	0.27	0.25	0.36	0.17	-0.11	-0.05	0.01	-0.12	0.00	0.06	0.01	-0.11	-0.10	-0.13	0.14	0.10
TAA2	-0.11	-0.01	-0.06	-0.06	0.01	-0.01	0.11	-0.09	0.01	0.41	1.00	0.31	0.23	0.07	0.17	0.27	0.12	-0.08	-0.07	-0.02	-0.03	0.08	0.03	0.11	-0.06	-0.06	-0.10	0.07	0.18
TAA3	-0.26	-0.25	-0.36	-0.21	-0.15	-0.09	-0.02	-0.17	-0.01	0.35	0.31	1.00	0.37	0.07	0.15	0.13	0.09	-0.12	-0.20	-0.15	-0.31	-0.12	-0.06	-0.07	-0.13	-0.20	-0.26	0.07	0.21
TAA4	-0.11	-0.16	-0.17	-0.12	-0.03	0.02	0.13	-0.02	0.03	0.40	0.23	0.37	1.00	0.23	0.17	0.33	0.13	-0.07	0.02	-0.08	-0.04	0.16	0.05	0.08	-0.14	-0.11	-0.02	-0.03	0.11
ToP[d]1	-0.18	-0.06	-0.07	-0.05	-0.02	-0.05	-0.02	-0.05	0.02	0.27	0.07	0.07	0.23	1.00	0.27	0.41	0.27	-0.19	-0.05	0.01	-0.01	-0.01	-0.06	-0.01	-0.27	-0.21	-0.09	0.00	-0.01
ToP2	-0.03	0.02	-0.06	0.10	0.04	-0.10	0.00	-0.08	0.00	0.25	0.17	0.15	0.17	0.27	1.00	0.27	0.20	-0.02	-0.07	0.06	-0.07	0.06	-0.09	0.03	0.00	-0.07	0.01	0.09	0.11
ToP3	-0.15	-0.12	-0.08	-0.01	-0.04	0.01	0.01	0.01	0.09	0.36	0.27	0.13	0.33	0.41	0.27	1.00	0.29	-0.07	-0.04	0.00	0.01	0.11	0.06	0.08	-0.23	-0.23	-0.02	0.15	0.17
ToP4	0.05	0.11	0.06	0.04	0.12	0.12	0.06	0.07	0.15	0.17	0.12	0.09	0.13	0.27	0.20	0.29	1.00	-0.09	-0.07	0.02	0.07	0.07	-0.06	0.01	-0.10	-0.07	-0.04	0.11	0.16
PoG[e]1	0.05	0.09	0.25	0.23	0.17	-0.10	0.11	0.03	0.13	-0.11	-0.08	-0.12	-0.07	-0.19	-0.02	-0.07	-0.09	1.00	0.54	0.34	0.30	0.45	0.35	0.48	0.14	0.20	0.16	0.01	0.12
PoG2	0.20	0.18	0.30	0.31	0.28	-0.03	0.07	0.13	0.12	-0.05	-0.07	-0.20	0.02	-0.05	-0.07	-0.04	-0.07	0.54	1.00	0.38	0.39	0.56	0.40	0.57	0.06	0.20	0.28	-0.13	-0.07
PoG3	0.19	0.17	0.35	0.30	0.29	0.03	0.18	0.13	0.11	0.01	-0.02	-0.15	-0.08	0.01	0.06	0.00	0.02	0.34	0.38	1.00	0.52	0.39	0.31	0.43	0.06	0.20	0.28	-0.03	-0.04
PoG4	0.31	0.32	0.50	0.28	0.37	0.20	0.31	0.21	0.26	-0.12	-0.03	-0.31	-0.04	-0.01	-0.07	0.01	0.07	0.30	0.39	0.52	1.00	0.49	0.32	0.42	0.11	0.26	0.47	0.00	-0.06
PoG5	0.18	0.18	0.38	0.26	0.32	0.12	0.25	0.12	0.18	0.00	0.08	-0.12	0.16	-0.01	0.06	0.11	0.07	0.45	0.56	0.39	0.49	1.00	0.30	0.67	0.19	0.31	0.38	-0.01	0.07
PoG6	0.06	0.02	0.14	0.18	0.29	0.04	0.14	0.11	0.14	0.06	0.03	-0.06	0.05	-0.06	-0.09	0.06	-0.06	0.35	0.40	0.31	0.32	0.30	1.00	0.33	0.03	0.00	0.16	-0.05	0.04
PoG7	0.22	0.25	0.31	0.27	0.39	-0.03	0.17	0.06	0.16	0.01	0.11	-0.07	0.08	-0.01	0.03	0.08	0.01	0.48	0.57	0.43	0.42	0.67	0.33	1.00	0.14	0.27	0.33	-0.03	0.03
IwTA[f]1	0.21	0.18	0.25	0.15	0.08	-0.03	-0.03	-0.11	-0.06	-0.11	-0.06	-0.13	-0.14	-0.27	0.00	-0.23	-0.10	0.14	0.06	0.06	0.11	0.19	0.03	0.14	1.00	0.64	0.33	0.13	-0.05
IwTA2	0.38	0.27	0.31	0.26	0.20	0.04	0.03	0.05	0.04	-0.10	-0.06	-0.20	-0.11	-0.21	-0.07	-0.23	-0.07	0.20	0.20	0.20	0.26	0.31	0.00	0.27	0.64	1.00	0.43	0.05	-0.11
IwTA3	0.31	0.27	0.33	0.27	0.27	0.15	0.26	0.19	0.18	-0.13	-0.10	-0.26	-0.02	-0.09	0.01	-0.02	-0.04	0.16	0.28	0.28	0.47	0.38	0.16	0.33	0.33	0.43	1.00	0.04	-0.07
SI[g]1	-0.02	0.03	-0.03	0.05	0.02	0.10	0.19	0.02	0.11	0.14	0.07	0.07	-0.03	0.00	0.09	0.15	0.11	0.01	-0.13	-0.03	0.00	-0.01	-0.05	-0.03	0.13	0.05	0.04	1.00	0.41
SI2	-0.17	-0.02	-0.14	-0.11	0.02	0.11	0.35	0.05	0.16	0.10	0.18	0.21	0.11	-0.01	0.11	0.17	0.16	0.12	-0.07	-0.04	-0.06	0.07	0.04	0.03	-0.05	-0.11	-0.07	0.41	1.00

[a] Voluntary Tax Compliance. [b] Enforced Tax Compliance. [c] Tax Avoidance Attitude. [d] Threat of Punishment. [e] Perception of Government. [f] Interaction with the Tax Authority. [g] Social Interaction.

Appendix S: Scatter Plot







* Voluntary Tax Compliance (VTC), Enforced Tax Compliance (ETC), Tax Avoidance Attitude (TAA), Religiosity (Rel), Perception of Government (PoG), Interaction with the Tax Authority (IwTA), Social Interaction (SI) and Threat of Punishment (ToP).

Appendix T: Non-Response Bias Analysis for Drop-Off Survey

Items	Response	N	Mean	Std. Deviation	*p (2-tailed)*
VTC[a]1	Early	30	3.93	0.91	0.64
	Late	30	3.83	0.75	
VTC2	Early	30	3.90	0.71	0.07
	Late	30	3.57	0.68	
VTC3	Early	30	4.03	0.76	0.31
	Late	30	3.83	0.75	
VTC4	Early	30	3.90	0.76	0.75
	Late	30	3.83	0.83	
VTC5	Early	30	3.57	1.07	0.70
	Late	30	3.47	0.94	
ETC[b]1	Early	30	3.47	0.73	0.88
	Late	30	3.43	1.01	
ETC2	Early	30	2.90	0.92	0.33
	Late	30	3.13	0.90	
ETC3	Early	30	3.33	0.84	0.67
	Late	30	3.23	0.94	
ETC4	Early	30	3.33	0.84	0.21
	Late	30	3.60	0.77	
TAA[c]1	Early	30	1.90	0.92	0.08
	Late	30	2.37	1.13	
TAA2	Early	30	2.73	1.08	0.73
	Late	30	2.63	1.19	
TAA3	Early	30	2.27	1.08	0.13
	Late	30	2.73	1.26	
TAA4	Early	30	2.00	0.91	0.00*
	Late	30	2.77	1.10	
PoG[d]1	Early	30	2.40	1.07	0.83
	Late	30	2.33	1.35	
PoG2	Early	30	2.63	0.93	0.79
	Late	30	2.57	1.01	
PoG3	Early	30	3.30	0.92	0.46
	Late	30	3.10	1.16	
PoG4	Early	30	3.57	0.82	0.36
	Late	30	3.37	0.85	
PoG5	Early	30	2.83	1.02	0.90
	Late	30	2.87	1.01	
PoG6	Early	30	2.53	1.01	0.82
	Late	30	2.60	1.28	
PoG7	Early	30	2.97	0.93	0.34
	Late	30	2.70	1.21	
IwTA[e]1	Early	30	3.50	0.94	0.89
	Late	30	3.47	0.86	
IwTA2	Early	30	3.57	0.82	0.55
	Late	30	3.43	0.90	
IwTA3	Early	30	3.30	0.60	0.69
	Late	30	3.23	0.68	
SI[f]1	Early	30	3.23	0.90	0.65
	Late	30	3.13	0.82	
SI2	Early	30	2.80	0.92	0.77
	Late	30	2.73	0.87	
ToP[g]1	Early	30	2.70	0.92	0.05
	Late	30	3.17	0.91	
ToP2	Early	30	2.80	0.89	0.53
	Late	30	2.97	1.16	
ToP3	Early	30	2.40	0.93	0.89
	Late	30	2.37	0.93	
ToP4	Early	30	2.73	0.87	0.00*
	Late	30	3.43	0.94	

[a] Voluntary Tax Compliance. [b] Enforced Tax Compliance. [c] Tax Avoidance Attitude. [d] Perception of Government. [e] Interaction with the Tax Authority. [f] Social Interaction. [g] Threat of Punishment.
* $p < 0.05$.

Appendix U: Non-Response Bias Analysis for Online Survey

Items	Response	N	Mean	Std. Deviation	*p (2-tailed)*
VTC[a]1	Early	30	3.73	0.78	0.58
	Late	30	3.60	1.07	
VTC2	Early	30	3.53	0.90	0.89
	Late	30	3.57	0.94	
VTC3	Early	30	3.73	0.69	0.27
	Late	30	3.93	0.69	
VTC4	Early	30	3.43	0.94	0.35
	Late	30	3.67	0.99	
VTC5	Early	30	3.13	1.14	0.50
	Late	30	3.33	1.15	
ETC[b]1	Early	30	3.60	1.00	0.89
	Late	30	3.57	0.94	
ETC2	Early	30	3.27	0.87	0.67
	Late	30	3.17	0.91	
ETC3	Early	30	3.47	0.86	0.66
	Late	30	3.57	0.90	
ETC4	Early	30	3.60	0.93	0.89
	Late	30	3.57	1.01	
TAA[c]1	Early	30	2.40	1.07	0.80
	Late	30	2.33	0.96	
TAA2	Early	30	2.90	1.06	0.47
	Late	30	2.70	1.09	
TAA3	Early	30	2.77	1.04	0.44
	Late	30	3.00	1.26	
TAA4	Early	30	2.50	1.04	0.52
	Late	30	2.70	1.34	
PoG[d]1	Early	30	2.47	1.14	0.20
	Late	30	2.10	1.06	
PoG2	Early	30	2.37	1.22	0.73
	Late	30	2.27	0.98	
PoG3	Early	30	3.10	1.03	0.80
	Late	30	3.17	0.95	
PoG4	Early	30	3.17	0.91	0.89
	Late	30	3.13	1.01	
PoG5	Early	30	2.80	1.00	0.41
	Late	30	2.57	1.17	
PoG6	Early	30	2.53	1.04	0.17
	Late	30	2.13	1.17	
PoG7	Early	30	2.83	0.99	0.21
	Late	30	2.50	1.04	
IwTA[e]1	Early	30	3.30	0.79	0.15
	Late	30	3.63	0.96	
IwTA2	Early	30	3.40	0.56	0.87
	Late	30	3.43	1.01	
IwTA3	Early	30	3.27	0.58	0.86
	Late	30	3.30	0.84	
SI[f]1	Early	30	3.43	1.07	0.49
	Late	30	3.23	1.17	
SI2	Early	30	2.97	1.00	0.05
	Late	30	2.47	0.97	
ToP[g]1	Early	30	3.00	1.02	0.80
	Late	30	2.93	1.05	
ToP2	Early	30	3.23	0.97	0.01*
	Late	30	2.57	0.86	
ToP3	Early	30	2.80	1.10	0.39
	Late	30	2.57	0.97	
ToP4	Early	30	3.07	1.01	0.42
	Late	30	2.83	1.21	

[a] Voluntary Tax Compliance. [b] Enforced Tax Compliance. [c] Tax Avoidance Attitude. [d] Perception of Government. [e] Interaction with the Tax Authority. [f] Social Interaction. [g] Threat of Punishment.

* $p < 0.05$.