

## The Determinants of Individual Taxpayers' Tax Compliance Behaviour in Peninsular Malaysia

Tan Swee Kiow<sup>1</sup>✉ Mohd Fuad Mohd Salleh<sup>2</sup>, Aza Azlina Bt Md Kassim<sup>2</sup>

<sup>1</sup>Faculty of Business and Finance, Universiti Tunku Abdul Rahman, Malaysia

<sup>2</sup>Faculty of Business, Universiti Selangor, Malaysia

---

### Info Articles

#### History Articles:

Received 1 December 2016

Accepted 15 January 2017

Published 2 February 2017

#### Keywords:

public governance;  
transparency; ethical  
perception; tax compliance  
behaviour

### Abstract

The findings from this review suggested that tax compliance behaviour of individual taxpayers is influenced by ethical perception of individual taxpayers and their ethical perception is affected by public governance and transparency in government operations. Ethical perception plays an important role for individual taxpayers to report their income correctly. Ethical perception varies from an individual to another, which influenced by changes in their surroundings and their experiences when interact with government. Perceptions of how taxpayers' money is being utilised, benefits they derived from government or others evade to pay tax are considered as possible factors influencing their compliance behaviour. Taxpayers will be more compliance if government use tax monies wisely or when taxpayers get benefits for the taxes paid in terms of public goods and social amenities that they prefer. Transparent surroundings will enhance taxpayers' confidence in public bodies. Taxpayers are concerned on transparency in public procurement as lack of transparency may cause corruption and reduces public sector efficiency. In contrast, scholars argued that greater degree of transparency could lead to less trust as it will be easier for taxpayers to audit government and they might blame government for small mistakes.

---

✉ Address Correspondence:

Jalan Universiti Bandar Barat, 31900, Kampar, Perak, 31900, Malaysia

E-mail: [sktan@utar.edu.my](mailto:sktan@utar.edu.my)

e-ISSN 2549-0303

## INTRODUCTION

Direct taxes, such as income tax, are a major source of Government revenue. Direct taxes collected in 2012 comprised of corporate taxes (46.5%), personal income taxes (20.9%), and petroleum income taxes (25.6%). Other direct taxes (7%) included are stamp duties, withholding taxes and real property gains taxes (Kasipillai, 2013). Tax revenue will undoubtedly continue to be the main source of income for the Government of Malaysia as the country experiences rapid economic growth.

Self-assessment (SA) is introduced in Malaysia for individual taxpayers in 2004 with expectation that SA would improve taxpayer compliance rates, speeds up the processing of assessments, reduced compliance costs, and facilitate revenue collection.

Increased tax compliance among individual taxpayers would help to reduce the budget deficit without raising taxes. Underreporting of income and/or over reporting of deductions was not surprising in light of the Malaysian personal income tax is a progressive system, i.e. up to maximum of 25%. According to Hamm (1995), both underreporting of income items and over reporting of expense items reduce tax liability. Past studies on this area have noted that this area of study is important due to the existence of tax gap.

## LITERATURE REVIEW

### Public governance

Public governance has defined as “the ways in which stakeholders interact with each other in order to influence the outcomes of public policies”. Good governance mean “the negotiation by all the stakeholders in an issue (or area) of improved public policy outcomes and agreed governance principles, which are both implemented and regularly evaluated by all stakeholders” (Bovaird & Löffler, 2003). The concept of "governance" is not new. However, it means different things to different people. The working definition used by the British Council emphasises that "governance" is a broader notion than government and goes on to state: "Governance involves interaction between the formal institutions and those in civil society.

Study by Rotberg (2005) described public governance as the management, supply and delivery of political goods to the citizens of a country. According to Besancon (2003) public governance exists to deliver political goods to the citizens and further stated that quality public governance is assumed when a country provides high order of certain political goods.

Public governance quality is defined as provision of political goods of necessary quality by government to the taxpayers efficiently (Rotberg, 2005). Public governance quality plays very important role in determining compliance behaviour of individual taxpayers, yet the quality of public governance is below expectation in most developing countries including Nigeria hence shrinking level of compliance in these countries (Rotberg & Gisselquist, 2009). Hence, researchers (Alabede, Ariffin, & Idris, 2012) suggested that improvement in public governance quality in some developing countries including Nigeria is the best approach of reawakening the culture of tax compliance among individual taxpayers.

According to Everest-Phillip and Sandall (2009), public governance quality is essential to have good tax system and similarly good tax system is important to achieve public governance quality. Citizens support government through the payment of tax, government should matter to the taxpayers because they provide the finance for its sustenance. Therefore, governance affairs may have either positive or negative influence on the compliance behaviour of the taxpayers.

Governments are accountable to general public for the effective and efficient governance of the country; ministers and cabinet to parliament for policy making and general implementation; and

ministers and their staff for précised policy execution and the provision of exact public services as authorized by parliament to entitled societies (Cochrane, 1993; Ezzamel & Willmott, 1993).

Accountability is very important as a perception in ethical and good governance of Malaysia local governments. Although Malaysia government has put in many efforts in enhancing the civil servants' accountability, however, the improvement is still unsatisfactory and lack of accountability still remains a thorny issue and being raised in annual Auditor General Report. It also frequently been addressed by politicians and public via electronic and written media (Salleh & Khalid, 2011).

In analyzing the correlation between taxpayers and government, Levi (1988) stated the tax compliance is influenced by vertical contract. He said vertical contract is the contract between taxpayers and government. Vertical contract is concerned with whether taxpayers get public goods in exchange for taxes paid. Lassen (2003) also mentioned that vertical contract is whether the political goods provided by the government are sufficient in return to the taxes they are paying. Levi (1988) argued that if it is perceived by the taxpayers that the rate of transformation from tax to political goods is low then the taxpayers will feel that the government has not kept its commitment of the contract, consequently, voluntary tax compliance will worsen. In support of Levi (1988), Besancon (2003) also stated there is social contract between government (ruler) and taxpayers (ruled) which embodied effective delivery of political goods.

Additionally, taxpayers may feel the attractiveness of the vertical contract diminished and that could lead to lower tax compliance due to the political goods mix supplied by the government is very different from those they prefer or rate of transformation is low due to corruption (Alm, McClelland & Schulze, 1992; Lassen, 2003). Torgler (2003) also argued that when government's honesty is down, individuals' tax compliance may be packed out because government fails to honour his honesty. He further commented that taxpayers' may develop positive attitudes and commitment to tax system and tax payment resulting into enhanced compliance behaviour if positive actions taken by the government. Mann and Smith (1988) also argued that taxpayers are conscious of the exchange relationship with government when taking decision relating tax compliance.

Previous researchers (Ho, Loo & Lim, 2006; Palil 2010) highlighted that perceptions of how taxpayers' money is being utilized such as money are being misappropriated; they are not getting a fair share of the benefits from government or that others are also not complying with their obligations are considered as possible factors influencing compliance behaviour.

Fiscal Exchange Theory advocates that the existence of government's cautious use of tax monies may motivate compliance and also cause an increase in compliance when citizens get returns for the taxes paid in terms of public goods and social amenities that they prefer, are made available (Fjeldstad et al, 2012; Moore, 2004). Hence, taxpayers appreciate the efforts by the government to provide public goods and recognize that this is made possible because of the contribution they make in terms of taxes, so they will be obliged to pay taxes (Fjeldstad & Semboja, 2001). A Nigerian based study on the level of Government accountability and voluntary tax compliance which looked at compliance based on the theoretical framework of fiscal exchange theory. The findings indicate that voluntary tax compliance is mostly influenced by the perception of taxpayers of government responsibility. Specifically, it finds that how taxpayers perceive tax fairness and equity, treatment and exchange between them and tax authorities, ruling political party, government performance and others affect compliance (Modugu, Eragbhe & Izedonmi, 2012). However, critics of this theory argue that in fact the behavioural factors lean towards to have a huge impact on compliance and not just the fiscal exchange and relationship between taxpayers and tax authorities and this assumptions are unnecessarily simple (D'Arcy, 2011).

Tax compliance often suffers during periods in which government expenditures such as healthcare, military and social welfare are controversial (Alm, Jackson, and McKee 1993). They also

recommended that a taxpayer's willingness to comply may rely on the use of tax revenues raised. In their study on compliance and public goods, Alm, Jackson, and McKee (1993) found that the level of popular support for a public good impacts the level of compliance. Their research highlighted that if individuals have confidence in specific government program, and they are aware that other taxpayers share their support for the program, then individuals are more likely to comply. Luttmer and Singhal (2014) identified several channels through which tax morale operates, including *reciprocity* (other than direct tax-benefit linkages), which depends on the taxpayer's relationship with the government (public goods) or fairness perceptions. Compliance may also be affected by the types of government services that are funded by tax revenues and how these are viewed by the taxpayer (Luttmer and Singhal 2014).

Another study indicated that goal congruence (the extent to which a taxpayer's interests align with the interests of the tax collecting agency) influences taxpayer compliance decisions, as those with higher goal congruence (i.e., greater support for how tax revenue are spent) report higher amounts of taxable income. In addition, the researchers found that audit probability only influences taxpayer compliance decisions when there is support for the government's use of tax revenue. When taxpayers do not support government programs, their compliance is lower irrespective of the audit probability. This highlights the importance of policymakers' attempts to gain taxpayer support for government programs, and that attempts to align the goals of taxpayers with those of the government may increase voluntary compliance among taxpayers. The results suggested that it may take more than just increasing the audit probability to improve compliance for less ethical individuals. Given that these individuals tend to be more motivated by self-interest, they may need more convincing about how they personally benefit from government spending of their tax revenue. (Falsetta, Schafer & Tsakumis, 2015).

A recent empirical study by Aronmwan, Imobhio, and Izedonmi (2015) on taxpayers' perception of the government has a significant effect on personal income tax compliance. The finding showed that taxpayers assessment of the government in terms of accountability, integrity, proper management, transparency and others virtues is a fundamental factor when considering tax compliance. This study supports the findings of Modugu et al (2012) and Uadiale, Fagbemi and Ogunleye (2010). The study was further supported by Ortega, Ronconi and Sanguinetti, (2016) who stated that taxpayers are more likely to pay taxes when they notice the government is doing a better job. Reciprocity implies a deviation from purely self-interested behavior: it "means that in response to friendly actions, people are frequently much nicer and much more cooperative than predicted by the self-interested model" (Fehr and Gächter, 2000). The findings suggest that reciprocity towards local governments can be a significant source of improvement in tax collection in developing countries. This is due to people are willing to pay more taxes if they think that the government uses these resources to improve the welfare of the population, which benefit the taxpayer as well. If this relationship is not clear, taxpayers are less likely to view taxes as a means of reciprocating to the government.

### **Transparency**

Transparency is essential and guarantor of the effectiveness of local public action, a transparent surroundings gives more confidence and reliability to local actors, and enhances confidence in public bodies. The transparency is critical in local taxation as if the taxpayer loses confidence in the system, they were begin to react in a negative face through illegal practices such as tax evasion or fraud (Lachheb, Bouthanoute, & Bendriouch, 2016).

Transparency is the availability and clarity of information provided to the general public about government activity. Governments must not only provide information, but also ensure that as many citizens as possible have access to this information with the goal of increasing citizen

participation. A lack of transparency creates opportunities for government corruption and reduces public sector efficiency. Linked with transparency is the issue of Accountability. Accountability rests on the establishment of criteria for evaluating the performance of public sector institutions. This includes economic and financial accountability brought about by efficiency in resource use, expenditure control, and internal and external audits. Accountability improves a government's legitimacy. Transparency and participation are essential ingredients in establishing accountability (Asian Development Bank, 1995).

According to Grimmelikhuijsen (2012), transparency is the availability of information about an organization or actor allowing external actors to monitor the internal workings or performance of that organization. Most definitions of transparency recognize the extent to which an entity reveals related information about its own decision processes, procedures, functioning, and performance (Curtin and Meijer, 2006; Grimmelikhuijsen, 2012; Gerring and Thacker, 2004; Welch, Hinnant, and Moon 2005). In terms of its object, transparency concerns separate events and processes of government (Grimmelikhuijsen and Welch 2012; Heald 2006): (1) transparency of decision making processes, (2) transparency of policy content, and (3) transparency of policy outcomes or effects.

Decision making transparency contains two subtypes: the degree of openness about the steps taken to reach a decision and the rationale behind the decision. Decision making transparency has been more extensively conceptualized and operationalised (Drew and Nyerges, 2004). Policy transparency refers to the information disclosed by government about the policy itself: what the adopted measures are, how they are supposed to solve a problem, how they will be implemented and what implications they will have for citizens and other affected groups. Finally, policy outcome transparency captures the provision and timeliness of information about policy effects.

Instead of just divulging more information, transparency also implies that information is disclosed in a timely matter and presented in an understandable format.

Evidence from previous researchers (Heald 2006; Drew and Nyerges 2004; Larsson 1998) suggested that timeliness and comprehensibility are considered to be two vital elements in the transparency of policy outcome. Information timeliness is a vital element of policy outcome transparency since it enables citizens to obtain information about government policies when these still matter. Additionally, Larsson (1998,) emphasized that transparency should include simplicity of the information made available. With similar opinion, Drew and Nyerges (2004) also mentioned that the clarity of information is an important dimension of transparency.

Transparency in public procurement "refers to the publication, notification, and dissemination of pertinent information about a procurement regime to actual and potential bidders and to the public at large" (Evenett & Hoekman, 2004). Transparent procurement process can produce substantial benefits for the public at large and for firms that are interested in bidding. With regard to the latter, by making the procurement process fairer and more predictable and open to enquiry, transparency reduces the risk for bidding firms, as they are better able to evaluate the costs and opportunities of bidding. This may increase the number of domestic firms, including Small and Medium Enterprises (SMEs) that may find it worthwhile to tender. Competition between local suppliers can thereby be developed and their innovation and efficiency skills can be enhanced. This will enable them to enter the international market (OECD 2003). For the public at large, increased transparency, by facilitating competition, means that suppliers will tender more aggressively, thus decreasing prices and producing savings in public spending that can generate scope for tax declines or more broad government amenities (Evenett & Hoekman, 2004).

Furthermore, higher transparency means faster economic growth. The connection between higher transparency in public procurement and faster economic growth is based on three causal channels: increases in competition, increases in Foreign Direct Investment (FDI), and decreases in corruption. First, increased competition spurs increases in efficiency and productivity, so raising

income growth rates (Lewis, 2004). Second, as foreign investors will find it easier to assess market opportunities in a country with transparent procurement procedures, transparency generates the environments for an increase in FDI (OECD 2003), which in turn increases productivity and growth (Borensztein, DeGregorio & Lee, 1998). Finally, transparency can be expected to reduce corruption in public procurement and at the same time offers an important path to spur economic growth. Corruption reduces growth by reducing the quality of government services and infrastructure and by skewing the composition of government expenditure (Mauro, 1998; Tanzi & Davoodi, 1997).

Transparency, specifically, is required in the three stages of *tendering*, *evaluation* and *review* in order to ensure non-discrimination and same treatment. The essential goal is to maximise market integration (Arrowsmith, 2009) and hence competition. Improving competitiveness, in turn, is the key strategy for economic growth of the European Union (EU), and public procurement plays an important role in this (European Commission 2010). In connection with the *tendering phase*, as a rule contract authorities must publish a contract notice with complete information for bidding, and provide enough time to interested firms to respond. In the evaluation process, contracting authorities should be allowed to exclude tenderers if they have consistently or significantly failed to deliver on their obligations arising from previously awarded contracts. The *review phase* with the overall objective to ensure that economic actors can resort to remedial action before the contract is signed (European Commission 2004, 2006 & 2011).

Nonetheless, there are areas in which Malaysia can improve by learning from the European experience. First, Malaysia can improve its tendering process by providing more comprehensive information, particularly about evaluation criteria and the weightage given to each criterion in tender notices or tender documents. Second, Malaysia can improve its awarding process by providing information about why choosing certain contractors and rejecting others. This information first and foremost should be available to both winning and losing contractors. They both have the right to know the reason for winning or losing the bid. However, as is the current practice and stated in many tender documents, the Malaysian government has the right not to inform the bidders for the reason either accepting or rejecting their tenders. Third, Malaysia can improve its procurement process by incorporating a review phase that allows contractors to file complaints if they are not happy with the decision made by the agencies. The current practice is that objections are only allowed within the first 28 days (for international tenders) or 14 days (for local tenders) of tendering. Tenderers can submit objections to the agencies if they see that the specifications delineated in the tender documents favour certain bidders. No objections are allowed after that, including objections to tender awards. Fourth, Bumiputera preference is an integral part of Malaysia's procurement system. Malaysia can learn from the European Union system to ensure such preferences are not distortive to competition and are awarded in a transparent manner (Stolfi & Murniati, 2014).

There is a large empirical literature stated that mainly positive effects of transparency (on trust) are expected (Birkinshaw, 2006; Blendon et al., 1997; Bok, 1997; Cook, Jacobs & Kim, 2010; Nye, Zelikow, and King 1997). Also, better informed citizens are likely to have more trust in government (Meijer, 2009). According to transparency proponents, "lifting the veil of secrecy" is beneficial to all of us and that only those who have something to hide be against transparency. But according to researchers (Ho, Loo & Lim, 2006), the tax administrative transparencies and government administrations do not seem as reasons for most individuals to comply with their own tax obligations.

In contrast, there are scholars who emphasized the negative effects of transparency (Bovens, 2003; Etzioni, 2010; O'Neill, 2002, 2006). Such as, it could lead to politics of scandal or misinformation, hence could eventually lead to less instead of more trust. This supposedly contributes to political cynicism, and citizen trust in government might even decline. By making use of increased transparency it is easier for citizens to audit government; the negative aspect of this is

that citizens might blame government for small mistakes over time (Bovens, 2003; Worthy, 2010). With same opinion, Grimmelikhuijsen (2012) indicated that actual transparent and thus more balanced messages give rise to more critical evaluations of a government organization's competence. In the end providing information about one's policies with some positivism might provide people with the more secure feeling that government knows what it is doing and where it is heading.

Policy outcome transparency was acted according to the degree the information was timely and comprehensible. Both the comprehensibility and timeliness of the information varied across groups concurrently, which means that only the overall effect can be assessed and not the effect of each element separately. A study by Grimmelikhuijsen and Meijer (2012) indicated that participants who were accessible with comprehensible and timely information found the government organization more trustworthy than those presented with hard-to-comprehend and "old" information about policy outcomes.

Grimmelikhuijsen and Meijer (2012) highlighted that individuals anticipate local government to be transparent and it lead to satisfaction if their expectations are fulfilled. For citizens with a high predisposition trust, being transparent only meets the expectation that this is part of a normally functioning government. This is in line with prior research, for example, Piotrowski & Van Ryzin (2007) found a high demand of citizens for transparency. Those with a high general predisposition to trust are only disappointed in the competence of a specific government organization if policy outcomes are not that transparency, whereas low predisposed citizens are positively surprised and perceived the municipality to be acting in the citizens' interest (i.e., benevolence).

Studies on Malaysian government transparency and accountability which were mostly conducted by independent non-governmental organizations generally indicate that Malaysia needs to put rigorous effort in improving its accountability and transparency (Abu Bakar & Ismail, 2011). Public information are always not available (Barraclough & Phua, 2007; Yaakob, Kadir & Jusoff, 2009) and in many instances, are not reachable (Siddiquee, 2010). This makes it quite difficult for citizens to hold the government accountable for its management of the public's money.

Government organizations provide information proactively to citizens through websites, so websites are an important tool for transparency in this regard. In general government websites are often used as a means to communicate with the public and spread press releases about good work they do and what policy measures are carried out (Mahler & Regan, 2007).

Several transparency optimists (Blendon et al., 1997; Bok, 1997; Cook, Jacobs & Kim, 2010; Hood 2006) highlighted that transparency is said to encourage a 'culture of openness' within organizations, or at least the perception of having an open culture, which is believed to have a positive effect on trust. Transparency also helps people to become more familiar with and knowledgeable about, government and to bring them closer and creating understanding.

It is often argued that transparency will enhance public acceptance of institutional structures. According to political theory, giving citizens the possibility of monitoring policymaking and scrutinizing its results will enhance the legitimacy of the institutional structures. The Internet is argued to play an important role in increasing the transparency of government and, consequently, strengthens its legitimacy. In European Union (EU) internet plays a very vital role and is the major medium to guarantee transparency to the widely scattered population of Europe. European websites grant access to an enormous amount of information on European policymaking and policy-execution. Hence, internet is the best channel for communicating complex and complete information (Curtin & Meijer, 2006).

Another significant study conducted by Tayib, Coombs & Ameen (1999) on the behaviour of local taxpayers and it was found that most of the respondents would be willing to pay taxes more quickly if they were provided with the financial information from IRB. It means what all the tax payers needed and required was the transparent tax system by IRB or local authority.

In contrast, scholars argued that a greater degree of transparency generates the possibility to unfairly repeatedly blame the government for mistakes. Scholars argued that transparency leads to a great deal of information, yet it does not mean this leads to increased levels of trust. Also, transparency pessimists mentioned that increased transparency could lead to increased blaming of government. According to scholars, a fault by government can always be construed, and if citizens, media and politicians use transparency for their own gain with no restraints, this could result in the 'politics of scandal' (Bovens, 2003). In addition, Bovens also warned about another 'dark side of transparency: when people can see everything behind the scenes of government, they may become disenchanted with government. People noticed that behind the scenes, government operations are not as rational as it appeared from the outside. Increased information might exposed limitations of what government can do, thus decreasing political trust. Curtin & Meijer (2006) also indicated that many citizens in EU show no interest in information, so, their social legitimacy will not be influenced by increased transparency. Worse, media and those wishing to damage the reputation of the EU may exploit the transparency. This may even result in negative effects of transparency on social legitimacy. Citizens may not want to belong to an institution when they heard only about all the mistakes.

### **Ethical perception**

Ethics means doing the right thing, and seeking to follow moral behaviour. The study of ethics examined the conduct of an individual in light of their moral principles, addressing what was considered good and bad, or right and wrong (Alleyne et al., 2010). According to Wittmer (2000), ethical perception 'was the relative awareness or recognition of the 'ethical dimensions within an ethical situation'. Ethical perception plays an important role in the ethical decision-making process because the process begins with an individual's recognition that a decision situation has an ethical content.

Wenzel (2005) conducted study in Australia and finds that an individual's tax compliance is affected by social norms and ethical beliefs. An individual taxpayer to comply with their tax obligations is closely linked to his/her ethical values. Previous study by Cullis, Jones and Savoia (2012) suggested that social norms influenced one's ethical belief mainly in two ways – internal mediation, which focuses on the intrinsic value derived from being "true to oneself", and external mediation, which focuses on the intrinsic value derived from conforming to group behaviour.

Ho *et al.* (2013) find that a majority of Chinese taxpayers agree with Lawrence Kohlberg's concept of the stages of moral development (Crain, 2005). At this point, acceptable ethical behaviour is recognized as what is accepted by in-group members, and that binds members within the group to conform to the norms of the group. Hence, if members from the primary group comply with tax rules and regulations, a greater level of tax compliance by individuals is likely to be achieved. As a result, Chinese taxpayers are less likely to be influenced by perceived fairness among fellow taxpayers, taxpayers' evaluation of the tax system and the performance of the tax authority, as found in countries like the USA and the UK. Empirical research of Ho *et al.* (2013) in China also suggested that family members and close friends can influence an individual taxpayer's decisions due to the influence by Confucianism on individual taxpayers' ethical beliefs and judgments. This finding supported Young, Lei, Wong and Kwok (2016) argument that the ethical values of Chinese taxpayers are shaped by Confucian ideals, particularly filial piety and group norms, based on the Chinese concept of relationalism. Chinese ethical teachings, specifically on matters relating to regulatory issues should contain both incentives and deterrents to force compliance. Also, tax authority should look towards Chinese ethical values as the basis for encouraging individual tax compliance (Young, Lei, Wong & Kwok, 2016).

Not only different individuals may view an ethical situation differently but due to the importance of the issue will vary from individual to individual as well as over time for the same person, so the same individual may view an ethical issue differently over time. Reasons for this may include an individual's ethical sensitivity, the closeness of the individual to those being affected by the issue, the influence of organizational factors on the individual, recent experiences with outcomes from similar ethical situations, etc. As such, there was the possible for influencing ethical decision-making through manipulation of environmental contexts relevant to the individual, which will increase the importance of acting ethically. Environmental contexts may include rewards and punishments, and an organizational culture, which continuously and visibly encourages and supports ethical decision-making (Daryl & Mark 2007).

In addition, although tax education may be assisting taxpayers to file their tax returns, but should not only emphasise on the technical aspects of filing tax returns, it should also focus on ethical values in order to ensure compliance by taxpayers (Kasipillai et al, 2003). Specifically, there was much evidence that ethics differ across individuals and that these differences influence their compliance decisions. Several researchers (Alleyne et al., 2010; Landry, Moyes & Cortes, 2004) have contended that there was strong difference in ethical perceptions between accounting and non-accounting business majors of Hispanic students.

According to various studies, it appears that Malaysian individual taxpayers have high ethics and it have a significant and positive influence on compliance behaviour. (Ho et al., 2006; Kasipillai et al., 2003; Loo, Evans & McKerchar, 2012). A successful self-assessment system required appropriate compliance among taxpayers. Another research in 2012 conducted by Loo & Sapari (2012) noted that majority of Malaysian taxpayers were considered ethical taxpayers.

Based on a field survey of professional accountants employed by private industry in Hong Kong, Shafer (2015) found that perceptions of the organizational ethical climate were significantly related with belief in the importance of corporate ethics and responsibility. Belief in the importance of ethics and social responsibility was also significantly related with accountants' ethical judgments and behavioural intentions regarding accounting and operating earnings manipulation. These findings suggested that perceptions of ethical climate in the organization, guide accounting professionals to rationalize earnings management decisions by adjusting their attitudes toward the importance of corporate ethics and social responsibility.

Researchers McGee, Devos and Benk (2016) selected Turkish and Australian undergraduate and graduate business and economic students to determine their views regarding the ethics of tax evasion. These two groups were chosen on the ground that their views represented the perceptions of two very different cultures. The results of the study show that although Turkish scores are significantly different from the Australian scores, but both Turkish and Australian respondents believe that tax evasion can be ethically justifiable in certain situations, although some arguments are stronger than others. Therefore, the study providing an insight that culture plays in determining the ethical attitudes towards tax evasion.

Individual tax behavior can be influenced by various factors such as morale attitude, culture, ethical and social norms, religion, education, tax knowledge, income level and gender, political strategies, quality and performance of authorities and tax offices, democracy, corruption and inflation. Social benefits and welfare are also of importance when it comes to tax attitudes. Audits and supportive reporting schedules have influence on individual decision making regarding tax payments (Noll, Schnell & Zdravkovic, 2016).

Alm (1991), recommends that certain taxpayers will honestly report their tax liability (even when they have the motivation or opportunity to cheat), because they believe that tax evasion is wrong. Al-Khatib, Rawwas, and Vitell (2004) also suggested that individual's "personal" code of ethics that eventually influences his/her behavior. In addition, Alm and Torgler (2011) argue that

individuals do not always behave as selfish, rational, and self-interested, but rather motivated by other “ethical” factors, such as morality, altruism, and fairness. Given that ethics differ across individuals, Alm and Torgler suggest that compliance studies should incorporate this dimension in the decision-making process. McGee, Aljaaidi and Musaibah (2012) studied the perceptions of undergraduate students in Yemen on the ethics of tax evasion. Most of the respondents were disagreed that tax evasion is always or almost always ethical. In this study, students consider tax evasion as an ethical practice if the tax system is unfair, the government is corrupt, wasteful, or if the government engages in human rights abuses. Students are comply with the tax law when tax rates are not high, or when the money collected are spent wisely and on worthy project. In contrast, researchers (Ho, Loo & Lim, 2006) mentioned that there was a belief that most individuals nonetheless would evade the tax although majority consider these acts as not ethical.

### **Tax compliance behaviour**

Tax compliance can be defined as the degree to which a taxpayer complies or fails to comply with the tax rules of their country (Marziana et. al., 2010). The goal of an efficient tax administration is to foster voluntary tax compliance using all possible methods including penalties. Tax compliance is a major problem for many tax authorities and it is not an easy task to persuade taxpayers to comply with tax requirements. Alm (1991) and Jackson and Milliron (1986) defined tax compliance as the reporting of all incomes and payment of all taxes by fulfilling the provisions of laws, regulations and court judgments. Another definition of tax compliance is a person’s act of filing their tax returns, declaring all taxable income accurately, and disbursing all payable taxes within the stipulated period without having to wait for follow-up actions from the authority (Singh, 2001). Furthermore, tax compliance has also been segregated into two perspectives, namely compliance in terms of administration and compliance in terms of completing (accuracy) the tax returns (Chow, 2004; Harris, 1989). Similarly, tax compliance is also defined by several tax authorities as the ability and willingness of taxpayers to comply with tax laws, declare the correct income in each year and pays the right amount of taxes on time (Internal Revenue Service, 2009; Australian Taxation Office, 2009; Inland Revenue Board, 2009).

Non-compliance, on the other hand, is the failure on the part of the taxpayer for whatever reason to file, report, compute and pay correctly on time. Non-compliance, thus includes unintentional errors caused by the taxpayer’s lack of tax knowledge or carelessness in preparing the tax return (The American bar Association Commission on Taxpayer Compliance). According to Kinsey (1985), non-compliance is the failure, intentional or unintentional of taxpayers to meet their tax obligations. Unintended non-compliance may result from memory lapses, calculation errors or inadequate knowledge in tax laws.

Whereas “tax morale” usually means the self reported citizen’s perception that paying taxes is the right thing to do. An individual has tax morale if she thinks it is right to pay taxes irrespective of how the government uses the money and irrespective of the tax behavior of others (Ortega, Ronconi & Sanguinetti, 2012).. Several studies claim that tax morale affects compliance (Alm, McClelland and Schulze, 1992; Frey 2003; Lewis, 1982; Torgler, 2001), although the term has been used vaguely sometimes.

Several studies showed that tax morale has a significant positive effect on tax compliance decisions (Cummings, Martinez-Vazquez, McKee & Torgler, 2009; Halla, 2012; Molero & Pujol, 2012). This was supported by Chan and Mo (2000) who proven that individuals comply with the tax law due to perceived moral obligations to obey tax laws. Karlinsky, Burton, and Blanthorne (2004) showed that perception of tax evasion as a non-serious misconduct has led to a situation where taxpayers may not be scared of evading tax. Lisi (2015) recommended the right mix of policy instruments of deterrence for clamping down on tax evasion depends on taxpayers’ morality. A

tighter audit is suggested as monitoring turns out to be an effective instrument for controlling illegal activities. For honest taxpayers, the increase in monitoring should be offset by tax reductions. In contrast, for tax evaders, the increase in monitoring should be accompanied by greater penalties. Since the power of tax authority is an effective way to build trust in the tax authority, thus a tighter monitoring is recommended.

Tax compliance is based on trust or power of authorities. Where tax compliance is based on trust, it becomes voluntary tax compliance, but if tax compliance is based on power, it is called enforced compliance (Kirchler, Hoelzl, & Wahl, 2008; Kirchler, Hofmann, & Gangl, 2012; Kogler et al., 2013; Wahl, Kastlunger, & Kirchler, 2010). Thus, self-assessment (SA) on individual taxpayers is based on the principles of voluntary tax compliance. Under SA taxpayers assess themselves to tax and pay without enforcement action, thus, it is implied that they must possess adequate tax knowledge and tax system need not be complex (Saad, 2014). Tax compliance behaviour may be perceived as a rational economic decision-making process; as a reaction to perceived fairness; as an ethical conduct or as an action due to ignorance. Each of these factors in isolation may not by itself contribute to particular compliance behaviour (Ho, Loo & Lim, 2006).

Allingham and Sandmo (1972) are among the first to empirically investigate the factors that prompt tax compliance. According to them, taxpayers need to be forced to ensure compliance as they can be viewed as rational beings with a high level of self-interest. Sandmo also concluded in 2005 that tax compliance largely depends on deterrent tax measures such as tax audits, fines, and penalties. Recent study also found that both deterrent tax measures and social/psychological aspects of taxpayers affect the level of tax compliance. Specifically, it highlighted that the psychological aspects of taxpayers such as taxpayers' perception and attitude have a more fundamental influence on personal income tax compliance than deterrent tax measures (Aronmwan, Imobhio, & Izedonmi, 2015). The fear of sanctions by Mainland Chinese lawyers were an important factor in compliance behavior (Van Rooij, 2015).

An increase in monitoring is apparently costly, but it could in the end be financed by derived more tax revenue arising from a more concerted effort against tax evasion. Tax non-compliance is in fact often viewed in some countries as a minor law-breaking and tax evaders are viewed as being smart people (Hofmann, Hoelzl & Kirchler, 2008). Also, low levels of audits and penalties may raise doubts about the power of the tax authority and cause doubt in the effectiveness and credibility of the work of that tax authority (Muehlbacher & Kirchler, 2010).

However, in contrast, the use of tax audits, fines and penalties have not be able to address the issue of tax compliance in Nigeria due to various penalties specified for non-compliance are not strictly pursued (Okoye, Akenbor & Obara, 2012). The findings by Badara (2012) also showed that though tax audit may be used to ensure compliance, it is not effective as a result of the insufficient number and experience of tax personnel used, the negative attitude of tax payers to tax officials, poor sanctions for non-compliant taxpayers and the poor tax knowledge of taxpayers.

The outcomes from a mixed-modes survey has shown that the threat of punishment is less likely to be effective in deterring people who already have strong intentions to comply with tax laws. On the other hand they tend to avoid taxes when they are threatened with tax audits and penalties. Their willingness to comply perhaps deteriorates as they are being threatened for things that they do not have any intentions to do (Mohdali, Isa, & Yusoff, 2014).

ast studies found that, even though tax evasion was generally considered to be unethical, there were exceptions. Some arguments justifying tax evasion were stronger than others. The strongest arguments to justify tax evasion were in cases where the government engaged in human rights abuses. The second strongest set of arguments justifying tax evasion were in cases where the tax system was perceived as being unfair, where the government was corrupt, where the tax funds were

wasted, where tax rates were too high, or where the taxpayer was not able to pay (Cohn & Gordon, 1998; McGee & Robert, 1994; Smatrakalev & Gueorgui, 1988; Tamari & Meir, 1998).

Keenan & Dean (1980) claimed that tax evasion is justified for ordinary people as they perceived that the rich and famous cheat the government, or that the income tax system is unfair to them personally. Others might feel that it is morally right, though legally wrong not to pay taxes if taxpayers' money has been immorally or being misused. Tax evasion behaviour may also depend on taxpayers' perceptions of the behaviour of others (Spicer & Lundstedt, 1976; Song & Yarbrough, 1978). This may imply that moral commitments to tax compliance would depend on the moral behaviour, ethical values and attitudes of other taxpayers as well as those non-taxpayers who may have enjoyed benefits paid out of taxpayers' money and also on the ethical and moral behaviour of those who administer taxpayers' money (Ho, Loo & Lim, 2006).

Survey by Chan, Troutman and O'Bryan (2000) to compare compliance behavior between Hong Kong and US taxpayers indicated that the US respondents' decision to comply with tax laws were primarily driven by age, which in turn positively influenced moral development and attitude. In contrast, Hong Kong respondents have shown negative link between, moral development, attitude and compliance.

Studied by Jackson and Milliron (1986) and Suryanto.T (2016) relates to compliance with behavior, gender, occupation and risk attitude. They found that attitudes more important than opportunities in determining taxpayers behavior. Older to be less willing to take risks so they are more compliance. Meanwhile, female more conforming, conservative and bound by moral constraints.

Research by Keenan & Dean (1980) carried out a study on the possible justification for noncompliance suggested that tax evasion is justified for ordinary people if they believed and perceived that the income tax system is unfair to them personally. Others think that it is morally right, though legally wrong not to pay taxes if taxpayers' money has been immorally or illegally wasted.

Economic deterrence models assumed that taxpayers are unethical realistic economic evaders who assess the likely costs and benefits of evasion behaviour (Klepper and Nagin, 1989). Based on this fundamental assumption, these models generally foresee that an increase in perceived detection probability and/or penalties will result in greater taxpayer compliance (Clotfelter, 1983) while an increase in the tax rate will cause in reduced compliance (Ali et al., 2001). Although these models have provided valuable insights, there have been contradictory in findings as the researchers argued that compliance cannot be explained exclusively by economic deterrence models (Graetz & Wilde, 1985) because they fail to incorporate other institutional realities (Fischer et al., 1992).

The importance of taxpayer attitudes in influencing compliance behaviour is supported by Song and Yarbrough (1978). They found that taxpayers' compliance is determined by the overall legal environment (the legitimacy of the tax law), the tax ethics of the citizen (understanding and acceptance of legal obligation) and other factors (such as level of income, unemployment rate, tax rate) operating at a particular time and place. In contrast, Beron, Tauchen and Witte, 1988 found compliance to be higher for taxpayers who were less well educated and older.

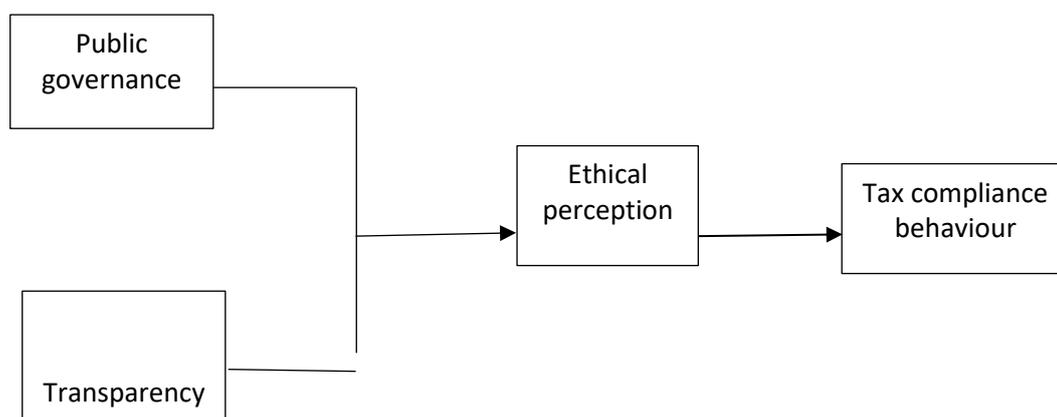
By used meta-analysis to analyse the existing compliance literature, Jackson and Milliron, 1970 recognized many factors (age, gender, education, income level, income source, occupation, peer influence, ethics, fairness, complexity, and revenue authority contact, probability of detection, sanction and tax rate) that to some extent did influence the compliance behaviour of taxpayers.

As tested by Daryl, Mark (2007) and Suryanto T, the results recommended that behavioural intention is related to the perceived importance of the ethical issue. As a result, the more willing the individual is to act in an ethical manner when the more serious the misconduct issue is perceived to

be, and vice versa. Other researchers also indicated that higher rates of tax compliance are found to be related with higher ethical attitudes (Chan et al, 2000; Kasipillai et al, 2003).

## CONCEPTUAL FRAMEWORK

Research framework for determinants of tax compliance behaviour



## CONCLUSION AND DISCUSSION

The findings from this review suggested that tax compliance behaviour of individual taxpayers is influenced by ethical perception of individual taxpayers and their ethical perception is affected by public governance and transparency in government operations.

Ethical perception plays an important role for individual taxpayers to report their income correctly. Ethical perception will vary from an individual to another individual as well, which influenced by changes in their surroundings and their experiences when interact with government themselves or their friends, colleagues or relatives.

Perceptions of how taxpayers' money is being utilised; they are not getting a fair share of the benefits from government or others not complying with their obligation are considered as possible factors influencing their compliance behaviour. If government use tax monies wisely, this may motivate compliance and also cause an increase in compliance when taxpayers get benefits for the taxes paid in terms of public goods and social amenities that they prefer. However, these perceptions means different things to different people, hence influenced their compliance behavior.

Transparent surroundings will enhance confidence in public bodies; hence will increase taxpayers' compliance behaviour. Taxpayers are concerned on transparency of information provided by government especially in public procurement, such as provide more comprehensive information in tendering and awarding process as lack of transparency may cause corruption and reduces public sector efficiency. In contrast, some scholars argued that greater degree of transparency could lead to less instead of more trust as it will be easier for taxpayers to audit government and they might blame government for small mistakes over time.

## REFERENCES

- Abu Bakar, N. B., & Ismail, S. (2011). Financial management accountability index (FMAI) in Malaysian public sector: A way forward. *International Review of Administrative Sciences*, 77(1), 159-190.
- Alabede, J. O., Ariffin, Z. B. Z., & Idris, K. M. (2012). Public Governance Quality and Tax Compliance Behavior in Nigeria: The Moderating Role of Financial Condition and Risk Preference. *Issues in Social and Environmental Accounting*, 5(1/2), 3-24.
- Alabede, J. O., Ariffin, Z. B., & Idris, K. M. (2011). Public governance quality and tax compliance behavior in Nigeria: The moderating role of financial condition and risk preference. *Issues in Social and Environmental Accounting*, 5(1/2), 3-24
- Ali, M. M., H. W. Cecil and J. A. Knoblett: 2001, 'The Effects of Tax Rates and Enforcement Policies on Taxpayer Compliance: A Study of SelfEmployed Taxpayers', *Atlantic Economic Journal* 29, 186–202.
- Al-Khatib, J.A., M. Y. A. Rawwas, and S. J. Vitell. 2004. Organizational ethics in developing countries: a comparative analysis. *Journal of Business* 55: 309-322.
- Alleyne, P., Devonish, D., Allman, J., Charles-Soverall, W., & Young Marshall, A. (2010). Measuring ethical perceptions and intentions among undergraduate students in Barbados. *The journal of American academy of business*, 15(2), 319-326.
- Allingham, M., & Sadmo, A. (1972). Income Tax Evasion: A Theoretical Analysis. *Journal of Public Economics*, 1(1), 323-338.
- Alm, J. 1991. A perspective on the experimental analysis of taxpayer reporting. *The Accounting Review* 66(3): 577–593.
- Alm, J., B. R. Jackson, and M. McKee. 1993. Fiscal exchange, collective decision institutions, and tax compliance. *Journal of Economic Behavior and Organization* 22(3): 285–303.
- Alm, J., B. Torgler. 2011. Do ethics matter? Tax compliance and morality. *Journal of Business Ethics* 101: 635–651.
- Alm, J., McClelland, G. H., & Schulze, W. D. (1992). Why do people pay taxes?. *Journal of public Economics*, 48(1), 21-38.
- Aronmwan, E. J., Imobhio, E., & Izedonmi, F. (2015). Determinants of Personal Income Tax Compliance: Perception of Nigerian Tax Payers. Available at SSRN 2619855.
- Arrowsmith, S. (2009). EC Regime on Public Procurement. *International Handbook of Public Procurement*. K. Thai. Boca Raton, London, New York, CRC Press: 251-290.
- Asian Development Bank, "Governance: Sound Development Management". (1995, August). [http://www.adb.org/Governance/gov\\_elements.asp](http://www.adb.org/Governance/gov_elements.asp) (accessed May 22, 2015)
- Badara, M. S. (2012). The effect of tax audit on tax compliance in Nigeria (A study of Bauchi State Board of Internal Revenue). *Research Journal of Finance and Accounting*, 3(4), 74-80.
- Barracough, S., & Phua, K. L. (2007). Chronicling health care policy change in Malaysia: from consensus to an uncertain and contested agenda. In K. L. Phua (Ed.), *Malaysia public policy and marginalised group* (pp. 143-163). Kuala Lumpur: Malaysian Social Science Association.
- Besancon, M. (2003). *Good governance ranking : the art of measurement*. Cambridge: World Peace Foundation.
- Birkinshaw, P.J., 'Transparency as a Human Right', in Hood, C. and Heald, D. (eds.), *Transparency: The Key to Better Governance?*, Oxford: Oxford University Press, 2006, pp. 47-58
- Blendon, R., Benson, J., Morin, R., Altman, D., Brodie, M., Brossard, M., and M. James. 1997. "Changing Attitudes in America." In *Why People Don't Trust Government*, edited by J. Nye, J., P. Zelikow, and D. King, 205-216. Cambridge, MA: Harvard University Press.
- Bok, D. 1997. "Measuring the Performance of Government." In *Why People Don't Trust Government*, edited J. Nye, P. Zelikow, and D. King, 55-75. Cambridge, MA: Harvard University Press.
- Borensztein, E., J. DeGregorio and J.-W. Lee (1998). "How does foreign direct investment affect economic growth?" *Journal of International Economics* 45: 115-135.
- Bovaird, T., & Löffler, E. (2003). Evaluating the quality of public governance: indicators, models and methodologies. *International Review of Administrative Sciences*, 69(3), 313-328.
- Bovens, M.A.P. 2003. *De Digitale Republiek: Democratie en rechtsstaat in de informatiemaatschappij*. Amsterdam: Amsterdam University Press.

- Chan CW, Troutman CS, O'Bryan D (2000). An expanded model of taxpayer compliance: empirical evidence from the United States and Hong Kong. *Journal of International Accounting, Auditing and Taxation*; 9(2): 83-103.
- Chan, K., & Mo, P. (2000). Tax Holidays and Tax Noncompliance: An Empirical Study of Corporate Tax Audits in China's Developing Economy. *Accounting Review*, 469-484.
- Chow, C.Y., 2004. "Gearing Up for the Self – Assessment Tax Regime for Individuals", *Tax National*, 2nd Quarter, pp: 20-23
- Clotfelter, C. T. (1983). Tax evasion and tax rates: An analysis of individual returns. *Review of Economics and Statistics*, LXV(3), 363-373.
- Cochrane, A. (1993). From financial control to strategic management: The changing faces of accountability in British local government. *Accounting, Auditing & Accountability Journal*. Bradford: Vol. 6, Iss. 3; p. 30.
- Cohn, Gordon (1998). "The Jewish View on Paying Taxes." *Journal of Accounting, Ethics & Public Policy* 1: 109–20.
- Cook, F. L., Jacobs, L. R., & Kim, D. (2010). Trusting what you know: Information, knowledge, and confidence in Social Security. *The Journal of Politics*, 72(02), 397-412.
- Crain, W. (2005), *Theories of Development: Concepts and Applications*, 5th ed., Pearson Prentice Hall, Upper Saddle River, NJ.
- Cullis, J., Jones, P. and Savoia, A. (2012), "Social norms and tax compliance: framing the decision to pay tax", *The Journal of Socio-Economics*, Vol. 41 No. 2, pp. 159-168.
- Cummings, R.G., Martinez-Vazquez, J., McKee, M., Torgler, B., 2009. Tax morale affects tax compliance: evidence from surveys and an artefactual field experiment. *J. Econom. Behav. Org.* 70 (3), 447–457.
- Curtin, D., & Meijer, A. J. (2006). Does transparency strengthen legitimacy? *Information polity*, 11(2), 109-122.
- D'Arcy, M. (2011). *Why do citizens assent to pay tax? Legitimacy, taxation and the African state*. Afrobarometer Working Paper No. 126.
- Daryl M. Guffey and mark W. McCartney, (2007). The perceived Importance of an Ethical Issue as a Determinant of Ethical Decision-making for Accounting Students in an Academic Setting. *Accounting Education: an International Journal Vol. 17, No. 3, 327 – 348, September 2008*.
- Drew, C. H., & Nyerges, T. L. (2004). Transparency of environmental decision making: A case study of soil cleanup inside the Hanford 100 area. *Journal of Risk Research*, 7(1), 33-71.
- Etzioni, A. 2010. "Is transparency the best disinfectant?" *The Journal of Political Philosophy* 18(4): 389-404
- European Commission (2004). *Buying Green! A handbook on environmental public procurement*. Brussels, European Commission,.
- European Commission (2006). *Commission Staff Working Paper: Impact Assessment Report - Remedies in the Field of Public Procurement* SEC (2006) 557.
- European Commission (2010). *Europe 2020 - A strategy for smart, sustainable and inclusive growth* Communication COM (2010) 2020 final.
- European Commission (2011). *Green Paper on the modernisation of EU public procurement policy - Towards a more efficient European Procurement Market* COM(2011) 15 final.
- Evenett, S. and B. Hoekman (2004). *International Disciplines on Government Procurement*.
- Everest-Phillip, M., & Sandall, R. (2009). Linking business tax reform with governance: How to measure success. Working paper, Investment Climate Department, World Bank Group.
- Ezzamel, M., and Willmott, H. (1993). Corporate governance and financial accountability: Recent reforms in the UK public sector. *Accounting, Auditing & Accountability Journal*. Bradford: Vol. 6, Iss. 3; p. 109 (24 pages)
- Falsetta, D., Schafer, J. K., & Tsakumis, G. T. (2015). How government spending impacts tax compliance. Available at SSRN 2658393.
- Fehr, E., & Gächter, S. (2000). Fairness and retaliation: The economics of reciprocity. *The journal of economic perspectives*, 14(3), 159-181.
- Fischer CM, Wartick M, Mark M (1992). Detection probability and taxpayer compliance: Are view of the literature. *Journal of Accounting Literature*; 11: 1-49.
- Fjeldstad, O. H., & Semboja, J. (2001). Why people pay taxes: The case of the development levy in Tanzania, *World Development*, 29(1), 2059-2074.
- Fjeldstad, O. H., Schulz-Herzenberg, C. S., & Sjursen, I. H. (2012). *Peoples' views of taxation in Africa: A review of research on determinants of tax compliance*. Chr. Michelsen Institute (CMI) Working papers 2012:7

- Frey, B. S. (2003). The Role of Deterrence and Tax Morale in Taxation in the European Union, Jelle Zijlstra Lecture, Netherlands Institute for Advanced Study in the Humanities and Social Sciences (NIAS).
- Gerring, J., & Thacker, S. C. (2004). Political institutions and corruption: The role of unitarism and parliamentarism. *British Journal of Political Science*, 34(02), 295-330.
- Graetz, M. J., & Wilde, L. L. (1985). The economics of tax compliance: fact and fantasy. *National Tax Journal*, 38(3), 355-363.
- Grimmelikhuijsen, S.G. 2012. Transparency and trust. An experimental study of online disclosure and trust in government. Dissertation, Utrecht University.
- Grimmelikhuijsen, S.G., & Meijer, A. J. (2012). Effects of Transparency on the Perceived Trustworthiness of a Government Organization: Evidence from an Online Experiment. *Journal of Public Administration Research and Theory*, Inc, November 5, 2012.
- Halla, M., 2012. Tax morale and compliance behavior: first evidence on a causal link. B.E. J. Econom. Anal. Policy 12 (1), pages 13.
- Hamm, J. L. (1995). Income level and tax rate as determinants of taxpayer compliance: an experimental examination.
- Harris, T. D. (1989). *The effect of type of tax knowledge on individuals' perceptions of fairness and compliance with the federal income tax system: An empirical study*.
- Heald, D. (2006). *Varieties of transparency* (No. 135, pp. 25-43). Oxford University Press for The British Academy.
- Ho, D., Ho, D. and Young, A. (2013), "A study of the impact of culture on tax compliance in China", *International Tax Journal*, Vol. 39 No. 3, pp. 33-50.
- 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.
- Hofmann, E., Hoelzl, E., Kirchler, E., 2008. Preconditions of voluntary tax compliance: knowledge and evaluation of taxation, norms, fairness, and motivation to cooperate. *J. Psychol.* 216 (4), 209–217.
- Hood, C. (2006). *Transparency in historical perspective* (No. 135, pp. 3-23). Oxford University Press.
- Jackson, B. R., & Milliron, V. C. (1986). Tax compliance research: Findings, problems, and prospects. *Journal of Accounting Literature*, 5(1), 125-165.
- Karlinsky, S., Burton, H., & Blanthorne, C. (2004). Perceptions of Tax Evasion as a Crime. *eJournal of Tax Research*, 2(2), 226-240.
- Kasipillai, J. (1992), "Developing and Implementing a Comprehensive Taxation Curriculum", *ACCACMADIA, Journal of School of Accountancy, MARA Institute of Technology* (2), 36-42.
- Kasipillai, J. (2013). *A Guide to Malaysian Taxation*, 2<sup>nd</sup> Edition, published by McGraw-Hill Education (Malaysia) Sdn. Bhd.
- Kasipillai, J., Aripin, N., & Amran, N. A. (2003). The influence of education on tax avoidance and tax evasion. *eJournal of Tax Research*, 1(2), 134-46.
- Keenan, A. and Dean, P.N. (1980). Moral Evaluations of Tax Evasion. *Social Policy and Administration*, 14(3): 209-220.
- Kinsey, K.A., 1985, Theories and models of tax cheating, Taxpayer Compliance Project working paper no. 84-2 (American Bar Association, Chicago, IL).
- Kirchler E, Hoelzl E, Wahl I. (2008) Enforced versus voluntary tax compliance: The "slippery slope" framework. *Journal of Economic Psychology*, 29(2): 210-225.
- Kirchler, E. (2007). The economic psychology of tax behavior. Cambridge: Cambridge
- Klepper, S., & Nagin, D. (1989). Tax compliance and perceptions of the risks of detection and criminal prosecution. *Law and society review*, 209-240.
- Kogler C, Batrancea L, Nichita A, Pantya J, Belianin A, Kirchler E. (2013). Trust and power as determinants of tax compliance: Testing the assumptions of the slippery slope framework in Austria, Hungary, Romania and Russia. *Journal of Economic Psychology*. 34: 169-180.
- Landry, R., Moyes, G. D., & Cortes, A. C. (2004). Ethical perceptions among Hispanic students: differences by major and gender. *Journal of Education for Business*, 80(2), 102-108.
- Larsson, T. 1998. "How Open Can Government Be? The Swedish Experience." In *Openness and Transparency in the European Union*, edited by V. Deckmyn, and Thomson, 39-51. Maastricht: European Institute of Public Administration.
- Lassen, D. D. (2003). *Ethnic divisions and the size of the informal sector*. EPRU, Economic Policy Research Unit.

- Levi, M. (1988). *Of rule and revenue*. Berkeley: University of California Press.
- Loo, E. C., & Sapari, A. (2012). The influence of personal, social and institutional factors on tax compliance behaviour of Malaysian individual taxpayers.
- Loo, E. C., Evans, C., & McKerchar, M. A. (2012). Challenges in Understanding Compliance Behaviour of Taxpayers in Malaysia. *Asian Journal of Business and Accounting*, 3(2), 2010.
- Mahler, J., and P.M. Regan. 2007. "Crafting the Message: Controlling Content on Agency Web Sites." *Government Information Quarterly* 24: 505-521.
- Mann, A. J., & Smith, R. (1988). Tax attitudes and tax evasion in Puerto Rico: A survey of upper income professionals. *Journal of Economic Development*, 13(1), 121-141.
- Marziana Hj. Mohamad, Norkhazimah Ahmad, Mohamad Sakarnor Deris (2010) : Perceptions of Taxpayers With Level of Compliance: A Comparison in the East Coast Region, Malaysia: *Journal of Global Business and Economics*, vol.1, issue 1, pages 241-257
- Mauro, P. (1998). "Corruption and the composition of government expenditure." *Journal of Public Economics* 69: 263-279.
- McGee, R. W., Devos, K., & Benk, S. (2016). Attitudes towards Tax Evasion in Turkey and Australia: A Comparative Study. *Social Sciences*, 5(1), 10.
- McGee, R., Aljaaidi, K. S., & Musaibah, A. S. (2012). The Ethics of Tax Evasion: A Survey of Administrative Sciences' Students in Yemen. *International Journal of Business and Management*, 7(16), 1.
- McGee, Robert W (1994). "Is Tax Evasion Unethical?" *University of Kansas Law Review* 42: 411-35.
- Meijer, H. L. (2009). What prospects for European fiscal policy?. *International Journal of Economics and Business Research*, 1(1), 21-42.
- Modugu, P. K., Eragbhe, E., & Izedonmi, F. (2012). Government accountability and voluntary tax compliance in Nigeria. *Research Journal of Finance and Accounting*, 3(5), 69-76
- Mohdali, R., Isa, K., & Yusoff, S. H. (2014). The impact of threat of punishment on tax compliance and non-compliance attitudes in Malaysia. *Procedia-Social and Behavioral Sciences*, 164, 291-297.
- Molero, J.C., Pujol, F., 2012. Walking inside the potential tax evader's mind: tax morale does matter. *J. Business Ethics* 105 (2), 151-162.
- Moore, M. (2004). Revenues, state formation, and the quality of governance in developing countries. *International Political Science Review*, 25(1), 297-319.
- Muehlbacher, S., Kirchler, E., 2010. Tax Compliance by Trust and Power of Authorities. *Internat. Econom. J.* 24 (4), 607-610.
- Noll, J., Schnell, K., & Zdravkovic, S. (2016). Tax and Ethics: A Panoramic View. Available at SSRN 2729764.
- Nye, J. S., Zelikow, P., & King, D. C. (1997). *Why people don't trust government*. Harvard University Press.
- O'Neill, O. 2002. A Question of Trust, The BBC Reith Lectures 2002. Cambridge: Cambridge University Press.
- O'Neill, O. 2006. "Transparency and the Ethics of Communication." In *Transparency: The Key to Better Governance?*, edited by C. Hood and D. Heald, 75-90. Oxford: Oxford University Press.
- OECD (2003). *Transparency in Government Procurement: The Benefits of Efficient Governance and Orientations for Achieving It* Paris, OECD.
- Okoye, P. V. C., Akenbor, C. O., & Obara, L. C. (2012). Promoting sustainable tax compliance in the informal sector in Nigeria. *An International Journal of Arts and Humanities*, 1(1), 40-54.
- Ortega, D., Ronconi, L., & Sanguinetti, P. (2012). Reciprocity and willingness to pay taxes: evidence from a survey experiment in Latin America. *Economía*, 16(2), 55-87.
- Palil, M. R. (2010). *Tax knowledge and tax compliance determinants in self assessment system in Malaysia* (Doctoral dissertation, University of Birmingham).
- Piotrowski, S. J., & Van Ryzin, G. G. (2007). Citizen attitudes toward transparency in local government. *The American Review of Public Administration*, 37(3), 306-323.
- Rotberg, R. I. (2005). Strengthening governance : Ranking countries would help. *The Washington Quarterly*, 28(1), 71-81.
- Rotberg, R. I., & Gisselquist, R. M. (2009). *Strengthening African governance: Index of African governance results and rankings*. Cambridge: World Peace Foundation.
- Saad N. (2014) Tax Knowledge, Tax Complexity and Tax Compliance: Taxpayers' View. *Procedia-Social and Behavioral Sciences*. 109: 1069-1075.
- Salleh, D., & Khalid, S. N. A. (2011). Accountability practice at local government of Malaysia. In *2nd International Conference on Business and Economics Research Proceeding*.

- Shafer, W. E. (2015). Ethical climate, social responsibility, and earnings management. *Journal of Business Ethics*, 126(1), 43-60.
- Siddiquee, N. A. (2010). Combating corruption and managing integrity in Malaysia: A critical overview of recent strategies and initiatives. *Public Organization Review*, 10, 153-171.
- Singh, V. and Bhupalan, R. (2001). The Malaysian Self-Assessment System of Taxation, Issues and Challenges. *Tax Nasional*, 3rd Quarter: 12-17.
- Smatrakalev, Gueorgui (1988). "Walking on the Edge: Bulgaria and the Transition to a Market Economy." In *The Ethics of Tax Evasion*. Edited by Robert W. McGee. Dumont: The Dumont Institute for Public Policy Research, pp. 316-29.
- Song, Y. D., & Yarbrough, T. E. (1978). Tax ethics and taxpayer attitudes: A survey. *Public administration review*, 442-452.
- Spicer, H.W. and Lurdstedt, S.B. (1976). Understanding Tax Evasion. *Public Finance*, 31(2): 295-305.
- Stolfi, F., & Murniati, S. (2014). Transparency in European public procurement: benefits and lessons for Malaysia.
- Suryanto, Tulus. "Audit Delay and Its Implication for Fraudulent Financial Reporting: A Study of Companies Listed in the Indonesian Stock Exchange." *European Research Studies* 19.1 (2016): 18.
- Suryanto, Tulus. "Dividend Policy, Information Technology, Accounting Reporting to Investor Reaction And Fraud Prevention." *International Journal of Economic Perspectives* 10.1 (2016): 138.
- Tamari, Meir (1998). "Ethical Issues in Tax Evasion: A Jewish Perspective." *Journal of Accounting, Ethics & Public Policy* 1: 121-32.
- Tanzi, V. and H. Davoodi (1997). "Corruption, Investment and Growth." *IMF Working Paper WP/97/139*.
- Tayib, M., Coombs, H. M., & Ameen, J. R. M. (1999). Financial reporting by Malaysian local authorities: A study of the needs and requirements of the users of local authority financial accounts. *International Journal of Public Sector Management*, 12(2), 103-121.
- Torgler, B. (2001). What do we know about tax morale and tax compliance?. *Rivista internazionale di scienze economiche e commerciali*, 48(3), 395-420.
- Torgler, Benno. 2003. "Tax Morale, Rule-Governed Behaviour and Trust," *Constitutional Political Economy* 14: 119-40.
- Uadiale, O. M., Fagbemi, T.O., & Ogunleye, J. O. (2010). An empirical study of the relationship between culture and personal income tax evasion in Nigeria. *European Journal of Economics, Finance and Administrative Sciences*, 20(1), 116-126.
- Van Rooij, B. (2015), "Weak enforcement, strong deterrence: dialogues with Chinese lawyers about tax evasion and compliance", *Law & Social Inquiry*, Vol. 41 No. 2 (Spring), pp. 288-310.
- Wahl, I., Kastlunger, B., & Kirchler, E. (2010). Trust in authorities and power to enforce tax compliance: An empirical analysis of the "Slippery Slope Framework". *Law & Policy*, 32(4), 383-406.
- Welch, E. W., Hinnant, C. C., & Moon, M. J. (2005). Linking citizen satisfaction with e-government and trust in government. *Journal of public administration research and theory*, 15(3), 371-391.
- Wenzel, M. (2005), "Motivation or rationalization? Causal relations between ethics, norms and tax compliance", *Journal of Economic Psychology*, Vol. 26 No. 4, pp. 491-508.
- Wittmer, D.P. (2000). 'Ethical sensitivity in management decisions: developing and testing a perceptual measure among management and professional student groups'. *Teaching Business Ethics*, 4:2, 181-205.
- Worthy, B. 2010. More Open but Not More Trusted? The Effect of the Freedom of Information Act 2000 on the United Kingdom Central Government. *Governance: An International Journal of Policy, Administration, and Institutions* 23(4): 561-582
- Yaakob, A. F., Kadir, N. A., & Jusoff, K. (2009). Accountability from the perspective of Malaysian governance. *Journal of Politics and Law*, 2(3), 48-60.
- Young, A., Lei, L., Wong, B., & Kwok, B. (2016). Individual tax compliance in China: a review. *International Journal of Law and Management*, 58(5), 562-574.