Challenges in Understanding Compliance Behaviour of Taxpayers in Malaysia

Ern Chen Loo*, Chris Evans and Margaret McKerchar

Abstract

Since the implementation of self assessment in Malaysia almost a decade ago, taxpayers' compliance behaviour has attracted considerable attention. Tax compliance research in Malaysia has predominantly been in the context of income tax and personal taxpayers, and has been conducted using survey methods and experimental approaches. Access to taxpayers' data is rarely made available to academic researchers by the Inland Revenue Board of Malaysia (IRB), thus studies have tended to rely on self-reported behaviour and convenience sampling which have limited the extent to which findings can be generalised. Further, most studies have considered only a limited range of variables that may or may not influence compliance behaviour which is widely recognised as being a complex phenomenon. Based on studies to date, it appears that Malaysian taxpayers have high ethics and that individuals' tax knowledge is a key influence on their compliance behaviour. Scope exists for further research using a range of methodologies, studies that are more comprehensive and longitudinal, and using a wider range of taxes, taxpayers, and compliance obligations.

Keywords: Compliance Behaviour, Self Assessment, Taxation, Tax Compliance

JEL Classification: H20, H24, H25, H26

*Corresponding author. Ern Chen Loo is an Associate Professor in the Faculty of Accountancy, Universiti Teknologi MARA, Malaysia and a Visiting Research Fellow at the University of New South Wales (UNSW), Australia, email: looern@yahoo.com; looernch@bdrmelaka.uitm.edu.my.

Chris Evans is a Professor in the Australian School of Taxation (Atax), UNSW, Australia, email: cc.evans@unsw.edu.au.

Margaret McKerchar is a Professor in the Australian School of Taxation (Atax), UNSW, Australia. McKerchar is also a Visiting Professor at the Universiti Teknologi MARA, Malaysia, email: m.mckerchar@unsw.edu.au.

Ern Chen Loo, Chris Evans and Margaret McKerchar

1. Introduction

Both developed and developing countries face major challenges in seeking to ensure that their revenue agencies are efficient and effective in collecting as much of the legitimately due tax revenues from taxpayers as they possibly can. Arguably, the task of maximising taxpayer compliance for advanced emerging economies such as Malaysia is even more critical than it is for many other more developed countries (McKerchar & Evans, 2009). Malaysia has been successful in the development and modernisation of its tax system in recent years. However, in view of the pace of tax system change and the likelihood of more changes in future years, research designed to enhance an understanding of the compliance of the Malaysian taxpayers has a critical role to play, particularly in ensuring that Malaysia has the public funds available to finance its ambitious development plans and to achieve its goal of being a fully developed economy by 2020.[1]

The major development in the Malaysian tax system in recent years has been in the area of tax administration, and particularly the introduction of self assessment (SA). Income tax SA in Malaysia was first implemented in 2001 for corporate taxpayers and in 2004 for all other taxpayers including individuals. Previously, income tax in Malaysia was assessed under the official assessment system (OAS). Under the OAS on filing returns, taxpayers needed only to disclose all the relevant facts necessary for the Inland Revenue Board of Malaysia (IRB) to correctly assess their tax liability. That is, the onus was on the assessor to comprehend, interpret and apply the law correctly.

Self assessment was adopted to address the unsatisfactory level of compliance under OAS (Sheikh-Obid, 1996; Kasipillai, Mohd-Hanefah, Mat Din, & Marimuthu, 1999; IRB, 2002; Mottiakavandar, Ramayah, Haron, & Ang, 2003; Shanmugam, 2003). It was also expected to speed up assessment processing, reduce compliance costs and facilitate revenue collections (Kasipillai, 1998; Singh & Bhupalan, 2001; Somasundram, 2003). Under SA, the onus for assessing tax liability has shifted to taxpayers (Silvani & Baer, 1997; Singh & Bhupalan, 2001) which means that they also had to learn and understand the tax laws (Mansor, Saad, & Ibrahim, 2004).

---

[1] *Wawasan 2020* or Vision 2020 is a Malaysian ideal introduced by the former Prime Minister of Malaysia, Mahathir bin Mohamed in 1991. The vision calls for the nation to achieve a self-sufficient industrial, Malaysian-centric economy by 2020. See http://www.wawasan2020.com/vision/, retrieved July 22, 2010.

An effective SA system requires high levels of voluntary compliance by taxpayers. To assist in achieving this, the IRB uses economic deterrence strategies, i.e. penalties and enforcement activities (including legal and criminal proceedings) (Singh & Bhupalan, 2001), much as it had done under OAS (Shanmugam, 2004; Yong, 2005). Such strategies may be appropriate in addressing intentional non-compliance, but they are unlikely to be appropriate for addressing other types of non-compliance, including unintentional non-compliance and over-compliance (McKerchar, 2002).

The purpose of this paper is to review the research literature on the compliance behaviour of Malaysian taxpayers and to identify areas where further research may be fruitful. The rationale behind this is that the change of assessment system may require changes in the enforcement strategies of the IRB, particularly if SA is to be effective. Such changes in the compliance strategies of the IRB are also likely to be required as and when significant changes in the Malaysian tax system come about.

This paper is presented in four (4) sections. Following this introduction, in section 1, the scope of tax compliance research in Malaysia is outlined. Section 2 also identifies the research methods that have been used to explore tax compliance behaviour. In section 3, the outcomes of tax compliance research in Malaysia are examined in detail according to the factors that are believed to be the most influential on taxpayer compliance behaviour. The contributions and limitations of these studies are then drawn together in section 4 and the areas for potential research are identified.

2.   The scope of tax compliance research in Malaysia

Tax compliance has been a growing area of research throughout the world since the 1970's and includes contributions from many disciplines including economics, psychology, accounting, political science, public administration, law, criminology and sociology (e.g. see Allingham & Sandmo, 1972; Clotfelter, 1983; Jackson & Milliron, 1986; Baldry, 1987; Dubin & Wilde, 1988; Henderson & Kaplan, 2005; Trivedi, Shehata, & Mestelman, 2005; Torgler & Valev, 2010). In the case of Malaysia, tax compliance has attracted much interest among researchers (primarily from the accounting discipline) since the mid 1990's. The majority of these studies have focused on various factors influencing compliance behaviour of individuals and small business taxpayers including entrepreneurship (Mottiakavandar et al., 2003); education (Kasipillai, Aripin, & Amran, 2003a); morals (Kasipillai, Mat Udin, & Ariffin, 2003b); tax competencies

(Madi & Kamaluddin, 2003; Loo & Ho, 2005); tax knowledge (Palil, 2005; Loo, 2006a); and gender and ethnicity (Kasipillai & Abdul-Jabbar, 2006).

In the Malaysian context, other researchers have studied corporate income tax compliance costs (Loh, Ariff, Ismail, Shamser, & Ali, 1997); compliance costs of small and medium enterprises (Mansor et al., 2004; Sapiei & Abdullah, 2008; Abdul-Jabbar & Pope, 2008a, 2008b); tax evasion (Kasipillai, 1997; Somasundram, 2003); the profile of tax evaders (Abdul, 2003); ethics of tax professionals (Singh, 2003) and the tax gap attributable to non-compliance (Abdul & Sheehan, 2003, 2004). There has also been research on land tax (Abdul-Manaf, Hasseldine, & Hodges, 2005) and on compliance with *zakat*, the Islamic tithe (Md-Idris, 2000). Given the purpose of this paper, the review that follows is limited to studies on income tax compliance.

Most research conducted to date has been quantitative in nature and used surveys to collect self-reported data (e.g. Kasipillai et al., 1999; Ho, Loo, & Lim, 2006). Few studies have used experiments, and these have typically used students as proxies for taxpayers (Kasipillai et al., 2003b; Loo, 2006a; Ahmad, Mohd-Hanefah, & Mohd-Noor, 2007). One common problem for quantitative researchers is that the IRB has rarely allowed access to actual taxpayers' data and this then limits the generalisability of the findings. Two exceptions are that of Abdul (2003) in examining the profile of non-compliers; and Md-Yassin, Hasseldine, and Paton (2010) in a study of non-compliance of small and medium sized corporations.

Some studies have adopted models or replicated designs from previous studies conducted elsewhere (e.g. Mohd-Hanefah, 1996; Azmi & Perumal, 2008). Very few researchers on tax compliance have used either qualitative or mixed methodologies (e.g. Loo, McKerchar, & Hansford, 2009).

3.   Factors affecting tax compliance: The research outcomes

A multitude of factors have been theorised and/or tested as influencing compliance behaviour and the extant literature is extensive. The approach taken herein is to consider the bulk of these studies as belonging to one of two groups, namely, those that focus on economic deterrence factors; and those that focus on the socio-psychological factors that influence compliance behaviour. Economic deterrence factors include enforcement activities such as tax audits, penalties and probability of detection, and tax rate; while the socio-psychological factors include tax knowledge, demographic variables, perception of tax fairness and tax law complexity. In addition to the economic deterrence and the socio-psychological factors,

there is no denying that other factors do have bearings on compliance behaviour. However, these other factors have been subject of limited research to date and / or beyond the scope of this paper. For example, opportunity has been found to be a factor that can influence compliance behaviour and there is evidence that greater opportunities for Malaysian taxpayers to evade tax could lead to a higher probability of evasion (Abdul-Manaf et al., 2005).

3.1 Economic deterrence factors

Research outside Malaysia has identified that behaviour in a wide range of contexts, including tax compliance, can be responsive to punishment or sanctions, or the threat of such sanctions (Becker, 1968; Allingham & Sandmo, 1972). Prior to the introduction of SA, the IRB adopted this traditional approach of enforcement, recognising the importance of audits and penalties to ensure taxpayer compliance (Singh, 1993). The conduct of tax audits is a common and regular feature under the SA system with the expectation that every taxpayer will be audited at least once every five (5) years (Singh, 2005). However, the impact of these enforcement strategies in Malaysia is unclear. Audits may indirectly contribute towards combating tax evasion (Sheikh-Obid, 2004; Sia, 2008), whereas sanctions have been found to have a significant relationship with tax compliance (Sia, 2008).

Penalties remain a widely used enforcement strategy in Malaysia under SA and this has created much concern, stress and dissatisfaction among taxpayers (Yong, 2005). Penalty rates and tax compliance behaviour have been found to be positively correlated (Sheikh-Obid, 2004; Sia, 2008; Loo et al., 2009) reflecting taxpayers' fear of being penalised. However, Malaysian taxpayers perceive the income tax rate to be high (Mohd-Hanefah, 1996) and when this is the case, it can result in them deciding to be intentionally non-compliant (Sheikh-Obid, 2004).

3.2 Socio-psychological factors

From the vast body of literature on the socio-economic factors that are considered to influence compliance behaviour (for a summary see, for example, McKerchar, (2002)), tax knowledge, tax complexity, taxpayers' attitudes, demographic variables, ethics, and compliance costs have been the subject of research in the context of Malaysia.

3.2.1 Tax knowledge

The introduction of SA has required taxpayers to acquire more adequate tax knowledge (Abdul-Latiff, Amin-Nordin, Che-Omar, & Harijito, 2005). Knowledge and understanding of tax laws and rules should better enable taxpayers to fulfil their tax statutory obligations, such as filing their tax returns within the stipulated time frame, truthfully reporting their tax affairs and accurately computing their tax liabilities (Loo et al., 2009). Further, having tax knowledge may also serve to change taxpayers' perceptions regarding the fairness of the tax system (Kasipillai, 1997; Mahat, 2007). Lack of appropriate tax knowledge may lead to unintentional non-compliance behaviour.

There are a number of studies that indicate the positive influence of tax knowledge on tax compliance behaviour (e.g. Kasipillai et al., 2003a; Loo, 2006a; Ahmad et al., 2007; Palil & Lymer, 2009). These also include the studies conducted by Loo (2006a) and Ahmad et al. (2007) using experimental approaches with students as subjects.

3.2.2 Tax complexity

Previous studies have suggested that the Malaysian tax laws are exasperatingly complex, confusing and change frequently (Mohd-Hanefah, 1996) and this, as a result, can lead to increased non-compliance (Kasipillai et al., 1999; Sheikh-Obid, 2004; Choong & Lai, 2008) which may be largely unintentional. Pope and Abdul-Jabbar (2008) have argued that the simplification of Malaysia's tax laws and regulations could increase the level of voluntary compliance by taxpayers. However, the simplification of the tax laws and tax system may not be effective deterrents against intentional non-compliance.

3.2.3 Taxpayer attitudes

Researchers from the United States (U.S.) have argued that taxpayers may not necessarily consider a complex tax system to be unfair and that perceptions of tax fairness and attitudes towards tax may be more influential on tax compliance behaviour (Forest & Sheffrin, 2002).

Consistent with equity theory and many overseas studies, there is evidence that the perceptions of Malaysian taxpayers regarding the fairness of the tax system is related to their attitude towards voluntary compliance (Mohd-Hanefah, 1996; Mottiakavandar et al., 2003; Loo, 2006b). It follows that perceptions of unfairness may lead to feelings of dissatisfaction among taxpayers and this may discourage voluntary compliance (Sheikh-Obid,

2004; John-Abdullah & Ahmad, 2004). It does appear that, based on survey data, Malaysian taxpayers perceive the current income tax system to be fair (Azmi & Perumal, 2008; Saad, 2010). There is also evidence that positive perceptions of the tax system and its fairness are stronger influences on the compliance behaviour of salary and wage earners than on the self-employed (Loo et al., 2009). Similarly, taxpayers' interactions with the IRB can also influence their compliance behaviour (Kasipillai & Baldry, 1998) particularly where they felt dissatisfied.

3.2.4 Demographic variables

There is also a considerable body of literature on the influence of demographic variables on taxpayer compliance and in some Malaysian research, variables such as age, gender, ethnicity and occupation have also been considered. Generally, overseas research has revealed inconsistent results with regard to age and tax compliance (Ritsema, Thomas, & Ferrier, 2003; Clotfelter, 1983; Baldry, 1987; Dubin & Wilde, 1988). One possible explanation for this inconsistency is that demographic variables (not only age) are at times treated as the cause (i.e. independent variable) and at other times they are treated as the mediating variable. Nevertheless, the results do provide interesting insights into compliance behaviour though they should be interpreted with caution.

Research on the relationship between age and compliance for Malaysian taxpayers has produced inconclusive findings. For example, Abdul (2003) found that those non-compliers are most likely to be between the ages of thirty (30) and fifty (50); Perumal (2008) found older taxpayers to be the most compliant; whereas John-Abdullah and Ahmad (2004) found that age is not a significant factor based on a survey of university academics (i.e. salary and wage earners).

In respect of *gender* as a demographic variable related to compliance, previous findings by overseas researchers have produced mixed results. However, there does appear to be greater support for the conclusion that females are more compliant than their male counterparts (Jackson & Milliron, 1986; Torgler & Valev, 2010). Some researchers have found that gender is significantly related to the attitude of Malaysian taxpayers towards compliance (Mottiakavandar, Haron, & Kasipillai, 2004a, 2004b; Kasipillai & Abdul-Jabbar, 2006). However, it has also been found that no significant differences exist between males and females regarding their attitudes towards tax evasion and non-compliance (Kasipillai & Abdul-Jabbar, 2006; Perumal, 2008), or on their level of compliance (Ahmad et al., 2007), or their tax knowledge (Palil, 2005).

In respect of *ethnicity* as a demographic variable related to the compliance of Malaysian taxpayers, significant differences have been found in relation to attitudes towards tax education, and tax evasion and avoidance in general. Kasipillai et al. (2003a) found that tax education in relation to personal tax evasion and evasion in general had more impact on the Indian respondents compared to the Malays and Chinese. In contrast, a later study by Kasipillai and Abdul-Jabbar (2006) based on a survey of one hundred and fifty six (156) taxpayers from George Town, Alor Setar, Kulim, Sungai Petani and Kangar, they did not find any significant differences in attitudes towards non-compliance based on ethnicity. In terms of tax knowledge, Palil (2005) found that significant differences (at 0.10 level) in tax knowledge existed between the Malays and Chinese as well as between the Chinese and Indians. In a subsequent study, Palil and Lymer (2009) found that Malays were significantly higher in tax knowledge, but it was not clear how this affected their compliance behaviour.

The level of understanding of tax and tax knowledge of Malaysian taxpayers is generally considered low for all occupations (Abdul-Latiff et al., 2005; IRB, 2006). Based on a survey of university staff (both academic and non-academic), John-Abdullah and Ahmad (2004) concluded that occupation was not related to compliance. Similarly, Palil (2005) found that, based on a survey of one hundred and fifty three (153) postgraduate students, there were no significant mean differences in tax knowledge between individuals employed in the public and private sectors. However, in the context of land tax, Abdul-Manaf et al. (2005) found that individuals' taxpaying behaviour and attitudes were influenced by their occupational group's taxpaying culture. This could imply that taxpayers' attitudes towards paying tax may vary according to the tax itself.

There have also been studies that examined the financial constraints faced by individual taxpayers, their religion and the location of taxpayers' residency. Financial constraints were found to affect compliance behaviour of individual taxpayers (Palil & Lymer, 2009), especially more so for the self-employed than for salary and wage taxpayers (Loo, 2006b). There is also evidence to suggest that religiosity and location of taxpayers' residency appear to affect taxpayers level of tax knowledge rather than their compliance behaviour (Palil & Lymer, 2009).

3.2.5 Ethics

Taxpayers' ethics or morals are generally believed to influence their behavioural intentions (Trivedi et al., 2005; Henderson & Kaplan, 2005). Individuals with higher ethics or levels of moral reasoning are more likely

to focus on their relationship with others and on personally held principles rather than on themselves (Kohlberg, 1981).

Malaysian taxpayers acknowledge that it is their legal and moral obligation to submit tax returns and pay their taxes (Ho et al., 2006) and feel that those who do know their tax obligations, but fail to fulfil them, are unethical and immoral and should be penalised (Kasipillai et al., 2003b). There is also evidence that taxpayers with higher fiscal knowledge tend to score positively in tax ethics than those with lower fiscal knowledge (Singh, 2003). The limited studies to date in Malaysia on taxpayer ethics are consistent in their findings that ethics have a significant and positive influence on compliance behaviour.

3.2.6 Compliance costs

Much of the compliance cost literature has primarily focused on aspects of measurement (Evans, 2008), but there is recognition more broadly that compliance costs can influence taxpayer compliance behaviour (Yesegat, 2008). With the introduction of SA in Malaysia, taxpayers may need to seek assistance from tax advisors which would in turn increase their compliance costs (Sapiei & Abdullah, 2008).

Malaysian studies on compliance costs have focused on corporations and SMEs and typically classified costs as being either internal or external (e.g. Loh et al., 1997; Sapiei & Abdullah, 2008). Internal costs are those related to time spent by the management/staff in the preparation of tax returns and tax related activities, while external costs are mainly related to the engagement of external tax advisors. Other Malaysian studies have classified compliance costs into three (3) elements, i.e. monetary costs, time costs and psychological costs (e.g. Abdul-Jabbar & Pope, 2008a, 2008b). Monetary costs involve expenses incurred on hiring of tax agents/advisors, purchase of taxation books, guides and other tax related materials. Time spent on record keeping, completing tax returns and dealing with the tax authority are time costs, while psychological costs are the imputed costs associated with the stress encountered in managing complex tax matters.

Similar to research based on many other jurisdictions (Evans, 2008), compliance costs in Malaysia have been found to be regressive and with larger companies bearing higher external costs and smaller businesses bearing higher internal costs (Loh et al., 1997; Hanefah, Ariff, & Kasipillai, 2002). However, with the introduction of SA, it appears that the external costs of SMEs increased considerably (Mansor et al., 2004). A subsequent study by Abdul-Jabbar and Pope (2008a) using a large-scale mail survey found that the post-SA compliance costs of SMEs had fallen by more than

50 per cent, indicating that SMEs appeared to have adjusted to the SA regime in terms of the costs incurred in complying with their obligations.

There has been some research on the compliance costs incurred by Malaysian personal taxpayers, based on a postal survey. Sapiei and Abdullah (2008) focused on two (2) types of compliance costs, namely, direct costs (monetary) and indirect costs (time spent). It was found that monetary costs were relatively minor, but that record keeping, though not difficult, was time-consuming for taxpayers (on average 70.6 hours p.a.). The high likelihood of audit in Malaysia for individual taxpayers and the high level of ethics may explain the high level of indirect costs incurred.

4. Concluding comments and directions for future research

There are valuable contributions to understanding the compliance behaviour of taxpayers in the research that has been conducted in Malaysia, but gaps of knowledge still exist. To date, tax compliance research in Malaysia has predominantly focused on the compliance behaviour of individual income taxpayers and then mainly on salary and wage earners compared to the self-employed (Mottiakavandar et al., 2003, 2004a, 2004b; Loo, 2006b; Sia, 2008). This may be due to reluctance on the part of the self-employed to participate in compliance research, and also due to the lack of access to IRB data that may assist researchers. Moreover, samples appear to be primarily drawn based on convenience sampling technique, therefore, the extent to which their findings can be generalised is very limited. Perhaps, the IRB could consider granting greater access to data by removing some of the current confidentiality requirements. Alternatively, the IRB could assist researchers by providing aggregated data without identifying the personal identities of taxpayers. Again, access to IRB data to enable appropriate random sampling of taxpayers would be invaluable to researchers. There does appear to be a gap of knowledge in respect of corporate compliance behaviour, and given the risk that this taxpayer group poses to the revenue, there is a need for more research in this area.

Regarding the factors[2] which affect tax compliance behaviour, it can be seen that the scope ranges from economic deterrence research through to socio-psychological studies. Although several studies touched upon a few of these factors in Malaysia, many have still remained unexplored and

---

[2] Among these factors are economic, psychological, accounting, political, administrative, legal, criminological and sociological (for e.g. see Alingham & Sandmo, 1972; Clotfelter, 1983; Jackson & Milliron, 1986; Baldry, 1987; Dubin & Wilde, 1988; Henderson & Kaplan, 2005; Trivedi, Shehata, & Mestelman, 2005; Torgler & Valev, 2010).

even those factors examined were studied in isolation. Further, these studies have tended to be singular in nature and not part of more comprehensive or longitudinal studies. Therefore, further research that is extended along any or all of these dimensions would be invaluable. Similarly, greater consistency in the use of definitions would enhance the ability to compare findings and draw more robust conclusions.

The emphasis to date in Malaysia has been on quantitative research (primarily surveys) and this approach does have its limitations, particularly when trying to understand such a complex phenomenon as compliance behaviour. For example, it may be overly simplistic to use dichotomous or binary measures for compliance behaviour, i.e. comply or not-comply. Further, the extent to which taxpayers answer these survey questions honestly is uncertain, and it is not clear if they have responded to the best of their knowledge and ability. This endangers the credibility of the responses and the fact that they may be incorrect as there could be unintentional errors or lack of knowledge with regards to tax issues. Thus, there is clearly room to use qualitative and mixed methodologies to gain a deeper understanding of how taxpayers make their tax compliance decisions.

Any expansion of knowledge and contribution towards a better understanding of compliance behaviour would be useful to policy makers and to the tax authorities, particularly the IRB. To date, researchers in Malaysia have mainly focused on compliance costs and tax knowledge in the context of income tax. This is understandable given that the implementation of SA represented a major change in tax administration. However, there are many other taxes in operation or in prospect and many other compliance issues such as transfer pricing, thin capitalisation and e-commerce where further research is needed.

Finally, it does appear that the level of tax ethics in Malaysia is high for individual taxpayers, as is the level of voluntary compliance. These are the real strengths behind the success of Malaysia's SA system (see Ho et al., 2006; Kasipillai et al., 2003b). However, ethics may well be related to economic deterrence factors and, for example, a decline in penalties or the audit rate may lead to lower taxpayers' ethics. Again, this is an important issue and in need of further research as resource constraints may necessitate a drop in the IRB's audit rate. Malaysian taxpayers do also appear to be receptive to receiving tax knowledge and research has shown that this does improve their compliance. From the IRB's perspective, this means that strategies to provide appropriate, relevant and effective education to taxpayers should be productive in terms of improving voluntary compliance (Loo, 2006a; Mahat, 2007).

There are some positive directions for policymakers and administrators in Malaysia based on the tax compliance research to date, and there is potential to continue working collaboratively with researchers in the future.

References

Abdul, M. (2003). *Income tax non-compliance in Malaysia.* Malaysia: Prentice Hall.

Abdul, M., & Sheehan, P. (2003). Estimating the extent of income tax non-compliance in Malaysia and Australia using the gap approach (part I). *Tax Nasional*, 4, 22-34.

Abdul, M., & Sheehan, P. (2004). Estimating the extent of income tax non-compliance in Malaysia and Australia using the gap approach (Part II). *Tax Nasional,* 1, 20-24.

Abdul-Jabbar, H., & Pope, J. (2008a). Exploring the relationship between tax compliance costs and compliance issues in Malaysia. *Journal of Applied Law and Policy*, 1-19.

Abdul-Jabbar, H., & Pope, J. (2008b). The effect of the self assessment system on the tax compliance costs of small and medium enterprises in Malaysia. *Australian Tax Forum, 23*(3), 289-307.

Abdul-Latiff, A. R., Amin-Nordin, B. A., Che-Omar, M. R., & Harijito, D. A. (2005). Tax literacy rate among taxpayers: Evidence from Malaysia. *JAAI, 9*(1), 1-11.

Abdul-Manaf, N. A., Hasseldine, J., & Hodges, R. (2005). The determinants of Malaysian land taxpayers' compliance attitudes. *eJournal of Tax Research, 3*(2), 206-221.

Ahmad, M. A. R., Mohd-Hanefah, H. M., & Mohd-Noor, M. A. (2007). The effect of knowledge on tax compliance behaviours among Malaysian taxpayers. *Proceedings of International Conference on Business and Information (BAI), Tokyo, Japan, July 11-13.* Retrieved January 11, 2010, from

http://ibacnet.org/bai2007/proceedings/Papers/2007bai7357.doc.

Allingham, M., & Sandmo, A. (1972). Income tax evasion: A theoretical analysis. *Journal of Public Economics, 1*, 323-338.

Azmi, A. A., & Perumal, K. (2008). Tax fairness dimensions in an Asian context: The Malaysian perspective. *International Review of Business Research Papers, 4*(5), 11-19.

Baldry, J. C. (1987). Income tax evasion and the tax schedule: Some experimental results. *Public Finance, 42*, 356-383.

Becker, G. (1968). Crime and punishment: An economic approach. *Journal of Political Economy, 76*, 169-217.

Choong, K. F., & Lai, M. L. (2008, March 27-28). *Tax practitioners' perception on tax audit and tax evasion: Survey evidence in Malaysia*. Paper presented at 8th International Business Research Conference, Dubai.

Clotfelter, C. T. (1983). Tax evasion and tax rates: An analysis of individual returns. *Review of Economics and Statistics, LXV*(3), 363-373.

Dubin, J. A., & Wilde, L. L. (1988). An empirical analysis of Federal income tax auditing and compliance. *National Tax Journal, 41*(1), 61-74.

Evans, C. (2008). Taxation compliance and administrative costs: An overview. In Lang, M. Obermair, C. Schuch, J. Staringer, C. and Weninger, P. (Eds), *Tax compliance costs for companies in an enlarged European Community* (pp. 447-468). London: Kluwer Law International.

Forest, A., & Sheffrin, S. M. (2002). Complexity and compliance: An empirical investigation. *National Tax Journal, 55*(1), 75-88.

Hanefah, M., Ariff, M., & Kasipillai, J. (2002). Compliance costs of small and medium enterprises. *Journal of Australian Taxation, 4*(1), 73-97.

Henderson, B. C., & Kaplan, S. E. (2005). An examination of the role of ethics in tax compliance decision. *Journal of the American Taxation Association, 27*(1), 39-72.

Ho, J. K., Loo, E. C., & Lim, K. P. (2006). Perspective of non-taxpayers' perception on issues of ethics and equity in tax compliance. *Malaysian Accounting Review, 5*(2), 47-59.

Inland Revenue Board of Malaysia (IRB). (2002). *Annual report.* Retrieved November 2, 2005, from http://www.hasilnet.org.my.

Inland Revenue Board of Malaysia (IRB). (2006). *Annual report.* Retrieved August 22, 2008, from http://www.hasilnet.org.my.

Jackson, B. R., & Milliron, V. C. (1986). Tax compliance research: Findings, problems and prospects. *Journal of Accounting Literature, 5*, 125-165.

John-Abdullah, S. A., & Ahmad, H. N. (2004). The influence of demographic factors towards tax compliance in Universiti Utara Malaysia. Research report, Universiti Utara Malaysia.

Kasipillai, J. (1997). *Aspect of the hidden economy and tax non-compliance in Malaysia.* Unpublished doctoral dissertation, University of New England, Australia.

Kasipillai, J. (1998). Hidden economy and tax investigation: A Malaysian perspective. *Tax Nasional,* September, 12-17.

Kasipillai, J., & Baldry, J. (1998). What do Malaysian taxpayers know? *The Malaysian Accountant*, February, 2-7.

Kasipillai, J., Aripin, N., & Amran, N. A. (2003a). The influence of education on tax avoidance and tax evasion. *eJournal of Tax Research, 1*(2), 134-146.

Kasipillai, J., Mat Udin, N., & Ariffin, Z. Z. (2003b). How do moral values influence tax compliance? Findings from a survey. *Chartered Secretary Malaysia,* June, 10-15.

Kasipillai, J., Mohd-Hanefah, M., Mat Din, N., & Marimuthu, M. (1999). Are Malaysian taxpayers prepared for the self assessment system? *Tax Nasional,* September, 9-17.

Kasipillai, J., & Abdul-Jabbar, H. (2006). Gender and ethnicity differences in tax compliance. *Asian Academy of Management Journal, 11*(2), 73-88.

Kohlberg, L. (1981). *The philosophy of moral development: Moral stages and the idea of justice.* Harper and Row.

Loh, A., Ariff, M., Ismail, Z., Shamser, M., & Ali, M. (1997). Compliance costs of corporate income taxation in Malaysia. *Pacific Accounting Review, 9*(1), 27-41.

Loo, E. C. (2006a). Tax knowledge, tax structure and compliance: A report on a quasi-experiment. *New Zealand Journal of Taxation Law and Policy, 12*(2), 117-140.

Loo, E. C. (2006b). *The influence of the introduction of self assessment on compliance behaviour of individual taxpayers in Malaysia.* Unpublished PhD thesis, University of Sydney.

Loo, E. C., & Ho, J. K. (2005). Competency of Malaysian individuals in relation to tax compliance under self assessment. *eJournal of Tax Research, 3*(1), 47-64.

Loo, E. C., McKerchar, M., & 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), 181-202.

Madi, N., & Kamaluddin, A. (2003). Are salaried individuals in Sarawak prepared for SAS? *SEMACC 2003 Research Proceeding: Issues and Challenges Confronting the Accounting Profession Today*, held on 8-10 December 2003 in Kangar, Malaysia.

Mahat, M. A. (2007). *Tax knowledge, tax education and compliance: Survey evidences from accounting and non-accounting undergraduates*. Unpublished master's thesis, UiTM Malaysia.

Mansor, M., Saad, N., & Ibrahim, I. (2004). The self assessment system and compliance costs. *National Accounting Research Journal, 2*(1), 1-15.

McKerchar, M. (2002). The effects of complexity on unintentional non-compliance for personal taxpayers in Australia. *Australian Tax Forum, 17*(1), 3-26.

McKerchar, M., & Evans, C. C. (2009). Sustaining growth in developing economies through improved taxpayer compliance: Challenges for policy makers and revenue authorities. *eJournal of Tax Research, 7*(2), 171-201.

Md-Idris, M. K. (2000). *Kesan persepsi undang-undang dan penguatkuasaan zakat terhadap gelagat kepatuhan zakat pendapatan gaji (translated as The effects of perceptions on zakat law and enforcement in relation to salaried zakat compliance behaviour).* Unpublished PhD thesis, Universiti Utara Malaysia.

Md-Yassin, Z. A., Hasseldine, J., & Paton, D. (2010, April 8-9). *An analysis of tax non-compliance behaviour of small and medium-sized corporations in Malaysia.* Paper presented at 9th International Conference on Tax Administration, UNSW Australia.

Mohd-Hanefah, H. M. (1996). *An evaluation of the Malaysian tax administrative system, and taxpayers' perceptions towards assessment systems, tax law fairness, and tax law complexity*. Unpublished PhD thesis, Universiti Utara Malaysia.

Mottiakavandar, R., Ramayah, T., Haron, H., & Ang, J. (2003). Factors influencing compliance behaviour of small business entrepreneurs. *Tax Nasional, 1*, 20-26.

Mottiakavandar, R., Haron, H., & Kasipillai, J. (2004a). Level of tax compliance among small business entrepreneurs, an examination of their demographic profile. *Accountant Today*, Part 1, March, 34-37.

Mottiakavandar, R., Haron, H., & Kasipillai, J. (2004b). Level of tax compliance among small business entrepreneurs, an examination of their demographic profile. *Accountant Today*, Part 2, April, 36-39.

Palil, M. R. (2005). Taxpayers knowledge: A descriptive evidence on demographic factors in Malaysia. *Jurnal Akuntansi & Keuangan, 7*(1), 11-21. Retrieved January 25, 2010, from http://puslit.petr.ac.id/~puslit/journals/

Palil, M. R., & Lymer, A. (2009, September 6-9). *Tax knowledge and tax compliant behaviour in self assessment systems: What can we learnt from the case of Malaysia*. Paper presented at the Tax Research Network Conference 2009, Sheffield University.

Perumal, K. A. (2008). *Tax fairness dimensions in an Asian context: The Malaysian perspective*. Unpublished master's thesis, University of Malaya.

Pope, J., & Abdul-Jabbar, H. (2008). Small and medium sized enterprises and tax compliance burden in Malaysia: Issue and challenges for tax administration. *Small Enterprise Research, 16*(1), 47-60.

Ritsema, C. M., Thomas, D. W., & Ferrier, G. D. (2003, June). *Economic and behavioural determinants of tax compliance: Evidence from the 1997 Arkansas tax penalty amnesty program*. Paper presented at the IRS Research Conference, Washington DC. Retrieved December 12, 2005, from http://www.irs.gov/pub/irs-soi/ritsema.pdf.

Saad, N. (2010, January 18-20). *Fairness perceptions and compliance behaviour: The case of Malaysia after implementation of the self-assessment system*. Paper presented at 21st Annual conference of Australasian Tax Teachers Association, Sydney, Australia.

Sapiei, N. S., & Abdullah, M. (2008). The compliance costs of the personal income taxation in Malaysia. *International Review of Business Research Papers, 14*(5), 2219-2230.

Sheikh-Obid, S. N. (1996). Some problems of income taxation encountered by the Malaysian self-employed business taxpayers. *Akauntan Nasional*, November /December, 34-40.

Sheikh-Obid, S. N. (2004). The influence of penalties on taxpayers' compliance: A comparison of the theoretical models. *IIUM Journal of Economics and Management, 12*(1), 1-31.

Shanmugam, S. (2003). Managing self assessment - an appraisal. *Tax Nasional, 1*, 30-32.

Shanmugam, S. (2004). Enforcing tax compliance - relevant issues for criminal prosecution. *Tax Nasional, 1*, 17-19.

Sia, G. F. (2008). *Individuals' tax compliance behaviour under the self assessment system*. Unpublished doctoral dissertation, Universiti Putra Malaysia.

Silvani, C., & Baer, K. (1997). Designing a tax administration reform strategy: Experiences and guidelines. *Tax Note International*, August, 375-395.

Singh, V. (1993). Issues with regard to self assessment. *Tax Nasional*, June, 3-6.

Singh, V., & Bhupalan, R. (2001). The Malaysian self-assessment system of taxation: Issues and challenges. *Tax Nasional, 3*, 12-17.

Singh, V. (2003). T*ax compliance and ethical decision making: Malaysian perspective*. Malaysia: Longman.

Singh, V. (2005). *Tax Thought on Today's Taxing Times*. Malaysia: Digibook Sdn Bhd.

Somasundram, N. R. (2003). Tax evasion and tax investigation - a study on tax compliance management. *Chartered Secretary Malaysia*, July, 20-24.

Somasundram, N. R. (2005a). Entertainment expenditure. *Chartered Secretary Malaysia*, March, 20-23.

Somasundram, N.R. (2005b). Taxing the roof. *Chartered Secretary Malaysia,* November, 12-15.

Torgler, B., & Valev, N. T. (2010). Gender and public attitudes toward corruption and tax evasion. Retrieved January 4, 2010, from http://www.gsu.edu/~econtv/corruption_gender.pdf.

Trivedi, V. U., Shehata, M., & Mestelman, S. (2005). Attitudes, incentives and tax compliance. *Canadian Tax Journal, 53*(1), 29-61.

Yesegat, W. A. (2008). *Value added tax in Ethiopia: A study of operating costs and compliance.* Unpublished doctoral dissertation, University of New South Wales. Retrieved May 3, 2010, from http://handle.unsw.edu.au/1959.4/43317.

Yong, K. (2005). Malaysia's first self assessment year for individual taxpayers. *Tax Nasional,* 2, 22-24.