When tax practitioners file their personal tax returns: Do attitude, social norms, and perceptual control matter?

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ARTICLE INFO

Article history:
Received 26 June 2021
Accepted 31 August 2021
Published 21 September 2021

Keywords:
Tax compliance
Attitude
Subjective norms
Perceived behavioural control
Theory of planned behavior
Free trait theory

DOI:
10.24191/jeeir.v9i3.14983

ABSTRACT

Tax revenue is a key source of income for most countries in the world. To maximize tax revenue, it is critical that taxpayers comply with relevant tax laws particularly in a self-assessment filing system. Alas, many countries are still grappling with tax evasion or even tax avoidance issue. A key challenge is tax compliance behavior remains a complex and perplexing topic. While a lack of tax knowledge is pertinently attributable to unintentional non-compliance, the causes of intentional non-compliance are far from clear. This study aims to investigate the factors associated with intentional tax non-compliance by ruling out the variation in tax knowledge explanation. In so doing, this study employs a sample of respondents deemed conversant with tax knowledge. More specifically, this study surveys 104 tax practitioners in Malaysia using a convenience sampling technique and utilizes the theories of planned behavior and free trait to explore how they behave when filing their personal tax returns. The findings suggest only subjective norms is significantly linked to their tax compliance behavior. This study extends the literature on the role of individual factors on tax compliance behaviour among tax practitioners acting in a different persona.

1. Introduction

Tax revenue continues to be the primary income source of Malaysia’s government (Tan, Mohd Salleh & Md Kassim, 2017). Major developments in the Malaysian tax system include the implementation of self-assessments and tax administration in 2001. While reducing the administration costs of tax collection incurred by the tax authorities (Loo, Mckerchar & Hansford, 2009), self-assessment system comes with a price. A key downside of self-assessment system is a minimal monitoring and hence a lower likelihood of tax compliance unless the taxpayers possess the right attitude (Loo, 2006; Loo et al., 2009). Tax compliance refers to the ability of a taxable entity to send correct, complete, and adequate returns to the tax assessment

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https://doi.org/10.24191/jeeir.v9i3.14983
authority in accordance with tax laws and regulations (Kirchler, 2007). Accordingly, prior literature suggests the issues concerning tax compliance should account for taxpayers’ attitudes and beliefs when honoring their tax duties (Ambrecht, 1998). A better understanding of taxpayers’ motives, attitudes, and choices would significantly improve voluntary compliance as well as the efficiency of the tax administration (Walsh, 2012).

The concern of tax compliance is crucial for policymakers as non-compliance signifies lower revenues and leads to serious government losses. As of 2019, Malaysia reported an estimated amount of RM300 billion of tax revenue losses due to tax evasion and the shadow economy accounts for 21% of gross domestic product (Bernama, 2020; The Star, 2020). Tax non-compliance can also produce an unreasonable burden on honest taxpayers, leading to a lack of respect for the tax system. Thus, many tax administrations are making huge efforts to combat non-compliance and to identify all possible measures to improve compliance (Isa, 2014). Consequently, tax compliance has attracted much interest among researchers (primarily from the accounting discipline) since the mid-1990s. Most of these studies have focused on understanding factors influencing the compliance behaviour of individuals and small business taxpayers including individual, social, economic, and institutional (Loo, Evans & McKerchar, 2010; Sikayu et al., 2020).

Findings from some previous research indicate that taxpayers seem to comply less with direct taxes than with indirect taxes (Palil, 2010). This phenomenon could occur due to unintentional non-compliance, particularly in the early years of self-assessment system implementation due to factors such as lack of familiarity with the new system, or limited knowledge of tax issues where such information was not needed and needs to be learned in some way. Alternatively, non-compliance among taxpayers may also be intentional. Relative to unintentional tax noncompliance, intentional non-compliance is likely more difficult to deal with. While the determinants of unintentional non-compliance are intuitive, i.e. a lack of knowledge of tax laws or tax system, the factors contributing to intentional non-compliance are more complex.

A prominent group of subjects examined in previous tax compliance studies is tax practitioners. On top of their significant involvement in the provision of paid tax return filing services, tax practitioners are crucial contributors to the debate on the evolution of tax policy.† Their work is vital not only for the everyday functioning of tax systems, but also in identifying limitations in the existing tax systems, conceptualizing potential solutions, and helping convert governments’ tax reform visions into reality. The tax practitioners have been documented in extant literature to have a significant influence on the tax compliance behavior of their clients (Garcia et al., 2020; Hasseldine, Hite, James & Toumi, 2007). Even though it has been well established in the extant literature that the tax compliance behavior of the tax practitioners is influenced by their individual traits and beliefs, little is known on how these tax practitioners behave when preparing their personal tax returns.

A prominent social psychology theory, the free-trait theory, suggests an individual may behave differently at work and home (Balsari-Palsule & Little, 2020). According to the free-trait theory, a non-law abiding tax practitioner who intentionally under-reports his/her personal tax return, may still act in compliance with the laws when preparing his/her clients’ tax returns to maintain his/her integrity and professionalism. Furthermore, social psychology theorists propose that individuals may experience disharmonized attitudes, beliefs, or behaviours, also called cognitive dissonance, due to forced compliance behaviour, decision-making, or effort (Festinger, 1957; McLeod, 2018). In the tax payment setting, Stam and Verbeeten (2017) suggest compliance behaviour of a taxpayer is not static and may adjust to changes

† For example, in the US, 56 percent of the taxpaying entities employs the service of tax practitioners (Kacamak, 2021).
in the capacity and motives to comply resulting from changing roles of the taxpayer. In the context of this study, while the capacity to comply likely remains for the tax practitioners, their motivation to comply may alter when they change hats between a tax practitioner to a taxpayer. Unfortunately, the potential application of free-trait theory and behavioural changes of a tax practitioner-cum-taxpayer has been under-researched.

In view of the above, it will be interesting to learn whether tax practitioners will behave differently when acting as tax practitioners and taxpayers. Accordingly, this study focuses on tax practitioners as taxpayers rather than tax practitioners. More precisely, it will probe into the links between attitude towards tax payment, subjective norms, and perceived behavioural control and tax compliance behaviour among tax practitioners. For the purpose of this study, tax practitioners refer to members of the Malaysian Institute of Accountants (MIA). Unlike other public taxpayers, a lack of knowledge and skills in filing tax returns should not be an issue for tax practitioners. Through their direct involvement in tax-related works, tax practitioners are deemed conversant with existing tax systems. By focusing on the tax practitioners, this study rules out the unintentional tax noncompliance acts and controls for the systematic variation in tax knowledge across the surveyed taxpayers.

2. Literature review and hypothesis development

2.1 Tax reporting and assessment in Malaysia

Malaysia uses a territorial income taxation system. Taxation applies to all profits earned in, extracted from, or remitted to Malaysia (Malaysia Taxation System, n.d). Prior to 2001, Malaysia had an official assessment system in which taxpayers paid their taxes to the Inland Revenue Board of Malaysia based on their tax returns prepared by the IRBM (Khoo, 2017). Commencing 2001, the self-assessment system was introduced where taxpayers have to file their own returns. In 2020, the Inland Revenue Board of Malaysia has launched the Malaysian Income Tax Reporting System (MITRS), which is an online platform for electronic submission of the tax working sheets. The MITRS has been implemented in phases, beginning with businesses that were audited or under investigation (LHDNM - Malaysian Income Tax Reporting System (MITRS), 2020, November 24).

2.2 Tax compliance and its determinants

Tax compliance behavior used to be studied predominantly from the economic viewpoint (Allingham & Sandmo, 1972; Yitzhaki, 1974). However, the conventional economic theory fails to explain why most taxpayers still pay taxes even when the probability of being audited is low, and hence the sanction and penalty is trivial. As a result, behavioural theories began to play significant roles in helping researchers understand tax compliance behavior. Prevalent behavioural theories underpinning prior tax compliance research include the theory of reasoned action and theory of planned behavior (Owusu, Bekoe, Anokye & Anyetei, 2020; Sikayu et al., 2020; Taing & Chang, 2021), and prospect theory (Dhami & Al Nowaihi, 2007; Lamantia & Pezzino, 2021).

A key conclusion from the behavioural-based studies is that there are legal and moral tax compliance (Posner, 2000). More specifically, McBarnet (2001) proposes four strategic responses to tax laws and their resulting compliance approaches. The highest level of compliance is when individuals comply with tax laws willingly or demonstrate what McBarnet calls committed compliance. Secondly, capitulating compliance is when individuals comply reluctantly, make noise and yet pay the taxes. Thirdly, non-compliance is when the individuals disclose their tax returns in an unethical manner, such as creating fake costs or operating in the cash economy without declaring it. Finally, creative compliance is when the individuals hire legal experts to help them manipulate the tax law in such a way that benefits them. The objective of creative compliance is to find loopholes in the tax law that allow them to redefine their earnings or recalculate their costs when they report their tax. To make it more complicated, the compliance behavior
of a particular tax-paying entity may change over time as a result of changes in the compliance ability and motives (Stam & Verbeeten, 2017). Overall, findings from prior studies suggest tax compliance behavior is influenced by four categories of factors; individual, social, economic, and institutional (Loo, Evans & McKerchar, 2010; Sikayu et al., 2020). Individual factors include tax knowledge and awareness (Yahya, Shaharuddin & Bakar, 2021), and demographic factors such as gender, age, educational level, occupational status, and religious background (Alasfour, 2019). Social factors encompass social norms (Lamantia & Pezzino, 2021), official and unofficial information available to taxpayers (Garcia et al., 2020), and communication with peers (Huang & Xiao, 2021). Key economic factors influencing tax compliance behavior are compliance costs (Musimenta, 2020), and the perceived efficiency of governmental tax revenues spending (Alasfour, 2019). Finally, institutional factors include tax complexity (Musimenta, 2020), tax rewards (Lisi, 2021), and tax law enforcement (Wu, Liang & Lin, 2020; Sanchez, 2021).

2.3 Theoretical underpinnings

This study employs the Theory of Planned Behaviour (TPB) to determine the factors that potentially affect the tax compliance behaviour of tax practitioners when filing their personal tax returns. TPB was proposed by Ajzen (1985) as an extension of the Theory of Reasoned Action (TRA), which was introduced a decade before by Fishbein and Ajzen (1975). TRA suggests if people evaluate the behaviour as having positive outcomes (attitude) and think that their other important ones would have them perform the comportment (subjective norms), people are more likely to conduct that behaviour (Fishbein & Ajzen, 1975). More specifically, behaviour reflects motives and expectations due to the perceived behavioural control in addition to attitude, and subjective norms (Ajzen, 1985; 1991). In a similar vein, TPB implies that the behaviour of any individual is not a spontaneous result of any circumstance. Instead, each behaviour reflects motives and expectations due to the perceived behavioural control in addition to attitude and subjective norms (Ajzen, 1985; 1991). Theories of reasoned action and planned behaviour are extensively used to study human behaviour in the tax compliance setting (e.g. Owusu et al., 2020; Sikayu et al., 2020; Taing & Chang, 2021). These theories have also been used in various other voluntary contexts such as environmental-related (e.g. Asmuni, S., Yusoff & Mohd Jafri, 2021; Li & Gong, 2013), health-related (e.g. Conner, Norman & Bell, 2002; Lin, 2016; Mugion et al., 2021), and many more.

TPB suggests taxpayers’ deliberate action is a function of triple behavioural components. To complicate this matter, their behaviours may further be contextual depending on their capacity and motives to comply with tax laws (Stam & Verbeeten, 2017). Arguably, the very same person wearing different hats may behave differently when the hat changes. These behavioural changes are puzzling given that behavior is associated with personal traits, which are claimed by conservative trait theorists to be rooted in an individual’s fixed (biogenic) trait. Logically, some modifications in the individual character are necessitated for the ‘acting out of character’ to occur (Little, 2008). It is this phenomenon that the free trait theory attempts to explain. Unlike conservative trait theory, free trait theory proposes that human action is a result of an intricate interplay between biogenic and other contextual variables, which are sociogenic and idiogenic (Little, 2007; Little & Joseph, 2007). Biogenic influences are inherited and evolutionary, and they can operate without awareness (Little, 2005). Norms, rules, and scripts are examples of sociogenic sources, and they, too, can elicit action without conscious effort (Little, 2008). Finally, idiogenic sources are the important concerns that people pursue in their lives, which include their personal constructions, commitments, and core projects (Little, 2008). They are usually the result of self-reflection and thus necessitate some level of conscious deliberation. In short, individuals manifest free traits when they endorse sociogenic scripts to achieve idiogenic goals, regardless of their biogenic dispositions (Little, 2008).

The free trait theory proposes that individuals may act out of character in certain circumstances particularly in advancing ‘core projects’ they deem important. Core projects are the pursuits that are inextricably linked to an individual’s deepest values (Little, 2008) such as keeping tax clients happy, which
are critical for the tax practitioners’ career prospects and reputation. For instance, a close-minded and literal tax practitioner would rather not explore new ways of calculating his/her personal tax liability. However, this very same individual may act out character by being more open-minded and imaginative when it comes to filing his/her clients’ tax returns for the sake of satisfying the clients and advancing their career. On the other hand, a tax practitioner with high agreeableness will have high tax morale as they are always concerned about others (e.g. society needing the benefits from the tax revenue collected) and hence avoid tax evasion. However, this similar person may be engaged in free-traited behaviour and becoming less empathetic to society when his/her clients request him/her to act non-compliantly.

2.3.1 Attitude towards tax compliance

According to TPB, a taxpayer with a positive perception of tax compliance is expected to be more conforming to tax laws than one with a negative perception. An individual who has a positive attitude about tax would think that tax would be properly managed by the government and returned to society through education, public facilities, and programmes while an individual with a negative attitude would perceive that the tax benefits are minimal (Putra & Osman, 2019). The positive relationship between taxpayers’ attitude towards tax compliance and their compliance is well documented in the extant literature across various settings (e.g. Abdul–Razak & Adafula, 2013; Alabede, Ariffin & Idris, 2011; Jayawardane & Low, 2016; Loo, Evans & McKerchar, 2010; Ozer & Yilmaz, 2011; Salman & Sarjono, 2013; Smart, 2012; Taing & Chang, 2021).

The above TPB’s notion may also imply that a taxpayer with a positive attitude towards tax compliance is expected to be less receptive to tax evasion. However, interestingly, prior studies find that the relationship between attitudes for tax compliance and self-reported tax evasion is weak (Trivedi, Shehata & Mestelman, 2005). A potential explanation for this latter finding is fear of reputational loss. Even though legally accepted, tax evasion is deemed unethical. Hence, taxpayers may refuse to be associated with tax evasion to safeguard their reputation.

Accordingly, the TPB’s argument may not hold for tax practitioners particularly those with negative attitudes toward taxation. When filing the tax returns of their clients, tax practitioners are expected to have a strong incentive to demonstrate the highest level of compliance for the sake of professionalism and integrity, at least in the eyes of their clients. Arguably, tax practitioners have strong incentives to maintain similar compliance behavior even when filing their personal tax returns because of reputational risk. Unlike other ordinary taxpayers, the reputational damage awaiting tax practitioners caught for tax evasion may be much more severe. Therefore, tax practitioners may avoid evading taxes even when they have unfavourable perceptions about tax compliance. However, the extent of reputational harm may vary across the ranks of tax practitioners. For example, the damage is potentially worse for a partner of a renowned audit firm compared to a junior tax consultant in a small growing firm. Hence, tax practitioners with lower reputational risk may be more likely to be non-compliant if they perceive the tax compliance negatively.

Despite the above intricacies, this study tests the following hypothesis:

**H1:** Attitudes towards tax compliance positively influences compliance behaviour among tax practitioners when filing their personal tax returns.

2.3.2 Subjective norms

According to TPB, taxpayers who feel their key referents are compliant are more likely to have complied themselves, and vice versa. Empirical supports for this proposed relationship can be found in many prior studies including Garcia et al., (2020), Lamantia and Pezzino (2021), and Shaharuddin, Tajuddin, and Palil (2018). Other than friends and relatives, significant referents for tax practitioners may include their colleagues, most of whom are likely tax practitioners themselves. In this regard, several studies have
documented a significant link between the fear of losing respect from peers and tax compliance (Grasmick & Bursik, 1990; Grasmick & Scott, 1982).

The reputational risk facing tax practitioners will likely strengthen the aforesaid conviction posited by TPB. That is if a tax practitioner perceives his/her colleagues are tax law-abiding, he/she is more likely to comply as well because the reputational damage will be worse if he is the only one of the few non-compliant in the profession. On the other hand, if a tax practitioner believes his/her colleagues are non-compliant, he/she is more likely to follow suit because the reputational damage is much less as it is common for tax practitioners to be involved in tax evasion. Both ways, the association between social norms and tax compliance behavior is predicted to remain positive. Therefore, the following is hypothesized:

**H2:** Subjective norms positively influence compliance behaviour among tax practitioners when filing their personal tax returns.

2.3.3 Perceived behavioural control

TPB proposes that an individual’s perception of his or her ability and ease in performing the target behaviour influences his/her actual behavior (Ajzen, 1991). Control is achieved by having the relevant skills, opportunities, resources, and the absence of any obstacle in performing the desired behaviour (Madden, Ellen & Ajzen, 1992). The greater the individuals’ beliefs about the presence of factors that may facilitate (or impede) individuals complying with the tax laws, the greater will be their control in undertaking (or not undertaking) the behaviour (in this case evading tax).

Notwithstanding the above, Smart (2012) conjectures that perceived behavioural control does not influence the tax practitioners’ compliance behavior because of their relatively high level of tax knowledge compared to other taxpayers. Thus, tax practitioners may not find the perceived behavioural control variables used in this study facilitating or deterring their compliance behavior. Furthermore, as argued in section 2.3.1, tax practitioners may have strong incentives to be tax compliant when filing their personal tax returns because of reputational hazard. Tax practitioners, unlike other ordinary taxpayers, may face far more severe reputational damage if they are detected evading taxes. Therefore, tax practitioners may avoid evading taxes even when they believe they have control over their personal tax reporting.

Despite the above competing views, the following hypothesis is predicted:

**H3:** Perceived behavioral control positively influences compliance behaviour among tax practitioners when filing their personal tax returns.

3. Research methodology

3.1 Survey instrument and respondents

This study uses a quantitative research design with a structured questionnaire as the research instrument. Except for the demographic factors, the survey items were adopted from Smart (2012). The survey consists of five sections, which are exhibited in Table 1 below.

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Table 1. Survey sections

<table>
<thead>
<tr>
<th>Section</th>
<th>Items</th>
<th>Number of items</th>
<th>Source*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Section A</td>
<td>The general information that covers respondents’ demographic information including age, gender, education, and current employment.</td>
<td>4</td>
<td>Self-constructed</td>
</tr>
<tr>
<td>Section B</td>
<td>Measure of attitude towards tax compliance that is the perceived desirability of complying (or not complying) with the tax laws</td>
<td>11</td>
<td>Adopted from Smart (2012)</td>
</tr>
<tr>
<td>Section C</td>
<td>Measure of subjective norms, which includes the referents’ expectations of them, referents’ tax-paying behaviour, and perceived loss of respect from the referent if they do not comply with their tax obligations.</td>
<td>6</td>
<td>Adopted from Smart (2012)</td>
</tr>
<tr>
<td>Section D</td>
<td>Measure of perceived behavioural control, which are the presence of opportunities, income subject to third-party reporting, and financial distress experienced during the tax compliance decision-making process</td>
<td>5</td>
<td>Adopted from Smart (2012)</td>
</tr>
<tr>
<td>Section E</td>
<td>Measure of tax compliance behaviour, which relates to respondents’ intention to comply (or not comply) with their tax obligations</td>
<td>3</td>
<td>Adopted from Smart (2012)</td>
</tr>
</tbody>
</table>

*Note: The only modifications made are the currency and tax authority name.

The sample of this study is tax practitioners in Klang Valley selected using convenience sampling technique.‡ This study focuses on Klang Valley as it has the highest number of registered tax practitioners in Malaysia. Particularly, respondents were chosen from the author’s circle of connections who are easy to contact or to reach. Some subjects were also identified from the internet through the search for the accounting firms’ profiles in Klang Valley. The inclusion criteria for the respondents is that they are accountants in Malaysia registered with the MIA with preference given to those currently employed as accountants.

Based on the MIA’s most recent figures, there are 12,845 registered accountants in Klang Valley as of the end of 2020. According to the rule-of-thumb formula proposed by Green (1991), for the significance level of 0.05, power of 0.80, and medium effect size, the minimum sample size required for this study is 89.§ This sample size is prudent given that the effect size of the taxpayer’s attitude towards tax compliance, subjective norms, and perceived behavioural control on tax compliance behaviour is arguably large as these variables are proposed by an established theory. In the case of large effect size and holding alpha value and power constant, the minimum number of respondents required for this study will only be 38 (Green, 1991). Furthermore, this sample size of 89 aligns with Roscoe (1975), who suggests that sample sizes greater than 30 and smaller than 500 are appropriate for most studies. The questionnaire of this study was distributed to 280 targeted respondents in April 2021 and 139 of them responded (49.6 percent response rate). The final usable responses were 104 (37.1 percent effective response rate).

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1 Ideally, the sample is selected randomly from the population of accountants in Klang Valley. Simple random sampling is expected to increase the extent that the sample represents the population as each member of the population has an equal chance of being selected. However, inaccessibility to the complete data set of the population from a reliable source resorts to the use of convenience sampling.

2 Green (1991) suggests the sample size determination should consider the effect size and proposes the N ≥ L/f² rule-of-thumb where N is the minimum number of subjects, L is lambda (L = 6.4 + 1.65m – 0.05m²), and f² is the effect size (with the operational definitions of f² of 0.02, 0.15, and 0.35 for small, medium, and large effect sizes respectively).

3 Alpha is set at 0.05, the traditional level of significance. Power is set at 0.80 while effect size is set at medium as Cohen (1988) proposes that these are appropriate for a wide range of behavioural studies.

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3.2 Empirical model

To test the predicted multivariate relationships, Equation (1) below is estimated using the Ordinary Least Squares regression:

\[
\text{Tax Compliance} = \alpha + \alpha_1 \text{Attitude} + \alpha_2 \text{Norm} + \alpha_3 \text{PBC} + \text{Controls} + \varepsilon
\]  

(1)

Where,

\begin{align*}
\text{Tax Compliance} &= \text{Likelihood of complying with tax rules and laws} \\
\text{Attitude} &= \text{Taxpayer’s attitude towards tax compliance behaviour} \\
\text{Norm} &= \text{Subjective norms} \\
\text{PBC} &= \text{Taxpayer’s perceived behavioural control} \\
\text{Controls} &= \text{Control variables}
\end{align*}

Equation 1 controls for plausible explanatory variables of tax compliance suggested in prior studies, which are age, gender, and level of education (Advani, 2020).

4. Findings and discussion

4.1 Respondents’ profile

Table 2 presents the profile of the tax practitioners surveyed in this study. The majority of the respondents are female, early- to mid-career tax practitioners, and possess undergraduate degree certificates.

Table 2. Respondents’ Profile

<table>
<thead>
<tr>
<th>Characteristic</th>
<th>Frequency</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gender</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Male</td>
<td>31</td>
<td>29.8</td>
</tr>
<tr>
<td>Female</td>
<td>73</td>
<td>70.2</td>
</tr>
<tr>
<td>Age</td>
<td></td>
<td></td>
</tr>
<tr>
<td>18 - 25 years</td>
<td>17</td>
<td>16.3</td>
</tr>
<tr>
<td>26 - 40 years</td>
<td>59</td>
<td>56.7</td>
</tr>
<tr>
<td>41 - 50 years</td>
<td>13</td>
<td>12.5</td>
</tr>
<tr>
<td>Above 50 years</td>
<td>15</td>
<td>14.4</td>
</tr>
<tr>
<td>Education level</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Diploma/Degree (Undergraduate)</td>
<td>77</td>
<td>74.0</td>
</tr>
<tr>
<td>Master/PhD (Post-graduate)</td>
<td>13</td>
<td>12.5</td>
</tr>
<tr>
<td>Professional Certificate</td>
<td>14</td>
<td>13.5</td>
</tr>
</tbody>
</table>

4.2 Descriptive and preliminary analysis

Table 3 reports the mean and standard deviation of the 25 survey items. Items 1-23 are measured using 7-Likert’s scale where:

- Items 1-23: 1 = strongly agree/extremely good/extremely beneficial/extremely likely/extremely important/extremely severe, 7 = strongly disagree/extremely bad/extremely harmful/extremely unlikely/extremely unimportant/extremely lenient. The mid-score is 4 = Neither one of the two extremes (e.g. neither agree nor disagree).
Item 24: 1 = included all; 2 = included 83%; 3 = included 67%; 4 = included half; 5 = included 33%; 6 = included 16%; 7 = included none.

Item 25: 1 = none 2 = once; 3 = twice; 4 = three times; 5 = four times; 6 = five times; 7 = more than five times

For the attitude towards tax compliance, the mean scores range from 1.53 (item 9) to 2.60 (item 10). These mean scores suggest the respondents believe complying with moral obligations to pay taxes is extremely important and that they expect the penalties imposed by the Inland Revenue Board to be slightly severe. On average, the mean scores of less than 3 suggest the surveyed respondents have positive attitudes towards tax compliance. These results are somewhat surprising given the political instability and corruption cases involving the government-linked companies in Malaysia when the survey was distributed.

For the subjective norms, the mean scores range from 1.59 (item 14) to 2.58 (item 17). The mean scores of 1.29 to 2.35 for items 12 – 15 suggest the respondents’ compliance behavior is influenced by people deemed important to them. Furthermore, the mean scores for items 16 and 17 of 2.50 and 2.58 respectively suggest the respondents agree to some degree that concern about losing respect from important people will hinder them from being non-compliant.

For the perceived behavioural control construct, the highest mean score is 5.15 for item 21. This score suggests that it is slightly uncommon for the respondents to receive income that is not subject to reporting by others. That is, most of their income is subject to disclosure by others. Furthermore, the respondents slightly agree that obtaining income that is subject to reporting by others will make it hard for them to underreport their income, as evidenced by the mean score of 3.09 for item 20. Finally, the mean scores of items 19 and 22 of 4.76 and 4.37 suggest that the respondents rarely face financial constraints and that even if they financially struggle, it will not be easy for them to be tax non-compliant.

Finally, the tax compliance’s descriptive results show that the respondents are tax compliant. They are most likely to report unrecorded cash income, report over 83 percent of their income, and have never underreported or only underreported once.

Table 3 also reports the internal consistency of the items for the four composite measures of the variables. The Cronbach’s alpha coefficients for the dependent and independent variables are higher than 0.70 suggesting the instruments are reliable and appropriate in measuring the four variables of interest. The survey responses of this study were collected for both the independent and dependent variables from the same respondents at one point in time. Thus, common method variance as false internal consistency might be present in the data. To address the common method bias, Harman’s single factor test is employed. An unreported result of 25.15% variance suggests common method bias is not present in this study.

4.3 Correlation analysis

Table 4 reports the correlation analysis of the test and dependent variables. As can be seen, Attitude and Norm are positively associated with Tax Compliance consistent with predictions. However, PBC is negatively related to Tax Compliance, which is not expected. However, this latter result is not a concern since it represents a bivariate relation while this study focuses on the multivariate associations between the three independent variables and Tax Compliance. Furthermore, the bivariate analysis in Table 4 shows that the correlations among the independent variables range between -0.308 and 0.676. This indicates that multicollinearity is not an issue and that discriminant validity has been established in this study.
Table 3. Mean, standard deviation, factor loading, and Cronbach’s alpha of survey items

<table>
<thead>
<tr>
<th>Item no.</th>
<th>Survey items</th>
<th>N</th>
<th>Mean</th>
<th>Standard deviation</th>
<th>Factor loading</th>
<th>Cronbach’s alpha</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>If I underreport my income in my next tax return, I expect the Inland Revenue Board will detect the underreported income and impose monetary penalties.</td>
<td>104</td>
<td>2.38</td>
<td>1.345</td>
<td>0.736</td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>For me to be penalised financially for underreporting my income is good.</td>
<td>104</td>
<td>2.39</td>
<td>1.218</td>
<td>0.685</td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>Underreporting my income in my next tax return would be beneficial (or harmful) to our society as a whole.</td>
<td>104</td>
<td>2.01</td>
<td>1.038</td>
<td>0.741</td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>For me to feel that I have made a positive contribution to society through my taxes is good.</td>
<td>104</td>
<td>1.99</td>
<td>0.950</td>
<td>0.641</td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>If I underreport my income in my next tax return, I expect the Inland Revenue Board will impose penalties on the shortfall.</td>
<td>104</td>
<td>2.28</td>
<td>1.218</td>
<td>0.661</td>
<td></td>
</tr>
<tr>
<td>6</td>
<td>I would not feel guilty if I underreport my income in my next tax return.</td>
<td>104</td>
<td>2.00</td>
<td>1.307</td>
<td>0.509</td>
<td></td>
</tr>
<tr>
<td>7</td>
<td>For me to feel guilty for underreporting my income is good.</td>
<td>104</td>
<td>2.26</td>
<td>1.269</td>
<td>0.585</td>
<td></td>
</tr>
<tr>
<td>8</td>
<td>I believe I have a moral obligation to report all of my income in my next tax return.</td>
<td>104</td>
<td>1.63</td>
<td>0.838</td>
<td>0.610</td>
<td></td>
</tr>
<tr>
<td>9</td>
<td>Ensuring that I comply with my moral obligations is important (or unimportant).</td>
<td>104</td>
<td>1.53</td>
<td>0.696</td>
<td>0.657</td>
<td></td>
</tr>
<tr>
<td>10</td>
<td>If I underreport my income in my next tax return, I expect the penalties imposed by the Inland Revenue Board will be severe.</td>
<td>104</td>
<td>2.60</td>
<td>0.940</td>
<td>0.621</td>
<td></td>
</tr>
<tr>
<td>11</td>
<td>If I underreport my income in my next tax return, I expect my returns to be audited by the Inland Revenue Board.</td>
<td>104</td>
<td>2.44</td>
<td>1.181</td>
<td>0.727</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Subjective norms (6 items)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>0.723</td>
</tr>
<tr>
<td>12</td>
<td>Most people who are important to me think I should report all my income in my next tax return.</td>
<td>104</td>
<td>2.13</td>
<td>0.972</td>
<td>0.734</td>
<td></td>
</tr>
<tr>
<td>13</td>
<td>In general, I want to do what most people who are important to me think I should do.</td>
<td>104</td>
<td>2.21</td>
<td>1.040</td>
<td>0.616</td>
<td></td>
</tr>
<tr>
<td>14</td>
<td>Most people who are important to me would not include all their income in their next tax return.</td>
<td>104</td>
<td>1.59</td>
<td>1.095</td>
<td>0.657</td>
<td></td>
</tr>
<tr>
<td>15</td>
<td>Generally, I would do what I believe most people who are important to me would do if they were in a similar situation.</td>
<td>104</td>
<td>2.35</td>
<td>1.012</td>
<td>0.704</td>
<td></td>
</tr>
<tr>
<td>16</td>
<td>Most people who are important to me would not respect me if I underreport my income in my next tax return.</td>
<td>104</td>
<td>2.50</td>
<td>1.272</td>
<td>0.607</td>
<td></td>
</tr>
<tr>
<td>17</td>
<td>I would be deterred from underreporting my income if I believe that I will lose the respect of most people who are important to me.</td>
<td>104</td>
<td>2.58</td>
<td>1.259</td>
<td>0.693</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Perceived behavioural control (5 items)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>0.787</td>
</tr>
<tr>
<td>18</td>
<td>If I have the opportunity, I intend to underreport my income in my next income tax return.</td>
<td>104</td>
<td>5.13</td>
<td>1.696</td>
<td>0.703</td>
<td></td>
</tr>
<tr>
<td>19</td>
<td>How often would you encounter financial pressures that require you to underreport your income?</td>
<td>104</td>
<td>4.76</td>
<td>1.692</td>
<td>0.571</td>
<td></td>
</tr>
<tr>
<td>20</td>
<td>If all my income is subject to reporting by others (employers, banks, etc) it would be difficult for me to underreport my income in my next tax return.</td>
<td>104</td>
<td>3.09</td>
<td>2.034</td>
<td>0.629</td>
<td></td>
</tr>
<tr>
<td>21</td>
<td>How often do you receive income that is not subject to reporting by others?</td>
<td>104</td>
<td>5.15</td>
<td>1.467</td>
<td>0.656</td>
<td></td>
</tr>
<tr>
<td>22</td>
<td>If I encounter any financial pressure, it would be easy for me to justify underreporting my income in my next tax return.</td>
<td>104</td>
<td>4.37</td>
<td>1.696</td>
<td>0.746</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Tax compliance behaviour (3 items)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>0.834</td>
</tr>
<tr>
<td>23</td>
<td>Joe was paid RM5,000 in cash for work that was outside his regular job. He knows that because the payment was in cash and not recorded anywhere, it would be difficult for the Inland Revenue Board to detect his income. If you were Joe, how likely would it be that you would include the RM5,000 in your next tax return?</td>
<td>104</td>
<td>2.27</td>
<td>1.374</td>
<td>0.767</td>
<td></td>
</tr>
<tr>
<td>24</td>
<td>How much of your income did you report in your last tax return, or the latest return you filed?</td>
<td>104</td>
<td>1.67</td>
<td>1.170</td>
<td>0.782</td>
<td></td>
</tr>
<tr>
<td>25</td>
<td>How often have you underreported your income in the past 8 years?</td>
<td>104</td>
<td>1.91</td>
<td>1.534</td>
<td>0.726</td>
<td></td>
</tr>
</tbody>
</table>
Table 4. Correlation matrix for independent and dependent variables

<table>
<thead>
<tr>
<th></th>
<th>Tax Compliance</th>
<th>Attitude</th>
<th>Norm</th>
<th>PBC</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tax Compliance</td>
<td>1.000</td>
<td>0.255**</td>
<td>0.402**</td>
<td>-0.226*</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(0.009)</td>
<td>(0.000)</td>
<td>(0.021)</td>
</tr>
<tr>
<td>Attitude</td>
<td>0.382**</td>
<td>1.000</td>
<td>0.676**</td>
<td>-0.442**</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(0.000)</td>
<td>(0.000)</td>
<td>(0.000)</td>
</tr>
<tr>
<td>Norm</td>
<td>0.447**</td>
<td>0.664**</td>
<td>1.000</td>
<td>-0.318**</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(0.005)</td>
<td>(0.000)</td>
<td>(0.001)</td>
</tr>
<tr>
<td>PBC</td>
<td>-0.272**</td>
<td>-0.441**</td>
<td>-0.308**</td>
<td>1.000</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(0.005)</td>
<td>(0.000)</td>
<td>(0.001)</td>
</tr>
</tbody>
</table>

Pearson (Spearman) correlations are reported above (below) the diagonals in Table 4. Variable definitions: Tax Compliance is taxpayers’ compliance behavior; Attitude is taxpayer’s attitude towards tax compliance; Norm is subjective norms; PBC is perceived behavioural control. Correlations are significant at 1% (**) and 5% (*) levels respectively (2-tailed) with p-values in parentheses.

Table 5. Multiple regression results (N=104)

<table>
<thead>
<tr>
<th>Variable</th>
<th>Step 1 Standardized coefficient</th>
<th>t-statistics</th>
<th>Step 2 Standardized coefficient</th>
<th>t-statistics</th>
</tr>
</thead>
<tbody>
<tr>
<td>Constant</td>
<td>8.339</td>
<td>4.511**</td>
<td>4.691</td>
<td>1.659</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(0.000)</td>
<td></td>
<td>(0.100)</td>
</tr>
<tr>
<td>Gender</td>
<td>-0.150</td>
<td>-1.524</td>
<td>-0.090</td>
<td>-0.977</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(0.131)</td>
<td></td>
<td>(0.331)</td>
</tr>
<tr>
<td>Age</td>
<td>-0.127</td>
<td>-1.299</td>
<td>-0.090</td>
<td>-0.973</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(0.197)</td>
<td></td>
<td>(0.333)</td>
</tr>
<tr>
<td>Education level</td>
<td>0.059</td>
<td>0.601</td>
<td>0.082</td>
<td>0.901</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(0.549)</td>
<td></td>
<td>(0.370)</td>
</tr>
<tr>
<td>Attitude</td>
<td></td>
<td>-0.065</td>
<td></td>
<td>-0.493</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>(0.623)</td>
</tr>
<tr>
<td>Norm</td>
<td>0.396</td>
<td>3.166**</td>
<td></td>
<td>(0.002)</td>
</tr>
<tr>
<td>PBC</td>
<td></td>
<td>-0.116</td>
<td></td>
<td>-1.122</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>(0.265)</td>
</tr>
<tr>
<td>Adjusted R²</td>
<td></td>
<td>0.012</td>
<td></td>
<td>0.148</td>
</tr>
<tr>
<td>F-statistics</td>
<td></td>
<td>1.407</td>
<td></td>
<td>3.981**</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(0.245)</td>
<td></td>
<td>(0.001)</td>
</tr>
</tbody>
</table>

Results estimated using Ordinary Least Squares regression.

Step 1: Tax Compliance = α + Controls + ε

Step 2: Tax Compliance = α + α₁ Attitude + α₂ Norm + α₃ PBC + Controls + ε

Variable definitions: Tax Compliance is taxpayers’ compliance behavior; Attitude is taxpayer’s attitude towards tax compliance; Norm is subjective norms; PBC is perceived behavioural control; Controls are age, gender, and education level. Coefficients are significant at 1% (**) and 5% (*) levels respectively with p-values in parentheses.

4.4 Regression analysis

Equation (1) is employed to test the relationships between attitude towards tax payment, subjective norms, perceived behavioural control, and tax compliance behaviour. The 22 items measuring the independent variables (attitude towards tax compliance, subjective norms, and perceived behavioural control) and 3 items measuring the dependent variable (tax compliance behaviour) were collapsed and entered into the equation. The regression results reported in Table 5 suggest there is a significant positive relationship between subjective norms and tax compliance behavior. Consistent with prediction, the behaviour of tax practitioners while filing their personal tax returns is influenced by the approval of key
referents. Approval of key people matters to tax practitioners as it likely determines the extent of reputational loss associated with their intentional non-compliance behavior, as argued in section 2.3.2.

Nonetheless, Table 5 reports that tax practitioners’ attitude towards tax compliance is not significantly linked to their tax compliance behaviour. This result is consistent with the notion of ‘advancing core projects (i.e. reputational capital) through acting out of character’ discussed in section 2.3.1. Particularly, tax practitioners’ concern for reputational risk outweighs and masks the effect of attitudes on their tax compliance behavior. Furthermore, the result shows that perceived behavioural control is not a significant explanatory variable for compliance behavior among tax practitioners when filing their personal tax returns. This result can be inferred to suggest that the presence of opportunities (financial constraints) and obstacles (third party disclosure of their income) does not influence tax practitioners’ compliance behavior due to their high level of tax knowledge (Smart, 2012). The presence of reputational threat may further obscure the effect of perceived behavioural control on tax practitioners’ compliance behavior and thus making it insignificant.

Overall, the hypothesis test results agree with Smart (2012) in terms of social norms and perceived behavioural control, but differ in terms of tax compliance attitudes.

5. Conclusion

5.1 Key findings and contributions

The result from this study suggests there is a positive and statistically significant relationship between subjective norms and tax compliance behavior among tax practitioners when they file their personal tax returns. However, attitudes towards tax compliance and perceived behavioural control are not found to have significant effects on tax compliance behaviour. This research extends the literature by providing empirical evidence on the behavioural factors of a unique taxpayer group i.e. tax practitioners in an emerging economy. More precisely, the findings provide some insights into the effects of the widely used TPB’s components in explaining the compliance behavior of tax practitioners when filing their personal tax returns. This study also adds to the body of knowledge by applying a relatively new and underutilized theory, free trait theory, to explain the potential behavioural shifts of a tax professional-turned-taxpayer. The findings of this study suggest, tax professionals may engage in free-traited conduct in pursuit of their fundamental objectives, such as professional reputation and career progress. Consequently, two TPB components are determined to have no significant impact on tax compliance behaviour. A key implication of this study is that the tax compliance theoretical framework is not generic to all groups of taxpayers. Hence, the findings of this study may assist the tax authority in customizing its efforts and initiatives in increasing compliance rates to specific types of taxpayers.

5.2 Limitations and future research directions

The main limitations of this study include the small sample size. It uses a relatively small sample of 104 tax practitioners, all of whom live in Malaysia’s central states. To reflect the entire tax practitioner population’s interest, future studies should expand the sample coverage to include other parts of Malaysia. This study may also suffer from response (social desirability) bias. As tax compliance may be deemed sensitive, some respondents may tend to provide biased (socially accepted) instead of truthful responses. Future researchers need to develop a questionnaire with simple and impartial wording, avoiding words that evoke an emotional response to resolve this bias. Finally, this study infers that tax practitioners behave differently when filing their personal tax returns in line with the free trait theory. However, it does not provide a direct test to address this notion due to difficulty in measuring the character changes. Future studies may delve into this issue using methods such as in-depth interviews with tax practitioners.
Acknowledgements

The authors would like to express gratitude to the Faculty of Accountancy, Universiti Teknologi MARA for supporting this research.

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https://doi.org/10.24191/jeer.v9i3.14983 ©UiTM Press, Universiti Teknologi MARA


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