A Study about Economic Factors Influencing Taxpayers’ Noncompliance Behaviors in Kuala Lumpur, Malaysia.

Yong Mei Teng¹ & Vikneswaran S/O Manual²
¹BA (Hons) in Accounting and Finance with a specialism in Taxation
Asia Pacific University of Technology and Innovation, Malaysia and Staffordshire University, UK
School of Accounting, Finance and Quantitative Studies
²Lecturer, Asia Pacific University of Technology and Innovation, Malaysia

Abstract: The central issue encountered by tax authorities is that it has never been easy to convince all taxpayers to comply with tax system’s regulations. Hence, this study specifically sought to determine the economic factors that influence taxpayers’ noncompliance behaviors in Kuala Lumpur, Malaysia. Researcher conducts literature review to find out gaps in the literature concerning on this topic. Research methodology introduced convenient sampling being and questionnaire outcomes are analyzed quantitatively using both descriptive and inferential analysis. Multiple regression results revealed that tax rates was found to be significant positive determinant of tax noncompliance in Kuala Lumpur context. Notably, inflation and income levels have no significant relationships to tax noncompliance but inflation is negative correlated and income level is positive correlated with tax noncompliance. Overall, the findings provide valuable insights to IRBM in developing strategies to stimulate more voluntary compliance in future as well as point out limitations, future research directions and overall conclusion for this research.

Key words: Tax noncompliance, inflation, tax rates, income levels, tax evasion

1. Introduction

In Malaysia, different kinds of taxes such as Personal and Corporate Income Tax, Real Property Gain Tax and Goods and Services Tax (GST) are implemented in the country. Therefore, a fair and effective tax system is developed to collect tax revenues from citizens. Upon collection of tax revenue, government carries responsibilities of distributing the revenue through public welfare, investment and other approaches that aimed to develop the country. In fact, tax collection assists to finance public expenditure of a country. Although paying tax is the legal responsibilities of every citizen, the government still couldn’t ensure all citizens will have good sense on their tax duty obligation. In other words, tax noncompliance and tax evasion still can happen.

“Malaysian government had collected tax revenue of RM155,952 million of tax revenue which financed by total revenue of RM213,370 million or 73% of total tax revenue in 2013. In 2014, tax revenue of RM171,770 million was collected under total revenue of RM225,094 million. On the other hand, it estimates RM235,219 million tax revenue will be received at present year” (Khairul, 2014).

However, total revenue paid by citizen is not performing in a stable trend. Percentage of GDP had been declined continuously throughout the three years as well. It declined from 21.6% (2013) to 20.9% (2014) to 20% in 2015 (Khairul, 2014). Yet, federal tax paid was revised down to 34.2% and a total of RM35.1 billion tax non-compliance cases were disclosed in 2013 when Inland Revenue Board Malaysia was just able to solve 1.9 million tax evasion cases in 2012 (hasil.org.my, 2013). As the number of solved cases is low, it indicates the government should put more efforts in overcoming phenomenon of tax non-compliance.
Speaking of tax noncompliance, it is typically indicates to the failure of taxpayers to meet their tax financial obligations (Rosmaria Jaffar, Harun et al., 2014). Taxpayers might conduct a range of inappropriate activities against the legal tax system unethically (law.jrank.org, 2015). Tax noncompliance is classified as tax evasion and tax avoidance. Certain affairs of a person may be manipulated in purpose to reduce tax liability. Basically, tax noncompliance can be taken either intentionally or unintentionally. Even though such tax offences should be penalties in accordance to Income Tax Act 1967, the economic determinants influencing taxpayers’ noncompliance behaviors in Kuala Lumpur still play important role as the major concerns of this study. Realizing significant effects caused by tax noncompliance, comprehensive analysis on economic factors of income level, tax rate and inflation will be described to bring out how these factors contribute to tax non-compliance issues in Kuala Lumpur.

1.1 Statement of the problem

In this study, problem of tax noncompliance exists in when taxpayers failure to file appropriate tax return within stipulated period or the taxpayer does not submit tax return at all (non-submission); when taxpayers overstate on amount of deductions; fail to pay assessed taxed before due date and when taxpayers underreport their actual incomes.

Malaysian government introduces Self-Assessment System (SAS) to make the tax assessment system more flexibility since 2001. However, Juahir et al. (2010) argues that such a system actually causes tax noncompliance problem become more serious. This is because it allows taxpayers to commit misstatements in manipulated financial report as mechanism of SAS lacks proper monitoring function. Due to drawback of SAS, some corporate taxpayers even prepare triplicate accounts that serve for different purpose. For example, one set of financial report is prepared for financial institution purpose, another set used for management purpose while the third set of account is organised for intention to reduce certain level of tax liability.

Osebe (2013) expressed solutions to minimize tax noncompliance issues can be carried out by imposing tax penalties. “For instance, taxpayer who commits incorrect tax return with discrepancy in tax liability in between 15% to 60% will be penalized” (Choong & Lai, n.d.). Current tax structure should be improved by establishing a higher reasonable risk of detection to analyse information submitted by taxpayers. Ideally, tax authority should perform professional tax audit to detect tax evasion. The audit should conduct reasonable quality and quantity of audit work. For example, Inland Revenue Board Malaysia might assign its audit team to visit taxpayer’s business premises in order to collect solid documentation of business record and interview relevant employees if necessary.

1.2 Research Objective

This study is done to identify economic factors of taxpayers’ noncompliance behaviors in Kuala Lumpur. This objective assists the study to find out which economic factors have encouraged individual taxpayers to evade tax without following guidelines of Malaysian tax system. Therefore the objectives of these researches are as follow:

i. To identify economic factors of taxpayers’ noncompliance behaviours in Kuala Lumpur, Malaysia;

ii. To examine the relationship between tax rates and tax noncompliance behaviour in Kuala Lumpur, Malaysia;

iii. To examine the relationship between income levels and tax noncompliance behaviour in Kuala Lumpur, Malaysia;

iv. To examine the relationship between inflations and tax noncompliance behaviour in Kuala Lumpur, Malaysia.
1.3 Significance and scope of the study

The outcome of this research study will assists Malaysian tax administration, Malaysian citizens, economy of Malaysia as well as other researchers in following ways:

Malaysian tax authority might use certain useful information from this study to restructure current enforcement measures and even comes out better enforcement instrument tools. For example, tax authority might create new mechanism to improve monitoring of SAS. These efforts can significantly minimize tax noncompliance. Tax authority can recognize how taxpayers are trying to evade tax and what are the expectations of taxpayers toward current performance of tax administrative structure. By understanding taxpayers’ expectation, it assists tax authority to identify issues faced by taxpayer. By then, tax authority is able to come out resolutions that reduce taxpayers’ burden and confusion effectively.

Malaysian citizens can take advantage from realizing how their decision will contribute to a country’s tax noncompliance issue as well as affecting development of country. Therefore, citizens might regret of their unethical action such as evade taxes and eventually more willing to meet their tax obligations honestly. By realizing relationship of economic factors towards level of noncompliance, government might impose certain taxation policy or introduce new policy to overcome impact caused by those economic factors. As result, economy of Malaysia will be improved by promoting and achieving sustainable economic growth.

Other researchers who have similar interest in the study of tax noncompliance in Kuala Lumpur, Malaysia can refer to secondary data of this proposal to develop their own researches. Yet, future researchers might compare tax noncompliance in Kuala Lumpur, Malaysia with other states or even other countries. It helps to save plenty of time to conduct comparative research.

The research scope of study is to examine economic determinants that have impacts on behaviors intention of tax noncompliance in Kuala Lumpur, Malaysia. Thus, the scope of study is narrowed down to analyze insights among individual taxpayers towards the discussed matter. For example, students, office workers and sole proprietors who work in Kuala Lumpur will receive a set of questionnaire in order for them to voice independence opinions towards questionnaire questions.

2. Literature review

According to Alabede, Zainol Ariffin, and Idris (2011), non-compliance behavior might arise intentionally when taxpayer deliberately break the tax rules for his personal benefits. Whereas tax noncompliance encountered unintentionally, it might cause calculation error, ignorance, oversight or mistake due to lack of basic tax knowledge. In the study, noncompliance is being classified broadly into four types, which included fail to file a tax return; underreporting of taxable income; overstating tax claims such as exemptions and expenses as well as failing to make timely payment of tax liability. As a whole, the study indicated tax non-compliance is an illegal tax evasion.

According to Pettinger (2013), a country might experience cost push inflation and demand pull inflation in long term, short term or at a sudden. Different kinds of inflation contributed varied consequences towards tax noncompliance among taxpayers. This factor is therefore undertaken in the view of examining the influence of inflation on tax noncompliance.

Slémrod (2007) and Palil (2010) argued regardless the tax rate is high or low, it still had no impact on noncompliance behaviours of taxpayers. The study claimed a low tax rate will not necessarily decline tax noncompliance. Yet, raising marginal tax rates will neither encourage taxpayers to conduct more evasion as well. Both studies stated the significant relationship between noncompliance and tax rate was still uncertain. This is because differences of tax rates can be manipulated for different objectives of particular policy.

Edelbacher, C. Kratcosk and Dobovsek (2015) justified the relationship between tax rate and noncompliance is significantly positive. As expected, one would engage in higher tax noncompliance at higher tax rates than lower tax rates. It provided recommendation to minimize noncompliance which is the government should reduce tax rates or provide tax incentives to decline taxpayers’ negative perception on high tax rates. This is because the study mentioned taxpayers can easily be pleased or ingratiated due to their sensitivity toward small tax effect.

According to Pettinger (2013), a country might experience cost push inflation and demand pull inflation in long term, short term or at a sudden. Different kinds of inflation contributed varied consequences towards tax noncompliance among taxpayers. This factor is therefore undertaken in the view of examining the influence of inflation on tax noncompliance.

According to Ross and McGee (2011), the study claimed income inequality that caused shortage of money had stimulated tax noncompliance significantly. The study founds taxpayers categorized as high income earners were less likely involving in tax noncompliance. It is believed that the higher the income levels, the more responsible the taxpayers will behave in dealing with their tax obligation. The findings showed middle and high income earners are mostly from higher education background which will show more respect to tax authority. In contrary, the study expressed lower income earners have higher possibility to commit tax noncompliance. Lower
income earners have less ability to pay the actual amount of taxes. Yet, they might from lower education background and hence less respect to tax authority. Therefore, taxpayers with lower incomes might consider the tax to be paid is too high and unaffordable.

2.1 Research framework

Theoretical framework is prepared to illustrate relationship of how the three independent variables have direct impact on dependent variable of tax noncompliance.

![Diagram 1: Theoretical framework](image)

3. Descriptive analysis

Descriptive research design is applied in terms of its objectives. As such, description of economic factors impact (independent variables) towards tax noncompliance (dependent variables) is measured in response to what, where, who, how and when to research problem.

Quantitative analysis will be conducted throughout the data analysis and interpretation process. Apart from that, SPSS Software will be utilized to check and filter outcomes from 100 personally administered questionnaires. This is to eliminate risk of missing value. Yet, it would arrange the database by illustrating them into frequency table, bar chart and pie chart. Significantly, SPSS system will conduct reliability test to verify trustworthiness and reliability of received data. Such descriptive analysis described on demographic of respondents such as gender, age group, marital status, highest education level as well as their income levels.

4. Testing models

4.1 Multiple Regression Model

To enhance findings on data collection for this study, Multiple Regressions Model is employed to run tests towards dependence variable and independence variable. Reason behind choosing this testing model is there are a set of different independence variables or factors being chosen to explore relationships among these factors with the one and only one dependence variable. In addition, multiple regression model is tested to predict tax noncompliance in this research study. The prediction is conducted basing on effects of three economic factors which contributing to tax noncompliance behaviors: tax rate, income level and inflation. The test model is run by using following formula:

\[
\text{TAXNONCOMP} = \beta_0 + \beta_1 \text{INCOMELEVEL} + \beta_2 \text{INFLATION} + \beta_3 \text{TAXRATE} + \epsilon
\]

Where:
- TAXNONCOMP: Tax noncompliance;
- INCOMELEVEL: Perception on paying tax based on taxpayer’s income level;
- INFLATION: Influence of inflation on paying taxes

4.2 Correlation coefficient

Correlation coefficient, \( r \) is a bivariate analysis selected for this study to measure degree of relationship between dependent variable and independent variables. It also can be known as Pearson Correlation Coefficient. McCallister (2015) stated if coefficient value obtained from following formula is a positive value, it demonstrates there is a positive correlation of relationship strength. In contrary, a negative coefficient value is therefore indicates a negative correlation exists within the relationship strength.

Ratner (2009) justified when Pearson’s \( r \) is close to 1, it shows there is a strong relationship between two variables. This is because the changes in one variable are strongly correlated with changes in another variable. In contrary, when Pearson’s \( r \) is close to 0, it shows there is a weak relationship between two variables. This is because the changes in one variable are not correlated with changes in second variable.

Mukaka (2012) interprets ranges of correlation coefficient, \( r \) as below:
Table 5: Rule of Thumb for Interpreting Size of r
Source: Mukaka (2012)

<table>
<thead>
<tr>
<th>Size of Correlation</th>
<th>Interpretation</th>
</tr>
</thead>
<tbody>
<tr>
<td>.90 to 1.00 (-.90 to -.100)</td>
<td>Very high positive (negative) correlation</td>
</tr>
<tr>
<td>.70 to .90 (-.70 to -.90)</td>
<td>High positive (negative) correlation</td>
</tr>
<tr>
<td>.50 to .70 (-.50 to -.70)</td>
<td>Moderate positive (negative) correlation</td>
</tr>
<tr>
<td>.30 to .50 (-.30 to -.50)</td>
<td>Low positive (negative) correlation</td>
</tr>
<tr>
<td>.00 to .30 (.00 to -.30)</td>
<td>Negligible correlation</td>
</tr>
</tbody>
</table>

To avoid calculating deviation scores, alternative computational formula can be applied is (Lane, n.d.):

Figure 7: Formula of Correlation Coefficient  
Source: Statisticssolutions.com (2015)

4.3 Data validity and reliability test

Fundamentally, validity and reliability are the core values sought to achieve in research’s evaluation of measurement instrument. “Validity is concerned with the extent to which an instrument measures what it is intended to measure. Reliability is concerned with the ability of an instrument to measure consistently. In other words, it means researchers should ensure the validity of measurement instrument is closely associated with its reliability” (Tavakol and Dennick, 2011).

Cronbach’s alpha is the most commonly used internal consistency reliability method. As Cronbach’s alpha able to reflect overall reliability coefficient for a set of variables, it suitable for research questionnaire that contains Likert scale questions constructed in ranges from “Strongly Disagree” to “Strongly Agree”. To understand whether these questionnaire’s questions are all reliably measure the similar latent variable, this Cronbach’s basic equation is used to compute alpha:

\[
\alpha = \frac{n}{n-1} \left( 1 - \frac{\sum Vi}{\sum \text{Vtest}} \right)
\]

- \( n \) = number of questions
- \( Vi \) = variance of scores on each question
- \( \text{Vtest} \) = total variance of overall scores (not %’s) on the entire test

Figure 8: Formula of Cronbach’s alpha  
Source: Allen (n.d.)

Tavakol and Dennick (2011) justified minimum acceptable score to be deemed as reliable for Cronbach’s alpha is 0.70. Thus, a value that is substantially low signifies an unreliable scale. Referring to Panayides and Walker (2013), if value of alpha is greater than 0.90 may inform test length is too long and thus should be shortened to satisfy the equation.

Table 6: Internal consistency of Cronbach’s Alpha  
Source: Blenders (2013)

<table>
<thead>
<tr>
<th>Cronbach’s alpha</th>
<th>Internal consistency</th>
</tr>
</thead>
<tbody>
<tr>
<td>( \alpha \geq 0.9 )</td>
<td>Excellent (High-Stakes testing)</td>
</tr>
<tr>
<td>0.8 ( \leq \alpha &lt; 0.9 )</td>
<td>Good (Low-Stakes testing)</td>
</tr>
<tr>
<td>0.7 ( \leq \alpha &lt; 0.8 )</td>
<td>Acceptable (Surveys)</td>
</tr>
<tr>
<td>0.6 ( \leq \alpha &lt; 0.7 )</td>
<td>Questionable</td>
</tr>
<tr>
<td>0.5 ( \leq \alpha &lt; 0.6 )</td>
<td>Poor</td>
</tr>
<tr>
<td>( \alpha &lt; 0.5 )</td>
<td>Unacceptable</td>
</tr>
</tbody>
</table>

5. Inferential Analysis

5.1 Regression Model

Table 7: Model Summary and Output of ANOVA

Model summary demonstrated the model correlation coefficient was 0.669 which means the model predicted over 66% of the change in the independent variable. Additionally, the relationship
was considered significant that carries a coefficient of determination value of 0.448 (R square). The results interpreted the three independent variables had 44.8% positive relationship with tax noncompliance.

Analysis of variance (ANOVA) Table presented the effect size of the regression model was adequate to the research. The effect size of regression model was over 55% that contributed by the residual mean sum of square. Furthermore, the F-ratio is computed by taking mean square (regression) divided by the mean square (residual). As such, the effect size of the model was 25.94. P-value is used to compare with some alpha level for purpose of testing the null hypothesis that all of the model coefficients are significant with p-value of 0.000.

5.2 Coefficient Model

Table 9: Output: Coefficients between Income Level, Tax Rate, Inflation and Dependent Variable

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
</tr>
<tr>
<td>INTERCEPT</td>
<td>0.00</td>
<td>0.01</td>
</tr>
<tr>
<td>TAX</td>
<td>0.57</td>
<td>0.03</td>
</tr>
<tr>
<td>INF</td>
<td>1.07</td>
<td>0.08</td>
</tr>
</tbody>
</table>

P-value is used to test the relationship. In additions, standardized coefficients or beta coefficients is selected to ascertain whether there is a positive or negative relationship. The reason of choosing standardized coefficients for this study is it informs middle value of dependent and independent variables.

Among the variables show in Table 9, hypothesis analysis (significance test) of tax rate factor has a p-value of 0.000. As this variable illustrated a relationship that was affirmed by significant level, α < 0.05, it shows there is a significant relationship between tax rate and tax noncompliance behavior in Kuala Lumpur, Malaysia. In this research, tax rate has a positive β1 = 0.835. It defines that there is a positive relationship between tax rate and tax noncompliance behavior in Kuala Lumpur, Malaysia. This indicates that for each unit of income level increase in the positive effect of tax noncompliance at 83.5%.

Whist, income levels ( p = 0.953 ) indicate relationship that was affirmed by significant level, α > 0.05. Therefore, it shows there is an insignificant relationship between income levels towards tax noncompliance behaviors in Kuala Lumpur, Malaysia. In this research, income level has a positive β2 = 0.008. It defines that there is a positive relationship between income levels and tax noncompliance behavior in Kuala Lumpur, Malaysia. This indicates that for each unit of income level increase in the positive effect of tax noncompliance at 8%.

Inflation carries a p-value of 0.055 which implies relationship that was affirmed by significant level, α > 0.05. Therefore, it shows there is an insignificant relationship between inflation and tax noncompliance towards tax noncompliance behaviors in Kuala Lumpur, Malaysia. Inflation has negative β3 at -0.25. It defines that there is negative relationship between inflation and tax noncompliance behavior in Kuala Lumpur, Malaysia. This indicates that for each unit of inflation decrease in the negative effect of tax noncompliance at 25%.

5.3 Correlation Coefficient Model

Table 10: Correlations of Coefficient

Table 10 illustrates the correlation of coefficient, significance value and the sample size that the calculation is based on. Looking at the Pearson, r are all equal to 1, it indicates there is a perfectly strong relationship between tax noncompliance, income levels, tax rates and inflations. The dependent variable is strongly correlated with changes in all three independent variables.

All diagonal cells carry samples sizes, N that equal to 100. This means there is no missing data being observed among all factors.

Pearson correlation coefficient, r between tax noncompliance and income levels is 0.446, and that this is statistically significant (p < 0.01 for a two-tailed test), based on 100 complete observations. As the Pearson’s r value is low positive correlation (r = 0.446), it can be concluded that when tax noncompliance behavior increases, the income levels of a taxpayer also increases.

Pearson correlation coefficient, r between tax noncompliance and tax rates is 0.650, and that this is statistically significant (p < 0.01 for a two-tailed test), based on 100 complete observations. As the Pearson’s r value can be interpreted as moderate positive
correlation ($r = 0.650$), it can be concluded that when tax noncompliance behaviour increases, the tax rates implemented by government also increases.

Pearson correlation coefficient, $r$ between tax noncompliance and inflations is $0.392$, and that this is statistically significant ($p < 0.01$ for a two-tailed test), based on 100 complete observations. As the Pearson’s $r$ value can be interpreted as low positive correlation ($r = 0.392$), it can be concluded that when tax noncompliance behaviour increases, the inflations experienced by a country also increases.

Pearson correlation coefficient, $r$ between income levels and tax rates is $0.750$, and that this is statistically significant ($p < 0.01$ for a two-tailed test), based on 100 complete observations. As the Pearson’s $r$ value can be interpreted as low positive correlation ($r = 0.750$), it can be concluded that when income levels increase, the tax rates implemented by government also increases.

Pearson correlation coefficient, $r$ between income levels and inflations is $0.748$, and that this is statistically significant ($p < 0.01$ for a two-tailed test), based on 100 complete observations. As the Pearson’s $r$ value can be interpreted as high positive correlation ($r = 0.748$), it can be concluded that when income levels increase, the inflations experienced by a country also increases.

Pearson correlation coefficient, $r$ between tax rates and inflations is $0.762$, and that this is statistically significant ($p < 0.01$ for a two-tailed test), based on 100 complete observations. As the Pearson’s $r$ value can be interpreted as high positive correlation ($r = 0.762$), it can be concluded that when tax rates increase, the inflations experienced by a country also increases.

6. Conclusion

In a nutshell, this research study successfully achieved the research objectives. Outcomes derived from SPSS Statistics are also adequate to provide evidences in testing all research hypotheses. From the result of multiple regression analysis, tax rates have significant relationship with tax noncompliance. In fact, this can be related back to questionnaire results. From the findings, researcher figures out most respondents have reflected strong perceptions that the rates of tax being imposed would directly either encourage or discourage taxpayers’ to fulfill their duty. Most respondents agreed they will be motivated to pay tax voluntarily if the rates are to be revised down.

Multiple regression results for income levels and inflations are insignificant to tax noncompliance behaviors in context of the study. From the findings, most respondents have no strong negative perceptions that the level of incomes and inflations would influence them to evade tax. Obviously, it showed income levels and inflations are not main determinants that able to increase taxpayers’ noncompliance in Kuala Lumpur, Malaysia.

Hence, tax literatures in present study have identified broad range of tax noncompliance and gaps of future research. As the economic literature has not clearly conclusive on the impact of economic factors towards tax noncompliance yet, it is expected this research will help to further explore significant relationships between economic factors and tax noncompliance in future research.

By this line of thought, more research findings have to be gathered and add to the limited literature available in current stage. Therefore, further research can be carried out in wider geographical areas, expands scope of target respondents, discovers more factors that could influence tax noncompliance and try to take advantage from scenario-based questions to involve more participation from respondents.

7. Recommendation

As recommendation, tri-dimensional efforts from government, IRB and taxpayers are very imperative. Government should work together with schools to pass on formal tax education to all like how American schools include tax lesson plans in its education program, as suggested by Nwanna and Richards (2010). Furthermore, churches, non-governmental organizations and other community groups could play roles in transmitting tax information to its members too. If tax education is properly executed, it is believed Malaysia would has more better tax informed citizens such as tax enlightened students who hold better knowledge in tax. For instance, individual who has received tax education will understand the importance of tax planning to legally minimize tax burden and as returns the individual would express his appreciation of constitutional obligations with regards to tax.

Next, tax authority might boost tax advocacy effect is by utilizing the power of social media such as radio stations, advertising on Facebook and YouTube. Based on statistics by Aseanup.com (2016), 66% of Malaysians are social media users out of total population of 30.8 million in 2015. For that reason, method of using social media to spread tax information will be more effective to approach in every segment of society. For instance, Inland Revenue Board of Malaysia (IRBM) can forms agreement with the popular Malay, Chinese and English radio stations in Malaysia. Different tax slot time should be aired in the peak hours per day to spread benefit of e-filing, common tax misunderstanding and new tax policy. Whereas advertising on Facebook and YouTube can encourage more taxpayers to use Self-Assessment System. Radio stations could connect people offline while advertising on online platform connects people online. As a
whole, such an advocacy strategy could link up the whole nations perfectly.

Once an individual registered himself as a taxpayer, taxpayer should fulfill the duty to pay taxes before the payment is due. According to the study of Hilary Dom (2013) under Inland Revenue Board Malaysia, the researcher identifies four major areas of noncompliance include failure to register as a taxpayer, non-submission of tax return after due date, failure to pay tax liability after it is due and incorrect submission of tax return. In addition, Choong and Lai (2008) even found out 70% of respondents never aware book-keeping should be conducted within 60 days from the date it incurred. Both studies present taxpayers do not obey to the tax law and they do not take penalties on wrongdoing seriously. Hence, researcher suggests taxpayers should inculcate themselves a respect of the tax laws. This is because no matter how hard government and IRB do well in their jobs, it will be meaningless unless taxpayers willing to play their roles properly.

So all in, tri-dimensional efforts from these three parties described above are extremely needed to assist Malaysia outlines and puts such a long-term plan into action.

8. References


