



## **Increasing Tax Compliance Behaviour Through Accommodative Approaches and Tax Rewards**

NORUL SYUHADA ABU HASSAN<sup>a\*</sup>, MOHD RIZAL PALIL<sup>a</sup>,  
ROSIATI RAMLI<sup>a</sup> AND RUHANITA MAELAH<sup>a</sup>

*<sup>a</sup>Faculty of Economics & Management, Universiti Kebangsaan Malaysia, Malaysia*

### **ABSTRACT**

The present paper uncovers the role of tax rewards and other determinants in increasing tax compliance behaviour in Malaysia. Focus is given to the accommodative approach, a ‘softer’ approach than the deterrence approach. Seven strategies are examined: tax education, treatment by the tax authority, Special Voluntary Disclosure Programme (SVDP), which are the Inland Revenue Board Malaysia (IRBM’s) current strategies together with four forms of proposed tax rewards which are cash vouchers, lucky draw, certificate of appreciation and privilege card. From a survey of 501 respondents, the results suggest that IRBM’s two current strategies (treatment by the tax authority; SVDP) have a significant positive relationship with tax compliance behaviour. Adversely tax education is found insignificant, proposing to IRBM to amend and improve their tax education programme. In addition, this study suggested implementing tax rewards in non-material form as one of the strategies since the privilege card appears to influence tax compliance behaviour positively. The findings of this study provide significant and valuable input to IRBM in evaluating current compliance strategies and the proposal of embedded tax rewards as strategies to cultivate tax compliance behaviour.

**JEL Classification:** H52

**Keywords:** Accommodative approaches; tax amnesty; tax authority; tax compliance; tax reward

---

*Article history:*

Received: 23 September 2022

Accepted: 19 May 2023

---

---

\* Corresponding author: Email: syuhada@ukm.edu.my

DOI: <http://doi.org/10.47836/ijeam.17.2.05>

© International Journal of Economics and Management. ISSN 1823-836X. e-ISSN 2600-9390.

## INTRODUCTION

Tax non-compliance is a significant challenge for tax authorities in many countries. It is considered a white-collar crime and more severe in developing countries, including Malaysia. Tax authorities have implemented several strategies, but non-compliance remains a significant issue. The issues have been exacerbated following the implementation of the Self-Assessment System (SAS), especially for individual taxpayers, as it requires taxpayers' voluntary cooperation in reporting their income and expenses (Hai and See, 2011; Dom, 2013). Since then, tax non-compliance has become one of the critical challenges for tax authorities, especially in developing countries. Individual taxpayers represent 82% (8,107,474) of registered taxpayers in Malaysia, which is the most significant fraction of 9,886,724 (IRBM, 2017).

The IRBM reported that 1,768,867 individual tax audits were conducted in 2017, a 12% increase from 1,576,709 in 2016 (IRBM, 2016; 2017). The output of the tax audit reflects the amount of tax penalties collected due to tax non-compliance. Based on the statistics reported in the IRBM Annual Report 2017, the increasing tax penalties collected<sup>1</sup> and the high increment of travel restrictions<sup>2</sup> per year indicate that the tax non-compliance issue is still unresolved in Malaysia's income tax environment (Abdul Rashid et al., 2021; Abdul Rashid et al., 2022). This issue suggests that IRBM should address tax non-compliance to optimise tax collection.

Tax non-compliance can be reduced using several compliance strategies (Devos, 2013, Alm, 2018; Okafor and Farrar, 2021), which can also influence and maintain taxpayers to continuously fulfil their tax responsibility (Alm, 2018). According to Murphy (2008), two approaches under compliance strategies are deterrence and accommodative. The deterrence approach was based on the Tax Evasion Model (Allingham and Sandmo, 1972), which stated that the higher penalty and probability of detection, the less likely individuals are to evade their taxes. Meanwhile, the accommodative approach is a 'softer approach' that has captured researchers' and policymakers' attention lately given its capacity to enhance long-term taxpayers' compliance (Rillstone, 2015; Alm, 2018). The approach is also indicated as a positive incentive, reward, carrot, moral suasion, and persuasion. The most practical approach is to blend and combine these two approaches while considering taxpayers' nature and tax administration needs (Okafor and Farrar, 2021). In a recent study, Alm (2018) outlined three paradigms that tax administrators can apply in designing compliance strategies to improve compliance: enforcement, services, and trust. The researcher suggested that the design of compliance strategies can be divided into three aspects. Firstly, tax authorities should increase the threat of penalties through audits and tax penalties; secondly, improve the services provided; third, change the tax culture to increase taxpayers' trust in tax administrators.

Recognising the significance of combining deterrent and accommodative approaches, IRBM began implementing the new system to make 'compliance easy and non-compliance difficult' in 2016 (IRBM, 2016). Based on IRBM Corporate Plan 2016-2020, the balanced approach emphasises strict enforcement action against tax offenders. It diversifies efforts to facilitate tax compliance behaviour and reduce compliance costs for taxpayers ready to fulfil their tax responsibilities. Therefore, IRBM is also committed to providing excellent service to taxpayers who continue to perform their duties effectively. Focus is given to tax education programmes (Mahmood, 2012; Dom, 2013; IRBM, 2016; Norzilah et al., 2016) and improving the quality of services provided (IRBM, 2016), besides emphasising tax audit penalties under the deterrence approach. However, previous studies still consider IRBM to emphasise the deterrent approach using tax audits and penalties to improve tax compliance behaviour (Loo et al., 2012; IRBM, 2016; 2021). For example, IRBM imposed higher penalties for tax non-compliance cases in 2013. In addition, tax non-compliance is recently considered a criminal offence instead of previously categorised as a civil offence. This change in categories of offences indicates that IRBM is more serious in addressing tax non-compliance through a deterrent approach (IRBM, 2013; Siti Nurfazlina and Saidatulakmal, 2017).

Moreover, a significant audit and investigation operation is undertaken periodically to prevent tax evasion (IRBM, 2016). Subsequently, in 2018, the IRBM issued a directive to increase the tax penalty to a maximum of 100% on taxpayers who failed to fulfil their obligations compared to 45% for the previous year

<sup>1</sup> The amount of tax penalties collected increased throughout the years (highest increment of 119.9% from RM4.477 billion in 2014 to RM9.843 billion in 2015).

<sup>2</sup> There has been a substantial increment within 10 years since the introduction of SAS. The numbers of restrictions issued and total amount of outstanding tax change from 10,933 (RM291.27million) in 2005 to 128,165 (RM3.4 billion) in 2015.

(Anon, 2017). Based on the observation, the increment of tax penalties collected and the higher increase of travel issuance restriction throughout the years triggers a question 'is the focus given by IRBM still relevant, especially in the current era of SAS?'

Although extensive research verifies the principle of the deterrence model and its capability to deter people from law violation, this model has been criticised for needing more explanatory power regarding tax compliance behaviour. Murphy (2004) criticised this approach based on three dimensions. First, the model needs to satisfactorily explain the high levels of voluntary compliance observed in many situations. If people are rational actors and motivated purely by self-interest, one would expect compliance with rules and regulations to be significantly lower than observed. According to Murphy (2004), the reactions were more likely to result in further non-compliance, creative compliance, criminal behaviour or overt opposition. Second, a few studies found the opposite behaviour of taxpayers who were more likely to result in further non-compliance (Ayres and Braithwaite, 1992; Murphy, 2008), including a study on Malaysia's taxpayers (Raihana et al., 2014; Yunus et al., 2017; K-Rine et al., 2018). Third, Murphy (2008) posited that a growing body of research suggests that deterrence-based enforcement strategies with offenders can be occasionally counterproductive in the long run, undermining the relationship between legal authorities and the regulatees. In addition, any unreasonable behaviour by regulators during an enforcement experience may trigger resistance to compliance (Murphy, 2008; Razilina et al., 2012). Thus, compliance strategies should be chosen according to the taxpayers' attitude to ensure that existing taxpayers continue to meet their tax responsibilities, transform non-compliant taxpayers (tax offenders) into good taxpayers, and encourage potential taxpayers to meet their tax responsibilities when applicable.

From a different perspective, this study focuses on an accommodative approach in line with the current shift in most tax compliance behaviour studies (McKerchar and Pope, 2011). Attention is given to the current strategy under the accommodative approach, which is tax education, the quality of treatment and service by the tax authority and a tax amnesty programme known as the Special Voluntary Disclosure Programme (SVDP). The SVDP provides a lower tax penalty rate to encourage taxpayers to voluntarily disclose their income to increase the country's tax collection (IRBM, 2018). Furthermore, consistent with the current practice in other countries and based on previous findings, this study also attempts to explore the potential implementation of tax rewards as one of the compliance strategies, especially for individual taxpayers. A few recent studies in the Malaysian tax environment have begun to propose the implementation of tax rewards as one of the strategies to improve the dimension of the existing compliance strategy (Azhar et al., 2016; Yunus et al., 2017; Abdul Rashid et al., 2021). Therefore, this preliminary study explores four forms of reward, namely cash voucher, lucky draw, certificate of appreciation and privilege card to obtain a more comprehensive input to assist IRBM in considering tax rewards as one of the strategies. Those four forms of tax rewards are selected based on other countries' actual implementation and findings from past studies. Overall, this study attempts to find a solution to minimise tax non-compliance issues, especially among individual taxpayers, from the perspective of an accommodative approach. The study will cover current strategies implemented by IRBM and highlight the potential implementation of tax rewards in Malaysia. These strategies are investigated to boost voluntary compliance through an accommodative approach, which is more cost-efficient since the compliance is argued to last longer (Alm, 2018).

Based on the discussion above, this study aims to determine the influence of an accommodative approach on tax compliance behaviour, which has received remarkable interest lately but is still limited in Malaysia's tax environment, especially involving the element of tax rewards. Seven accommodative approaches: tax education, treatment by the tax authority, SVDP, and four forms of tax rewards, which are cash vouchers, lucky draws, certificates of appreciation, and privilege cards, are examined in this study. This study used a survey method for data collection covering the perception of salaried taxpayers throughout Malaysia towards seven accommodative approaches and tax compliance behaviour. Based on 501 feedback received, the data were subjected to multiple regression analysis using IBM SPSS software. The results revealed that treatment by the tax authority, SVDP and privilege card has a significant positive relationship with tax compliance behaviour. Next, in line with the Responsive Regulatory Theory, the findings prove that compliance can be improved through persuasion, encouragement and assistance. The tax administrator should also focus on those elements in the tax compliance strategy model and the prevention aspect. The findings from this study may be a platform for the tax authorities, particularly IRBM, to evaluate their current approaches and make necessary amendments for the country's benefit. The following section will discuss the

literature review and hypotheses development, followed by the research methodology. The final section covers the finding, discussion, conclusion, limitations, and suggestions for future study.

## **LITERATURE REVIEW AND HYPOTHESES DEVELOPMENT**

### **Responsive Regulatory Theory**

Generally, different enforcement and control measures are required when faced with different categories of taxpayers according to their compliance level. The Responsive Regulatory Theory is based on the premise that each form of action of an individual is driven by a motivation which is usually influenced by various factors according to the situation (Ayres and Braithwaite, 1992). There are three main elements in this theory. First, this theory explains that compliance can be improved through persuasion, education, encouragement and assistance. It emphasises the importance of a softer approach, such as persuasion and encouragement, by advising and educating people to encourage them to pay taxes rather than imposing penalties and severe penalties to prevent tax disobedience. Second, an enforcement pyramid was created based on this theory to guide the methods or strategies that the administrators should take in stages depending on the responses received by individuals under specific laws. The recommended enforcement strategy involves a combination of elements of encouragement and prevention. It should begin with a softer strategy of encouragement through persuasion before adopting a more assertive approach. Thirdly, this theory posits that the psychological behaviour of taxpayers is an essential factor influencing tax compliance. This theory places great importance on an excellent psychological contract between administrators and taxpayers in which the former must try to avoid taking an approach that leads to psychological resentment.

Overall, the Responsive Regulatory theory explains that the approach taken by the tax administrator should align with the taxpayer's attitude as it will ultimately determine the behaviour of tax compliance either positively (tax compliance) or negatively (tax non-compliance). The approach adopted should involve a combination of softer encouragement and tougher prevention that needs to be taken in line with the response received from the taxpayer. This theory also emphasises that compliance can be improved through persuasion, education, encouragement and assistance, and it should be the first choice before taking a more assertive approach. An inappropriate approach would instead lead to a feeling of frustration that would eventually culminate into the problem of tax non-compliance.

### **Accommodative Approach and Tax Compliance Behaviour**

The deterrence approach (tax audit and penalty) is vital in improving tax compliance behaviour. However, some previous findings also reported contradictory results, thereby reflecting that other factors may significantly influence taxpayers' compliance behaviour (Rillstone, 2015). According to Kornhauser (2007), tax morale is one element that can explain the gap between the expected and actual level of tax compliance behaviour. Tax morale is the 'intrinsic motivation to pay tax' (Alm and Torgler, 2006). Additionally, tax morale is the willingness or motivation to comply with tax laws (Torgler, 2003; Torgler and Murphy, 2004; McKerchar et al., 2013). This element is essential for understanding the cause of high compliance levels (Feld and Frey, 2007; Luttmer and Singhal, 2014), which involves moral sentiment, equality and the relationship between taxpayers and tax authority, as well as a psychological contract. To maintain that psychological contract, incentives such as rewards should be provided along with the punishment (Feld and Frey, 2007).

A fundamental element of tax morale is the idea that tax authorities should reduce reliance solely on the deterrent approach by considering an accommodative approach (Kornhauser, 2007). McKerchar and Pope (2011) stressed the importance of giving carrots instead of sticks to induce voluntary tax compliance behaviour. This carrot approach is often called persuasion, positive incentives, and rewards. This 'softer' approach involves more efficient resources with minimal cost and improves taxpayer and tax authority cooperation (Murphy, 2008). Previous studies found that the imposition of accommodative elements will increase tax morale, eventually improving tax compliance behaviour levels (Feld and Frey, 2007; Bornman, 2014; Bornman and Stack, 2015a; Rillstone, 2015). Previous studies focused on the elements of the accommodative approach, which includes good treatment provided by tax authorities (Feld and Frey, 2007; Verboon and Van Dijke, 2007; Hartner et al., 2008; Murphy, 2008; Razilina et al., 2012; Farrar et al., 2017; Nivakan, 2020) as well as tax rewards (Togler, 2003; 2007; Feld et al., 2006; Bazart and Pickhardt, 2011;

Bornman and Stack, 2015a; 2015b; Brockmann et al., 2016; Carillo et al., 2016; Dwenger et al., 2016; Putra and Amrie Firmansyah, 2018; Wilks et al., 2019; Koessler 2019; Abdul Rashid et al., 2021).

In Malaysia, the IRBM's compliance strategy started to focus on a softer accommodating approach involving tax education (Mahmood, 2012; Dom, 2013; IRBM, 2016) to cultivate tax compliance behaviour among the community since 2016. Various programmes have been conducted, such as tax briefings and seminars, collaboration programmes with other agencies, roadshows, and promotional and publicity activities on selected media channels (IRBM, 2016). In addition, the IRBM is keen to improve the quality of interaction services by their officers (Mahmood, 2012). With the motto, 'Your Tax Service Provider', the IRBM aims to provide taxpayers with positive and customer-friendly service. The IRBM also offered a tax amnesty programme name SVDP in 2018, which serves as a 'carrot' for encouraging non-compliant taxpayers to fulfil their tax liabilities. The SVDP provides a lower tax penalty rate to encourage taxpayers to voluntarily disclose their income to increase the country's tax collection (IRBM, 2018).

To complete the dimension of the accommodative approach, a few recent studies in the Malaysian tax environment have begun to recommend implementing tax rewards as one of the strategies to improve the dimension of the existing compliance strategy (Azhar et al., 2016; Yunus et al., 2017; Abdul Rashid, 2021). Azhar et al. (2016) suggested that tax incentives or rewards should be implemented in Malaysia as an alternative to ensure and maintain tax compliance behaviour among compliant taxpayers. Similarly, Wilks et al. (2019) opined that tax rewards are an element that should be considered in designing a more cost-effective policy to maximise tax compliance behaviour. In addition, the recommendation is made since tax rewards are proven to increase tax morale resulting in a better tax compliance behaviour level (Togler, 2003; 2007; Feld et al., 2006; Bazart and Pickhardt, 2011; Bornman and Stack, 2015a; Brockmann et al., 2016; Carillo et al., 2016; Dwenger et al., 2016; Putra and Amrie Firmansyah, 2018; Wilks et al., 2019; Koessler, 2019).

Therefore, this study focuses on the four elements of the accommodative approach: tax education, treatment and service by the tax authority, SVDP and tax reward. The detailed discussion and hypothesis development are presented below:

### **Tax Education**

Tax education refers to efforts undertaken by the tax authority to increase tax knowledge among its citizens. It is the mechanism employed by the tax authority in education programmes designed for its taxpayers to elucidate taxation laws and procedures (Mochogu and Amayi, 2013). Based on the Responsive Regulatory Theory and enforcement pyramid (Ayres and Braithwaite, 1992), compliance can be boosted through persuasion, education, encouragement, and assistance, which should be the first strategy. If these measures fail to improve compliance, regulators shall move to the following step.

Under the current era of SAS, one of the primary missions of the tax authority is to ensure that eligible taxpayers fulfil their tax responsibilities. In fulfilling the mission, one of the central focuses of IRBM is tax education as evidenced in various activities and programmes conducted in recent years (IRBM, 2016; Norzilah et al., 2016). Tax education programmes are designed to enhance taxpayers' knowledge (Hasseldine et al., 2009; Norzilah et al., 2016), to increase public awareness concerning the objective and purpose of tax collection, and to improve taxpayer's understanding of their tax responsibilities, particularly in the current era of SAS (Mahmood, 2012). Overall, previous findings confirmed that taxpayers with better tax knowledge who gain from tax education programmes are more likely to comply with the law given their good level of understanding of their tax responsibilities (Loo et al., 2009; Palil, 2010; Mahmood, 2012; Norzilah et al., 2016; Yunus et al., 2017; Yee et al., 2017; Alm, 2018; K-Rine et al., 2018; Kwok and Yip, 2018; Kurniawan, 2020; Twum et al., 2020; Faizal et al., 2021; Sanusi et al., 2021). This study also attempts to re-validate by replicating previous studies using different respondents and based on current tax education programmes provided by IRBM. Therefore, the first hypothesis is:

*H1: Tax education programmes provided by the IRBM positively influence tax compliance behaviour among individual taxpayers in Malaysia.*

### **Treatment and Services by Tax Authority**

The relationship between taxpayers and tax authorities is driven by a psychological tax contract that involves tax morale, which reflects tax compliance behaviour (Feld and Frey, 2007). The interactions between taxpayers and tax authorities may influence individuals' decisions, either to comply or not to comply, based on their positive or negative experiences. Respectful treatment will increase tax morale and ensure long-term tax compliance behaviour more effectively, while authoritarian treatment will have an adverse effect. Farrar et al. (2017) referred to the quality of interaction as 'the extent to which taxpayers receive fair interpersonal treatment and adequate information during their interaction with tax officers'. Interaction between taxpayers and tax authorities can be formal (i.e. during the audit and investigation procedure) or informal (i.e. getting personal assistance regarding tax matters). The good treatment received by taxpayers will also transform non-compliant taxpayers (tax offenders) into good taxpayers in the future (Feld and Frey, 2007; Murphy, 2008; Razilina et al., 2012). Researchers found that treatment given by tax officers, which is fair and respectful, will positively impact long-term compliance behaviour. Overall, the good treatment and service provided by a tax authority depicted a positive influence on tax compliance behaviour (Niemiowski and Wearing, 2006; Feld and Frey, 2007; Verboon and Van Dijke, 2007; Murphy, 2008; Mahmood, 2012; Raihana et al., 2014; Farrar et al., 2017; Sellywati et al., 2017; Alm, 2018; Nivakan, 2020; Sritaran et al., 2020; Okafor and Farrar, 2021). This study re-examined this issue as the Chief Executive Officer (CEO) and IRBM's top management keep changing. Thus, the management styles, mission, and vision are also dynamic. Although previous studies have attempted to elucidate the relationship, continuous and updated investigations are still essential. Therefore, the second hypothesis for this study is:

*H2: Good treatment and services provided by IRBM positively influence tax compliance behaviour among individual taxpayers in Malaysia.*

### **Special Voluntary Disclosure Programme (SVDP)**

As the relationship between taxpayers and tax authority involves a psychological tax contract, incentives should be provided along with punishment, leading to tax compliance behaviour (Feld and Frey, 2007). One of the elements of positive tax incentives is 'reduced penalties' (Smith and Stalan, 1991), which is related to one of the tax amnesty programmes offered by IRBM in 2018, named the Special Voluntary Disclosure Programme (SVDP). This programme offers a lower tax penalty rate for tax offenders to encourage them to voluntarily report their undeclared or underreported income to increase tax collection for the country. According to Feld et al. (2006), tax amnesties serve as a 'carrot' to encourage non-compliant taxpayers to improve their compliance behaviour. It allows the previously non-compliant taxpayer to pay taxes on undisclosed income without fear of severe prosecution or penalties (Richardson and Sawyer, 2001). A second chance should be given occasionally, especially when non-compliance occurs unintentionally. Past research confirmed that tax authorities' encouragement through tax amnesty could affect tax compliance behaviour (Richardson and Sawyer, 2001; Feld et al., 2006; Saracoglu and Caskurlu, 2011; Ahmad Nurkhin et al., 2018; Nadiyah and Mohammad, 2018; Damayanti et al., 2020). As this tax amnesty programme is unique and special, this study examined taxpayers' perception of SVDP and its relationship with tax compliance behaviour. Therefore, the third hypothesis is:

*H3: SVDP positively influence tax compliance behaviour among individual taxpayers in Malaysia.*

### **Tax Reward**

The psychological contract relationship between the tax authority and taxpayers can be achieved by reducing the psychological effect of frustration and dissatisfaction. This can be executed by focusing on encouragement and persuasion (Ayres and Braithwaite, 1992). Furthermore, incentives such as tax rewards should be provided as they will increase tax morality, consequently influencing tax compliance behaviour (Feld and Frey, 2007). Bornman (2014) defined tax reward as a tangible or relational incentive administered by a tax authority to encourage voluntary compliance by taxpayers. Previous studies found that rewarding taxpayers will increase taxpayer's intrinsic motivation to act following taxation laws as it provides a signal of appreciation and recognition (Togler, 2003; 2007; Feld et al., 2006; Bazart and Pickhardt, 2011; Bornman and

Stack, 2015a; 2015b; Brockmann et al., 2016; Carillo et al., 2016; Dwenger et al., 2016; Putra and Amrie Firmansyah, 2018; Wilks et al., 2019; Koessler, 2019; Abdul Rashid et al., 2021). In addition, taxpayers became happier when they received tax rewards by perceiving the reward as an exchange from tax authority for what they had contributed (Smith and Stalan, 1991; Brockmann et al., 2016), which was described by Brockmann et al. (2016) as a form of 'Happy Taxation'. As argued by the Responsive Regulatory Theory (Ayres and Braithwaite, 1992), tax rewards indirectly please taxpayers and simultaneously reduce the psychology of resentment.

Many countries, predominantly Asian countries such as Japan, China, India, Sri Lanka, and South Korea, have started implementing and embedding tax rewards as one of their compliance strategies. The tax rewards applied may be material or non-material, depending on the nature and culture of those countries. For example, a compliant taxpayer in Japan will receive a special ticket for a photograph session with the emperor as they respect their royal institutions. In addition, a reward in the form of a privilege card is offered by a few countries, including Sri Lanka, South Korea, Pakistan, Peru, and India, to their compliant taxpayers. This privilege card entitles the compliant taxpayers to special benefits such as business class lounge facilities in the airport, express lanes in immigration counters, and special parking spots. Furthermore, some countries also reward their taxpayers by issuing a certificate of appreciation, offering a lucky draw, offering a discount, or a rebate to express their gratitude for the commitment of the taxpayers.

In Malaysia, IRBM has not implemented those elements of tax rewards widely compared to other Asian countries. However, IRBM started a personal touch to appreciate taxpayers by sending an e-mail of appreciation and a 'Thank You' message to the taxpayers in 2018, but only limited to taxpayers with an active e-mail address. Surprisingly, tax reward in the form of a lucky draw has been used continuously and aggressively by local authorities in Malaysia since 2009 to encourage property tax payment since it is seen as effective (Anon, 2016). For example, Seberang Jaya Local Council reported receiving RM38.54 million in property tax, an increment of 90% in 2015 compared to 2014 (RM20.28 million). Property tax dues also reported a drastic reduction upon lucky draw along with the attractive price, such as a car for a grand winner. Although this approach is proven effective in enhancing tax collection by local authorities, IRBM is still silent on the issue at the time of conducting this study.

Based on the discussion above, there is a need for an empirical study of Malaysia's tax environment to further explore the potential implementation of tax rewards as one of the compliance strategies, especially for individual taxpayers. The findings may align with the recommendations by Azhar et al. (2016), Yunus et al. (2017), and Abdul Rashid et al. (2021) to embed tax rewards as one of the tax compliance strategies in Malaysia. Therefore, four forms of reward, namely cash voucher, lucky draw, certificate of appreciation and privilege card are explored in this preliminary study to obtain a more comprehensive input in assisting IRBM in considering tax rewards as one of the strategies. The selection of those four forms of tax rewards is based on the actual implementation by other countries and findings from past studies. Lastly, four hypotheses regarding tax rewards are as follows:

- H4: Tax reward (cash vouchers) positively influences tax compliance behaviour among individual taxpayers in Malaysia.*
- H5: Tax reward (lucky draw) positively influences tax compliance behaviour among individual taxpayers in Malaysia.*
- H6: Tax reward (certificate of appreciation) positively influences tax compliance behaviour among individual taxpayers in Malaysia.*
- H7: Tax reward (privilege card) positively influences tax compliance behaviour among individual taxpayers in Malaysia.*

## **RESEARCH METHODOLOGY**

### **Sample**

This study uses a survey questionnaire for data collection covering academicians throughout Malaysia. As the central focus of the study involves a psychological contract between taxpayers and tax authority, the focus is on the individual taxpayers as they are 'real person' (Income Tax Act 1976) who makes their judgment

concerning matters including taxation (Razilina et al., 2012). This study focuses specifically on individual salaried taxpayers because they are the more compliant group subjected to the Monthly Tax Deduction Scheme (MTDS) and receiving after-tax income (Raihana et al., 2014). This group of compliant taxpayers fits this study better since the main research element is the accommodative approach, an approach other than deterrence (McKerchar, 2002). This group should be acknowledged and appreciated, and it is a loss to the country when this previously compliant group turns non-compliant because they feel underappreciated. This is because SAS also provides a space for tax evasion by underreporting their income or extra claim for tax relief, as the statistics depict a trend of non-compliance among this group (IRBM, 2014; 2015; 2017). Therefore, it is crucial to study their perception of the approach used by the tax authority.

For data collection, academicians at a public university in Malaysia are chosen as the study sample since they are 'real' individual taxpayers earning an employment income ranging from medium to high income. In addition, this group is highly educated, constantly being referred for current issues (in this study refers to the element of tax rewards) and often trusted and respected by the community (Gill, 2006; Sellywati et al., 2017). In the same vein, the location of public universities in major towns will provide a meaningful result for the study covering individual Malaysian taxpayers as people in major towns represent the overall population for each state (Brymen and Bell, 2003; Palil, 2010). Based on the statistics published by the Ministry of Higher Education (MOHE), there are 31,586 academicians in 20 public universities throughout Malaysia in 2017. Therefore, the sample size was calculated as 379 following the recommendation by Krejcie and Morgan (1970). Furthermore, to adjust for sampling error and non-response rate, a higher sample size of 400 was selected as suggested by Sekaran and Bougie (2016).

### Questionnaire Design and Data Collection

Data were collected using a survey questionnaire, which was divided into three main sections (Section A: Respondent's Profile; Section B: Tax compliance behaviour; Section C: Tax Compliance Strategies). Section C is divided into four sub-sections (C1: Tax Education; C2: Treatment by Tax Authority; 3: SVDP; C4: Tax reward). The items were measured using a 5-point Likert scale. Table 1 presents the measurement used in this study for each variable.

Table 1 Definition and measurement of variables

Variable	Measurement (Source)
Tax compliance behaviour (TC)	Six items concerning tax compliance obligations of correctly submitting, paying, and reporting tax compliance (Niemiowski and Wearing, 2006; Gangl et al., 2013).
Tax Education (ED)	Six items concerning the importance and effectiveness of IRBM's current tax education programme. (Mahmood, 2012; Yunus et al., 2017)
Treatment by Tax Authority (TRT)	Eight items concerning taxpayers' perception regarding treatment given by the tax authority. (Niemiowski and Wearing, 2006)
SVDP (SVDP)	Case scenario about SVDP, with five items used to evaluate taxpayers' perception of the programme. (Bornman and Stack, 2015b; IRBM's circular)
<b>Tax Reward:</b>	Case scenario involving the four forms of tax reward (cash voucher, lucky draw, certificate of appreciation and privilege card) with five or six items used to measure taxpayers' perception of each tax reward variable. (Bornman and Stack, 2015b)
Cash voucher (CASH)	
Lucky draw (DRAW)	
Certificate of appreciation (CERT)	
Privilege card (CARD)	

A pre-test was conducted with a few taxation experts and the instrument was modified accordingly. Next, a pilot survey was performed involving 32 academicians to further improve the validity and reliability of the instrument used in this study. After necessary refinement, the questionnaires were ready to be sent online via the official e-mail of academicians throughout Malaysia. Based on the previous discussion, the sample size for this study is 400. However, for data collection, a higher number of questionnaires were distributed to overcome the problem of low feedback rates, especially studies in the field of taxation that are considered confidential and sensitive by respondents. Several past studies conducted in the Malaysian tax environment generated a total of five times the number of questionnaire distributions compared to the actual sample size to ensure that the number of responses received at least met the targeted number (Susan, 2016). After due consideration, a total of 2,500 questionnaires and a letter of research authorisation by the respective public university's registrars were sent online via the academicians' official e-mail according to the projected number based on the region of the universities. During the period, 87 notifications were received informing that the questionnaire failed to be sent due to invalid e-mail addresses (the academicians were no longer



serving or other error issues during delivery), bringing the final number of valid submissions to 2,413. After a week, a second follow-up e-mail was sent to the respondent as a friendly reminder to complete the pre-submitted questionnaire. A total of 501 questionnaires were returned during the survey period from the 1<sup>st</sup> of March 2020 until the 15th of May 2020. This led to a response rate of 20.8%, thereby fulfilling the target sample size of 400. The percentage of feedback received is normal and is within the range scale for most surveys on taxation in Malaysia, which is considered a confidential and sensitive topic. In addition, such percentages may also be driven by a low control over the research data collection process (Zainudin, 2019).

**Research Model**

This study explored the relationship between three current compliance strategies used by tax authority under an accommodative approach (namely tax education, treatment by the tax authority, SVDP) and four forms of potentially proposed tax reward (namely cash voucher, lucky draw, certificate of appreciation, privilege card) towards tax compliance behaviour among individual taxpayers in Malaysia. Figure 1 below depicts the research model for this study.

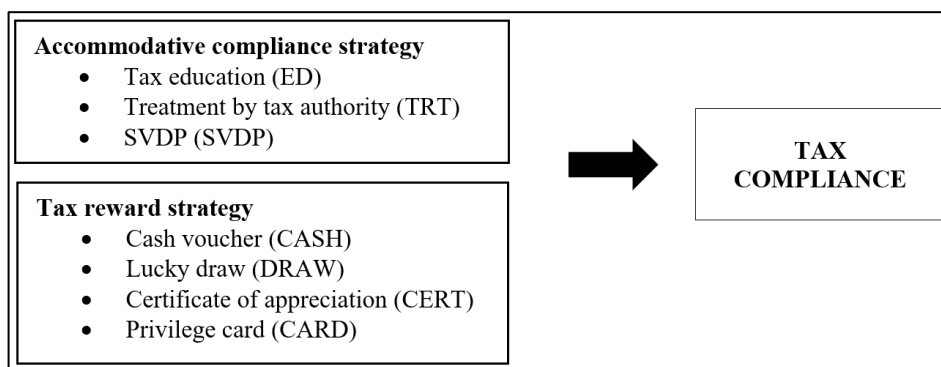


Figure 1 Research Model

**Data Analysis**

The data were analysed using multiple regression analysis to test seven hypotheses. Equation 1 is the regression model used in testing the hypotheses and establishing the tax compliance behaviour determinants. This statistical technique was considered suitable to answer the research objective since it allows one to evaluate the relationship between one dependent variable (DV) and several independent variables (IVs) (Tabachnick and Fidell, 2013).

$$TC = \beta_0 + \beta_1ED + \beta_2TRT + \beta_3SVDP + \beta_4CASH + \beta_5DRAW + \beta_6CERT + \beta_7CARD + \varepsilon \tag{1}$$

where TC = Tax compliance behaviour; ED = Tax education; TRT = Treatment by the tax authority; SVDP = SVDP; CASH = Cash voucher; DRAW = Lucky draw; CERT = certificate of appreciation; CARD = Privilege card; and  $\varepsilon$  = error.

**FINDINGS AND DISCUSSION**

**Respondents' Profile**

Based on the preliminary review of the responses received, 15 were considered unfit for further analysis, with four incomplete answers. Another 11 replies gave the same score for all questions, leaving 486 responses for further analysis. Table 2 presents the respondents' profiles.

Table 2 Respondents' profile (n=486)

Categories	Frequency	Percentage (%)	Cumulative Percentage (%)
Gender:			
Male	174	35.8	35.8
Female	312	64.2	100.0
Total	486	100.0	
Age:			
< 30	7	1.4	1.4
30-40	197	40.5	41.9
41-50	179	36.8	78.7
>50	103	21.2	100.0
Total	486	100.0	
Working experience (years):			
1-10	132	27.2	27.2
11-20	214	44.1	71.6
21-30	113	23.3	94.9
>30	27	5.5	100.0
Total	486	100.0	
Monthly salary:			
RM3,000 – RM5,000	19	3.9	3.9
RM5,001 – RM7,500	105	21.6	25.5
RM7,501 – RM10,000	243	50.0	75.5
RM10,001 – RM12,500	84	17.3	92.8
RM12,501 – RM15,000	19	3.9	96.7
>RM15,000	16	3.3	100.0
Total	486	100	
Duration of tax payment (years):			
1-5	73	15.0	15.0
6-10	142	29.2	44.2
11-15	77	15.9	60.1
16-20	92	18.8	78.9
>20	102	21.0	100.0
Total	486	100.0	
Experience dealing/interacting with IRBM:			
Yes	373	76.7	76.7
No	113	23.3	100.0
Total	486	100.0	
Have a formal tax education background in college or university:			
Yes	182	37.5	37.5
No	304	62.5	100.0
Total	486	100.0	

In conclusion, based on the respondents' background and involvement in Malaysia's current tax system, they are deemed fit to provide the necessary information regarding the approaches taken by the IRBM to improve tax compliance behaviour. Overall, respondents from this study cover middle and higher-income earners who are also mature taxpayers since 55.7% paid taxes for more than 10 years. Concurrently, most respondents (76.7%) are experienced in dealing with IRBM. Although 23.3% of respondents are not conversant with IRBM, they can still answer the questionnaire since they were only required to respond based on their perception. This event is not expected to distort the research findings, and including the samples will not provide a difference in results as this study attempts to obtain respondents' perceptions towards the issue.

Furthermore, most respondents (62.5%) do not have a formal tax education background. Formal tax education refers to those who specifically took a taxation subject in college or university, which is currently only related to those pursuing a Diploma or Bachelor of Accountancy. Without such formal tax education, their tax knowledge mostly depends on the efforts and programmes provided by IRBM. The respondents' background with and without formal tax education is similar to the actual situation. Therefore, their response and perception, especially concerning the importance and effectiveness of IRBM's current tax education programme with the mission to provide tax knowledge through seminars, websites, or social media, is significant and valuable, thus worth being highlighted to the IRBM.

**Normality Test**

This study assesses the normality of the data using the value of skewness and kurtosis. Results depicted that the data were normally distributed as the skewness value was between +1 and -1, while kurtosis ranged from +3 to -3 (Hair et al. 2013). Table 3 presents the normality test result.

Table 3 Normality test

	Skewness		Kurtosis	
	Value	Std. error	Value	Std. error
TC	-0.905	0.114	-0.303	0.227
ED	-0.214	0.114	-0.334	0.227
TRT	-0.177	0.114	-0.535	0.227
SVDP	0.190	0.114	-0.048	0.227
CASH	-0.616	0.114	-0.037	0.227
DRAW	-0.254	0.114	-0.403	0.227
CERT	-0.439	0.114	-0.542	0.227
CARD	-0.886	0.114	0.578	0.227

According to Table 3, the data were normally distributed since the value of skewness and kurtosis are within the range suggested by Hair et al. (2013).

**Internal Reliability Test**

The reliability test was performed to determine the inter-item consistency, explaining how well the measured item ‘hangs together’ as a set (Sekaran & Bougie 2016). According to Hair et al. (2013), a Cronbach’s alpha value of 0.7 or greater is considered acceptable, while Nunally (1978) and Zainudin (2019) suggested a lower threshold where a minimum value of 0.6 is acceptable. Nevertheless, irrespective of the threshold considered, the present results are deemed acceptable and reliable. Table 4 presents the result of the reliability test.

Table 4 Reliability test

Variable	No. of items	Cronbach Alpha value
TC	6	0.703
ED	6	0.826
TRT	8	0.936
SVDP	5	0.676
CASH	4	0.874
DRAW	3	0.909
CERT	6	0.957
CARD	6	0.952

Based on the table, the value of *Cronbach alpha* for all variables in the study surpassed the acceptable value of 0.7 (Hair et al., 2013) except for SVDP, with a value of 0.676. However, the value for SVDP has exceeded the minimum value of 0.6, as Nunally (1978) and Zainudin (2019) suggested. Overall, all variables meet the minimum reliability test requirements whereby four variables surpassed the excellent score of 0.9, namely CERT (0.957), CARD (0.952), TRT (0.936) and DRAW (0.909). Accordingly, all items in each variable have internal consistency and can be used for subsequent analysis.

**Correlation Analysis**

Table 5 Pearson correlation matrix among variables

	TC	ED	TRT	SVDP	CASH	DRAW	CERT	CARD
TC	1							
ED	0.117*	1						
TRT	0.224**	0.494**	1					
SVDP	0.291**	0.233**	0.443**	1				
CASH	0.076	0.179**	0.251**	0.223**	1			
DRAW	0.004	0.194**	0.201**	0.139**	0.553**	1		
CERT	-0.087	0.278**	0.239**	0.138**	0.260**	0.376**	1	
CARD	0.132**	0.195**	0.222**	0.233**	0.426**	0.367**	0.479**	1

Notes: \*\* Significant at p<0.01 and \*Significant at p<0.05.

Overall, the correlation coefficient for all variables was below 0.9, which indicates multicollinearity is unlikely to be an issue in this study (Tabachnich and Fidell, 2013).

### Multiple Regression Analysis Result and Discussion

The main objective of this study is to determine factors influencing tax compliance behaviour based on seven compliance strategies under the accommodative approach. This study also highlights the potential implementation of tax rewards as one of the strategies in Malaysia's tax compliance behaviour model. Table 6 presents the result of multiple regression analysis regarding the relationship between tax compliance behaviour and seven accommodative approaches.

Table 6 Multiple regression analysis results

	Coefficient	t	Sig.	Tolerance	VIF
Constant	2.777	10.228	0.000**		
ED	0.015	0.385	0.700	0.702	1.425
TRT	0.123	2.807	0.005**	0.612	1.635
SVDP	0.191	4.064	0.000**	0.769	1.300
CASH	0.010	0.275	0.783	0.604	1.655
DRAW	-0.011	-0.419	0.675	0.625	1.599
CERT	-0.104	-4.275	0.000**	0.689	1.452
CARD	0.095	2.907	0.004**	0.643	1.554

Model fit:  
R<sup>2</sup>: 0.188 F-value: 7.125  
Durbin-Watson: 1.883 prob: 0.000

Notes: \*\* Significant at  $p < 0.01$  and \*Significant at  $p < 0.05$ .

The results reveal that four factors significantly influence tax compliance behaviour. Two of them are the current accommodative approaches used by IRBM, TRT ( $\beta = 0.123$ ;  $p < 0.01$ ) and SVDP ( $\beta = 0.191$ ;  $p < 0.01$ ). Thus, H2 and H3 are supported. The result depicts the positive perception of the current treatment provided by IRBM, which confirms that IRBM is on the right track in fulfilling its current motto of 'The Best Service for You' and its mission of providing taxpayers better service. Previous studies in Malaysia (Mahmood, 2012; Razilina et al., 2012; Raihana et al., 2014; Sellywati et al., 2017; Nivakan, 2020) and other countries (Niemiowski and Wearing, 2006; Feld and Frey, 2007; Verboon and Van Dijke, 2007; Murphy, 2008; Farrar et al., 2017; Alm, 2018) reported similar outcomes. The result justifies that tax authorities, especially IRBM, should continuously improve the service performance of frontline officers so that most customers experience favourable treatment from their officers. The latter is crucial as the quality of treatment received by taxpayers can transform non-compliant taxpayers (tax offenders) into compliant taxpayers (Feld and Frey, 2007; Murphy, 2008; Razilina et al., 2012).

In this study, the significant influence of SVDP on tax compliance behaviour indicates that the tax amnesty programme launched by IRBM in 2018 was perceived as favourable by most taxpayers, resulting in a positive response. According to Feld et al. (2006), tax authorities should offer tax amnesty which is perceived as an encouragement ('*carrot*') to non-compliant taxpayers to influence non-compliant taxpayers to be more favourable towards their tax obligation. This opportunity serves as a second chance, which is necessary since non-compliance sometimes occurs unintentionally. The finding confirms that the tax authority's encouragement through tax amnesty programmes may encourage tax compliance behaviour, which was also found in previous studies (Ahmad Nurkhin et al., 2018; Damayanti et al., 2020). Nonetheless, careful assessment is necessary before implementing any tax amnesty programme continuously. This strategy could be ineffective over time as honest and compliant taxpayers consider tax amnesty programmes unfair (Richardson and Sawyer, 2001; Torgler, 2007; Saracoglu and Caskurlu, 2011).

Next is the factor of tax education concerning taxpayers' perception regarding the importance and effectiveness of IRBM's current tax education programme. It covers various dimensions, including programmes and seminars and widening to obtain tax knowledge through websites or social media. However, the insignificant result of tax education indirectly reflected that IRBM should assess and make necessary amendments and improvements in the current tax education programme, as the current programme was ineffective in influencing tax compliance behaviour. This study suggests that IRBM should provide more educational programmes to improve taxpayers' knowledge other than the technical aspects suggested by Mahmood (2012) and provide extra awareness programmes as recommended in previous studies in Malaysia's tax environment (Norzilah et al., 2016; K-Rine et al., 2018; Sanusi et al., 2021). Furthermore, workshops or seminars offered by IRBM should create a favourable tax compliance behaviour culture rather than only compliance from the technical perspective (Ho et al., 2006). In the same vein, Ibrahim and Pope (2011) suggested that IRBM exploit current technological advancement by utilising technology in tax education

wherever possible to enhance the level of tax compliance behaviour in Malaysia. The researchers also proposed that tax education be integrated into all educational institutions, from school to university, since the younger generation are the future taxpayers. Currently, those pursuing a Diploma or Bachelor of Accountancy will only have a formal tax education as reflected in the present study whereby two-thirds of respondents have no formal education. Therefore, their tax knowledge solely depends on the programme conducted by IRBM, either formally or informally, through various platforms including websites and social media.

This study also implied that privilege cards were positively related to tax compliance behaviour. In contrast, certificates of appreciation were negatively related to tax compliance behaviour, which differs from the expectation in H6. The result also provides a shred of evidence concerning the other two forms of non-material tax rewards, namely CERT ( $\beta = -0.104$ ;  $p < 0.01$ ) and CARD ( $\beta = 0.095$ ;  $p < 0.01$ ), which significantly influence tax compliance behaviour. The result proposed that IRBM start introducing non-material rewards, especially privilege cards in line with most countries, especially in the Asian region such as Sri Lanka, South Korea, Pakistan, Peru, Japan and India. Those countries give privilege cards with benefits that suit the taxpayer's needs. For example, the taxpayers will provide special routes at selected government agencies and advantages at the airport, including business class lounges and fast lanes at immigration counters for passport verification for overseas flights. The privileges granted will smooth out and facilitate the affairs of the card recipients, which will please them because they feel the existence of a non-material return on their tax contributions to the country. Furthermore, the significant negative relationship between the certificate of appreciation differs from the initial expectation, indicating the need for revisions and scrutiny. The negative relationship may stem from respondents not getting a clear picture since it is new. This result clearly shows that the approach be refined before implementation since previous studies found a positive relationship (Bornman and Stack, 2015; Putra and Amrie Firmansyah, 2018). Besides, they are also middle- and high-income earners who feel that the rewards offered do not give them significant returns.

The results for the two types of material rewards are somewhat surprising. CASH and DRAW were insignificant in influencing tax compliance behaviour in Malaysia, which contradicts the initial assumption since the method of lucky draw (DRAW) has already been implemented in the local council to pay property tax since 2009 and received a positive impact on tax collection. The finding also contradicts the reports by Rillstone (2015), Bazart and Pickhardt (2011), and Putra and Amrie Firmansyah (2018) in Indonesia, as these studies found that material rewards are more of a taxpayer's choice and have the most significant impact than non-material forms. Other factors such as different environments and cultures, may contribute to the discrepancies in the results. In comparison to the study conducted by Putra and Amrie Firmansyah (2018) in Indonesia, which can be assumed to be in the same culture, different findings may arise due to the respondent being involved in small and medium businesses. They may be more attracted to material rewards due to the financial returns they can get. Instead, the study included respondents who were salaried taxpayers categorised into middle and high-income groups who are also subjected to MTDS. Furthermore, as a lucky draw is only about a chance to win, this group may also not be attracted to it. Other studies may suggest other forms of material tax rewards which are more attractive to all taxpayers. However, the present results align with Smith and Stalan (1991) and Bornman and Stack (2015a), who found that non-material rewards affected tax compliance more than material forms. In Malaysia's tax environment, these findings align with the recommendations by Azhar et al. (2017) and Yunus et al. (2017) for tax rewards to be applied as one of the encouraging strategies in improving the dimensions of tax compliance strategies in Malaysia.

As the relationship between taxpayers and tax authority involves a psychological contract, incentives in the form of rewards should be provided as a force of encouragement in ensuring both parties benefit equally (Feld and Frey, 2007). This reward pleases taxpayers since it serves as reciprocity of their tax contribution, consistent with the description by Brockmann et al. (2016), where rewarding compliant taxpayers may result in an environment of 'Happy Taxation'. The finding further strengthened the results from previous studies in which tax rewards led to tax compliance behaviour (Bornman, 2014; Bornman and Stack, 2015a; 2015b; Yunus et al., 2017; Putra and Amrie Firmansyah, 2018; Abdul Rashid et al., 2021). One interesting finding of the present study is that non-material forms of tax reward are more capable of influencing tax compliance behaviour than the other two material rewards, namely cash vouchers and the lucky draw, which are insignificant. Overall, the finding justifies implementing tax rewards as one of the strategies to encourage tax compliance behaviour in Malaysia's tax environment, focusing on non-material forms of tax rewards. However, despite two forms of material reward (cash voucher and lucky draw) were found insignificant, they

can still be implemented in the future. This study is preliminary, and tax reward is still a new element in Malaysia's tax environment. The result of this preliminary study may suggest that privilege cards should be considered in modelling tax compliance behaviour strategies in Malaysia, especially for individual taxpayers. Concurrently, the certificate of appreciation should be reconsidered and made a necessary assessment specifically for salaried taxpayers to channel towards a positive direction.

## CONCLUSION

This study provides empirical evidence on the influence of elements under the accommodative approach towards tax compliance behaviour, especially among individual taxpayers in Malaysia. The research evaluates three current IRBM strategies and four forms of proposed tax rewards. For the current strategy, good treatment by the tax authority and SVDP is proven to encourage tax compliance behaviour. However, the insignificant result proposed for IRBM to enhance their tax education programme aligns with the suggestion by a few studies within the Malaysian context (Ho et al., 2006; Ibrahim and Pope, 2011; Mahmood, 2012; Norzilah et al., 2016). Overall, this study provides noteworthy input to the tax authorities and policymakers, particularly IRBM, to evaluate and enhance their compliance strategies to encourage tax compliance behaviour among taxpayers.

In addition, the non-material reward has the potential to be implemented in Malaysia to complement the current tax compliance strategy, which concurrently answers the proposal previously made by Azhar et al. (2016), Yunus et al. (2017) and Abdul Rashid et al. (2021) regarding the implementation of tax rewards in Malaysia's tax environment. As a proposal, input from this study suggests that the provision of privilege cards should be considered given its positive and significant influence on tax compliance behaviour. The reward signals appreciation and recognition of compliant taxpayers, which will indirectly cultivate a tax compliance behaviour culture in Malaysia. This initiative is consistent with other countries, specifically Asian countries, including Japan, China, India, South Korea, India, Sri Lanka, the Philippines, and Indonesia. These countries have begun adopting tax rewards to improve tax compliance behaviour which concurrently reduces tax non-compliance issues. Therefore, IRBM needs to consider tax rewards as one of their compliance strategies by using relatively comprehensive, more effective, and fair tax compliance strategies instead of focusing more on tax audits and penalties in improving tax compliance behaviour. Consistent with the Responsive Regulatory Theory as a study base, the findings prove that compliance can be improved through persuasion, encouragement, and assistance. The tax administrator should also emphasise those elements in the tax compliance strategy model and the preventive aspect.

Finally, it should be acknowledged that some limitations of the studies need to be noted in translating the results. Firstly, this study only covered individual salaried taxpayers, regardless of self-employed taxpayers. However, the sample selection was made based on the justification described in the methodology part, where the focus is deemed necessary to ensure the validity and reliability of the findings. Secondly, using questionnaires to obtain feedback on a personal and sensitive element, such as tax compliance, may be open to response bias. Respondents may give different feedback compared to their actual behaviour. Thirdly, Malaysia's cultural and environmental factors with the unique characteristics of the Asian community with racial diversity are likely to influence the results, especially when the study model is adapted from Western studies. Nevertheless, this unique feature is expected to add value to the field of knowledge and expand the dimensions of existing studies, especially regarding tax rewards. Due to the limitations, future studies may expand the sample by obtaining feedback from other categories, including self-employed taxpayers or salaried taxpayers from different sectors. The study can be extended using other approaches, such as interviews, to investigate tax compliance issues for more meaningful outcomes where respondents can express their opinions without being bound by the statements in the questionnaire. However, these recommendations should be executed with caution as the issue of taxation is considered confidential and sensitive and may cause discomfort to the survey respondents.

## REFERENCES

- Abdul Rashid, S. F., Ramli, R., Palil, M. R. and Mohd Amir, A., 2021. The influence of power and trust on tax compliance motivation in Malaysia. *International Journal of Economics and Management*, 15(1), pp. 133–148.
- Abdul Rashid, S. F., Ramli, R., Palil, M. R. and Mohd Amir, A., 2022. The influence of the power of tax administrator on cognitive and affective tax attitude in Malaysia. *Asian Journal of Accounting and Governance*, 17, pp. 59-74.
- Ahmad Nurkhin, N., Ine, N., Muhsin and Sumiadji., 2018. The influence of tax understanding, tax awareness and tax amnesty toward taxpayer compliance. *Jurnal Keuangan dan Perbankan*, 22(2), pp. 240–255.
- Allingham, M. and Sandmo, A., 1972. Income tax evasion: A theoretical analysis. *Journal of Public Economics*, 1, pp. 328-338.
- Alm, J. and Torgler, B., 2006. Culture difference and tax morale in the United States and in Europe. *Journal of Economic Psychology*, 27(2), pp. 224-246.
- Alm, J., 2018. What motivates tax compliance? *Journal of Economic Surveys*, pp. 1-36.
- Anon., 2016. Tugakan cukai Majlis Perbandaran Seberang Jaya berkurang. *Utusan Malaysia*.
- Anon., 2017. Penalti 100%. *Harian Metro*, 13 April.
- Ayres, I. and Braithwaite, J., 1992. *Responsive Regulation: Transcending the Deregulation Debate*. New York: Oxford University Press.
- Azhar, M., Neazlin, R. and Zarinah, H., 2017. Tax arrears amongst individual income taxpayers in Malaysia. *Journal of Financial Crime*, 24(1), pp. 17–34.
- Bazart, C. and Pickhardt, M., 2010. Fighting income tax evasion with positive rewards. *Public Finance Review* 39(1), pp. 124-149.
- Bornman, M., 2014. Principles for Understanding, Encouraging, and Rewarding Voluntary Tax Compliance. Tesis Dr. Fal, University of Johannesburg.
- Bornman, M. and Stack, L., 2015a. Rewarding tax compliance: taxpayers’ attitudes and beliefs. *Journal of Economic and Financial Sciences*, 8(3), pp. 790-807.
- Bornman, M. and Stack, L., 2015b. Specific rewards for tax compliance: Responses of small business owners in Ekurhuleni, South Africa. *E-Journal of Tax Research*, 13(3), pp. 799-818.
- Brockmann, H., Genschel, P. and Seelkopf, L., 2016. Happy taxation: Increasing tax compliance through positive rewards? *Journal of Public Policy*, 36(3), pp. 381–406.
- Bryman, A. and Bell, E. 2003. *Business Research Methods*. Oxford: Oxford University Press.
- Carillo, P., Pomeranz, D. and Singhal, M., 2017. Dodging the taxman: Firm misreporting and limits to tax enforcement. *American Economic Journal: Applied Economics*, 9(2), pp. 144–164.
- Damayanti, T. W., Nastiti, P. K. Y. and Supramono, S., 2020. Does tax amnesty influence intention to comply? If students are taxpayers already. *Business, Management and Education*, 18, pp. 1-13.
- Devos, K., 2013. The role of sanctions and other factors in tackling international fraud. *Common Law World Review*, 42, pp. 1-22.
- Dom, J. A., 2013. Enforcement trend and compliance challenge: Malaysia’s experience. *The Fourth IMF-Japan High-Level Tax Conference for Asian Countries*, 2 April 2013, Tokyo.
- Dwenger, N., Kleven, H., Rasul, I. and Rincke, J., 2016. Extrinsic and intrinsic motivations for tax compliance: evidence from a field experiment in Germany. *American Economic Journal: Economic Policy*, 8(3), pp. 203-232.
- Faizal, S. M., Zaini, R. M. and Somasundaram, N. R., 2021. Tax awareness and tax knowledge of students at secondary school level in Malaysia. *International Business Education Journal*, 14(1), pp. 65–70.
- Farrar, J., Kaplan, S. E. and Thorne, L., 2017. The effect of interactional fairness and detection on taxpayers’ compliance intentions. *Journal of Business Ethics*, pp. 1–14.
- Feld, L. P. and Frey, B. S., 2007. Tax compliance as a result of a psychological tax contract: The role of incentives and responsive regulation. *Law and Policy*, 29(1), pp. 102-120.
- Feld, L. P., Frey, B. S. and Torgler, B., 2006. Rewarding honest taxpayer? Evidence on the impact of rewards from field experiments. *Centre for Research in Economic, Management and Arts*, 16, pp. 1-23.

- Gangl, K., Muehlbacher, S., De Groot, M., Goslinga, S., Hofmann, E., Kochler, C. and Kirchler, E., 2013. How can I help you? Perceived service orientation of tax authorities and tax compliance. *Finance Archive*, 69(4), pp. 487-510.
- Gill, P., 2006. Doctors delighted with top rating. *The Star*, 20 April.
- Hai, O. T. and See, L. M., 2011. Behavioral intention of tax non-compliance among sole- proprietors in Malaysia. *International Journal of Business and Social Science*, 2(6), pp. 142–152.
- Hair, J. F., Black, W. C., Babin, B. and Anderson, R. E., 2013. *Multivariate Data Analysis*, A Global Perspective. Pearson Prentice Hall.
- Hartner, M., Rechberger, S., Kirchler E. and Schabmann, A., 2008. Procedural fairness and tax compliance. *Economic Analysis & Policy*, 38(1), pp. 137-150.
- Hasseldine, J., Holland, K. and Rijdt, P. V., 2009. *The Management of Tax Knowledge*. The Association of Chartered Certified Accountants, ACCA, London.
- Ho, J. K., Loo, E. C. and Lim, K. P., 2006. Perspective of non-taxpayers' perception on issues of ethics and equity in tax compliance. *Malaysian Accounting Review*, 5(2), pp. 47-59.
- Ibrahim, I. and Pope, J. 2011., The viability of a pre-filled income tax return system for Malaysia. *The Journal of Contemporary Issues in Business and Government*, 17(2), pp. 85–101.
- IRBM., 2011-2021. *Annual Report 2011-2017*. Kuala Lumpur, Malaysia.
- Koessler, A. K., Torgler, B., Feld, L. P. and Frey, B. S., 2019. Commitment to pay taxes: Results from field and laboratory experiments. *European Economic Review*, 115, pp. 78–98.
- Kornhauser, M. E., 2007. A tax morale approach to compliance: Recommendation for the IRS. *Florida Tax Review*, 8(6), pp. 599-640.
- Krejcie, R. V. and Morgan, D. W., 1970. Determining sample size for research activities. *Education and Psychological Measurement*, 30, pp. 607-610.
- K-Rine, C., Yusri, Y., Ong, T. S. and Selamat, A. I., 2018. Does disclosure of enforcement strategies affect tax minimization? A multi-method approach. *International Journal of Economics and Management*, 12(2), pp. 759–769.
- Kurniawan, D., 2020. the influence of tax education during higher education on tax knowledge and its effect on personal tax compliance. *Journal of Indonesian Economy and Business*, 35(1), pp. 57-72.
- Kwok, Y. S. and Yip, W. Y., 2018. Is tax education good or evil for boosting tax compliance? Evidence from Hong Kong. *Asian Economic Journal*, 32(4), pp. 359-386.
- Loo, E. C., Evans, C. and McKerchar, M. A., 2012. Challenges in understanding compliance behaviour of taxpayers in Malaysia. *Asian Journal of Business and Accounting*, 3(2), pp. 145-161.
- Loo, E. C., McKerchar, M. and Hansford, A., 2009. Understanding the compliance behaviour of Malaysian individual taxpayers using a mixed method approach. *Journal of the Australasian Tax Teachers Association*, 4(1), pp. 181-202.
- Luttmer, E. F. and Singhal, M., 2014. Tax morale. *Journal of Economics Perspectives*, 28(4), pp. 149-168.
- Machogu, C. G. and Amayi, J. B., 2013. The effect of taxpayer education on voluntary tax compliance, among SMES Mwanza City-Tanzania. *International Journal of Marketing, Financial Services & Management Research*, 2(8), pp. 12-23.
- Mahmood, M., 2012. Compliance Risk Management Strategies for Tax Administrations in Developing Countries: A case study of the Malaysian Revenue Authority. PhD Thesis, The University of Warwick.
- McKerchar, M., 2002. The effects of complexity on unintentional non-compliance for personal taxpayers in Australia. *Australian Tax Forum*, 17(1), pp. 3-26.
- McKerchar, M., Bloomquist, K. and Pope, J., 2013. Indicators of tax morale: an exploratory study. *eJournal of Tax Research*, 11(1), pp. 5-22.
- McKerchar, M. A. and Pope, J., 2011. Modelling the determinants of tax morale and its effect on taxpayer compliance. *3rd Annual Behavioral Tax Symposium*. George Mason University.
- Murphy, K., 2004. Moving towards a more effective model of regulatory enforcement in the Australian Taxation Office. *British Tax Review*, 6, pp. 603–619.
- Murphy, K., 2008. Enforcing tax compliance: to punish or persuade? *Economic Analysis and Policy*, 38(1), pp. 113-135.



- Nadiah, A. H. and Mohammad, H., 2018. the influence of taxpayers' tax liability, affordability and morality on tax amnesty program in Malaysia. *Labuan e-Journal of Muamalat and Society*, pp. 12:1-25.
- Niemirowski, P. and Wearing, A., 2006. Do Australian taxation office staff and compliant taxpayers identify with tax from the same perspective, or are there significant degrees of separation?. *Journal of Australian Taxation*, 9(2), pp. 191-171.
- Nivakan, S, Sahari, S. and Sharon, C. C., 2020. How social factor determine individual taxpayers' tax compliance behaviour in Malaysia. *International Journal of Business and Society*, 21(3), pp. 1444-1463.
- Norzilah, H., Anuar, N. and Ahmad Saiful Azlin, P. S., 2016. Improving tax compliance via tax education - Malaysian experience. *Malaysian Accounting Review*, 15(2), pp. 243–262.
- Nunnally, J., 1978. *Psychometric Theory*. Vol. 2nd Edition. New York: McGraw Hill.
- Okafor, O. N. and Farrar, J., 2021. Punishing in the public interest: exploratory Canadian evidence pertaining to convictions and incarcerations for tax offences. *Journal of Accounting and Public Policy*, March, pp. 1-25.
- Palil, M. R., 2010. Tax knowledge and Tax compliance determinants in Self-Assessment System in Malaysia. PhD Thesis, University of Birmingham.
- Putra, P. F. and Amrie Firmansyah., 2018. The effect of tax knowledge, reward, and enforcement strategies on SMEs tax compliance behavior. *The Seventh Intl. Conf. on Advances in Social Science, Management and Human Behaviour*, 28.
- Raihana, M. A., Khadijah, I. and Salwa Hana, Y., 2014. The impact of threat of punishment on tax compliance and non-compliance attitudes in Malaysia. *Social and Behavioral Science*, 164, pp. 291-297.
- Razilina, A. R., Zaleha, A. S. and Norsiah, A., 2012. The effect of tax audit and investigation activities on individual tax compliance: Evidence from Malaysia. *Malaysian Accounting Review*, 11(1), pp. 123-153.
- Richardson, M., and Sawyer, A. J., 2001. A taxonomy of a tax compliance literature: Further findings, problems and prospects. *Australian Tax Forum*, 16, pp. 137-320.
- Rillstone, J. 2015., Rewarding taxpayers: A possible method to improve tax compliance in New Zealand? Master Thesis, University of Canterbury.
- Sanusi, S., Nik Abdullah, N. H., Chin, L. T., Rastam, F. and Rozzani, N., 2021. The influence of power and trust on tax compliance motivation in Malaysia. *International Journal of Economics and Management*, 15(1), pp. 89-102.
- Saracoglu, O. F. and Caskurlu, E., 2011. tax amnesty with effects and effecting aspects: tax compliance, tax audits and enforcements around; The Turkish case. *International Journal of Business and Social Science*, 2(7), pp. 95-103.
- Sekaran, U. and Bougie, R., 2016. *Research Methods for Business: A Skill-building Approach*. New York: John Wiley and Sons Inc.
- Sellywati, M. F., Mohd Rizal, P., Ruhanita, M. and Rosiati, R., 2017. Power and trust as factors influencing tax compliance behavior in Malaysia. *Asian Journal of Accounting and Governance*, 8, pp. 79-85.
- Siti Nurfazlina, Y. and Saidatulakmal, M., 2017. Individual tax compliance decision. *Pertanika Journal Social Science & Humanities*, 25(S), pp. 97–108.
- Smith, K. W. and Stalan, L. J., 1991. Encouraging tax compliance with positive incentives: A conceptual framework and research direction. *Law and Policy*, 13(1), pp. 35-53.
- Sritharan, N., Salawati, S. and Cheuk, S. C. S., 2020. How social factor determine individual taxpayers' tax compliance behaviour in Malaysia? *International Journal of Business and Society*, 21(3), pp. 1444–1463.
- Susan, H. S., 2016. A Study of Tax Authority Information Assistance in Malaysia: Determinants of Its Usage and Impacts on Tax Compliance. Tesis PhD, Curtin University.
- Tabachnick, B. G. and Fidel, L. S., 2013. *Using Multivariate statistics*. 6<sup>th</sup> Edition. Boston: Pearson Education.
- Torgler, B., 2003. Tax Morale: Theory and Empirical Analysis of Tax Compliance. Tesis Dr. Fal, University of Basel.
- Torgler, B. and Murphy, K., 2004. Tax morale in Australia: what shapes it and has it changed over time? *Journal of Australian Taxation*, 7(2), pp. 298–335.
- Torgler, B., 2007. *Tax Compliance and Tax Morale: A Theoretical and Empirical Analysis*. Edward Elgar Publishing.

- Twum, K. K., Amaniampong, M. K., Assabil, E. N., Adombire, M. A., Edisi, D. and Akuetteh, C., 2020. Tax knowledge and tax compliance of small and medium enterprises in Ghana, *South East Asia Journal of Contemporary Business, Economics and Law*, 21(5), pp. 222-231.
- Verboon, P. and van Dijke, M., 2007. A self-interest analysis of justice and tax compliance: How distributive justice moderates the effect of outcome favourability. *Journal of Economic Psychology*, 28(6), pp. 704-727.
- Wilks, D.C., Cruz, J. and Sousa, P. 2019. "Please give me an invoice": VAT evasion and the Portuguese tax lottery. *International Journal of Sociology and Social Policy*, 39(5-6), pp. 412-426.
- Yee, C. P., Moorthy, K., Choo, W., Soon, K. and Yee, C. P., 2017. Taxpayers' perceptions on tax evasion behaviour: an empirical study in Malaysia. *International Journal of Law and Management*, 59(3), pp. 1-27.
- Yunus, Y., Ramli, R. and Abu Hassan, N. S., 2017. Tax penalties and tax compliance of small medium enterprises (SMEs) In Malaysia. *International Journal of Business, Economics and Law*, 12(1), pp. 81-91.
- Zainudin, A., 2019. *Research Methodology and Data Analysis*. 2<sup>nd</sup> Edition. Shah Alam: UiTM Press.