

# Factors Influencing Tax Compliance Among Individual Taxpayers

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## ABSTRACT

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Tax compliance is defined as an act performed intentionally and consciously based on obedience, desire, and the ability to comply with tax laws. The degree determines a taxpayer's compliance rate. Regardless of the government's initiatives, including the introduction of penalties, tax compliance remains a significant problem for many countries, as it is difficult to persuade taxpayers to comply with the requirements. Malaysia has just over 1.3 million individual taxpayers from a population exceeding 33.5 million, which translates to only about 4.0 percent of the entire population. This low proportion of individual taxpayers constitutes merely 4.0 percent of the population. Several hypotheses were developed and tested using the descriptive statistics, pearson correlation, and multiple regression techniques in SPSS 27. This study used a quantitative method and convenience sampling to collect 150 completed questionnaires. The results show a significant positive relationship between tax education, tax awareness, tax morale, tax complexity, and tax compliance. Results also show that tax education is the most significant factor influencing tax compliance among individual taxpayers at Pejabat Setiausaha Kerajaan Negeri Perlis (SUK). In conclusion, several recommendations have been put forward to help improve tax compliance among individual taxpayers..

## 1. Introduction

In both developed and developing countries, tax compliance has become an important subtopic for personal and corporate taxation, emphasizing a taxpayer's responsibility to report income and determine tax liability. Tax compliance is fundamental to a good and sustainable business, whether it is a sole proprietorship, a self-employed business, or a partnership. Businesses in all kinds of industries are subject to taxation. This is important because income tax is the largest component of the country's revenue, contributing around 50% to 55% annually to finance the nation's development policy and the continuity of the people's well-being (The Sun Paper, January 2018). Malaysia has adopted the SAS for corporate taxpayers since 2001, and it was later introduced to businesses, partnerships, cooperatives, and individuals in 2003 (Saipei & Kasipillai, 2013). The implementation of the manual tax assessment and payment system exposes governments to the growing issue of tax losses. Murphy (2011) revealed that many countries are losing millions of dollars due to tax losses, and Malaysia ranked 44th in the world and 11th in the Asian

region with an estimated tax loss of USD 11,243 million. This demonstrates that countries worldwide struggle to collect tax payments from taxpayers, with hundreds of millions of dollars recorded as tax losses due to non-compliance. Hai and See (2011) have stated that the problem of tax non-compliance has become more serious than before due to the overly dependent taxpayers' honesty in the new self-assessment system. Malaysia recorded a steady increase in tax collection from 2012 to 2015, according to the IRBM's annual reports (Annual Report, 2015). Though the individual tax collection increased, it was not at a higher percentage compared to the individual tax collection in 2015.

In recent years, the increasing prevalence of individual tax compliance has generated significant concerns regarding its potential impact on the Malaysian economy. Despite the extensive body of research on tax compliance, a critical gap persists in the understanding of how tax compliance directly influences individual taxpayers. In terms of individual tax compliance, particularly in Malaysia, there are still rising numbers of people who do not comply with their tax payments every year. According to Tan Sri Dr. Mohd Shukor Mahfar, the CEO of the Inland Revenue Board of Malaysia (IRBM), approximately 20% of Malaysian taxpayers fail to submit their return forms to the IRBM annually (The Star, 2012). This persistent non-compliance issue poses significant challenges to the nation's tax administration system. The failure to file tax returns not only affects revenue collection but also hinders the government's ability to effectively plan and allocate resources. Furthermore, reports indicate that Malaysia has just over 1.3 million individual taxpayers out of a population exceeding 33.5 million, representing only about 4.0 percent of the total population. This low proportion of individual taxpayers constitutes merely 4.0 percent of the population. This deficiency in tax collection not only restricts the financial resources available for improving public services and social welfare programs but also limits the government's ability to stimulate economic growth and address pressing societal needs. The repercussions extend beyond immediate fiscal concerns, affecting the overall well-being and development of the nation, as resources that could have been allocated to essential services are curtailed due to inadequate tax compliance. In Malaysia, there have been previous studies on individual tax compliance. However, not much has been published on the influence of individual tax compliance and tax knowledge methods on taxpayers' compliance. Therefore, the study aims to determine the level of tax compliance and explore the relationships between factors such as tax education, tax awareness, tax morale, and tax complexity among individual taxpayers at Pejabat Setiausaha Kerajaan Negeri Perlis (SUK). This study also aims to determine the main factor influencing tax compliance among individual taxpayers at Pejabat Setiausaha Kerajaan Negeri Perlis (SUK).

## 2. Literature Review

### 2.1 Individual Tax Compliance

The term "Individual" in taxation denotes a natural person (Inland Revenue Board, 2018). Individual taxpayers pay their contribution to the government to attain the nation's economic equilibrium (Ahmed and Kedir 2015). The Malaysian tax paying system had been started to practice prior to 1910, and during the time of early Malay rulers (Kasipillai and Shanmugam 1995). Since then, the tax-paying system has experienced numerous renovations and adjustments in line with the country's history of multiple colonizations. The Legislative Council of Penang, Malacca, and Singapore, the three early colonies of Malaya, proposed and then reintroduced a draft bill enacting an income tax. As the people of former Malaya were not concerned with the contribution of tax to the government, a different International Journal of Academic Research in Accounting, Finance and Management Sciences Vol. 9 (2), pp. 172–182 © 2019 HRMARS ([www.hrmars.com](http://www.hrmars.com)) 174 funding system came to substitute it in order to meet the government's expenditures.

Moreover, it was a failure for the Government to pass the bill again in the year 1922, due to the misconception in the minds of the people that the revenue would be for the maintenance of the war and not for the development of the nation. However, during the period of Japanese ruling (1942-1945), taxation had

come under restructuring and been implemented effectively. Later in 1947, during the British ruling, a special officer known as Heasman, was appointed to deal with the Malaysian Tax system. Four years after the establishment of Malaysian federation, the existing income tax paying system came into being and was made more comprehensible, after being replaced with a new law “Income Tax Act 1967 (ITA)”

Furthermore, tax compliance is an important issue for nations around the world as governments search for revenues to meet public needs (Andreoni et al. 1998). Countries depend on tax revenue to support their budgets and fund the public expenditures (Alaaraj et al., 2018). As a result, the factors that affect the tax compliance by taxpayers are of interest to the policymakers in the government as well as for the practitioners, the academics, and public. This is because given the increase of the duties of governments and the result of economic downturn worldwide, governments are striving to reduce tax evasion and increase taxpayer compliance (Jimenez and Iyer, 2016). According to the Inland Revenue Board of Malaysia, the term “Individual” in taxation denotes a natural person (Inland Revenue Board 2018). The economic equilibrium of the nation will be attained once the individual taxpayers honestly contribute their tax payment to the government (Ahmed and Kedir, 2015).

## 2.2 Tax Education

The majority of people, whether in informal or formal employment, lack knowledge about the tax system and the process of filing and paying taxes. If a nation aims to broaden its tax base and foster voluntary tax compliance, it is crucial to prioritize tax education. Therefore, the study sought to ascertain whether the tax education individuals receive plays a significant role in enhancing overall awareness of tax collection, especially concerning tax laws and regulations.

To boost tax revenues in specific nations, tax authorities must motivate taxpayers to willingly fulfill their tax obligations by effectively administering and providing ample information through tax education. Such educational initiatives contribute to enhancing the knowledge and understanding of taxpayers, thereby influencing their behavior positively toward tax compliance. From the previous study of Kurniawan (2020), tax education significantly affected tax compliance. Hence, as stated by Palil (2011) tax knowledge influences tax compliance.

According to Rindermann (2018), a high-quality education promotes the development of thinking, deepens knowledge, enhances personality, changes attitudes, and trains specific skills. He added that education works by improving cognitive ability, which is a combination of intelligence and knowledge (Rindermann, 2018). A study showed that education could help cultivate the necessary knowledge, skills and abilities to participate in intellectually demanding activities (Parisi et al., 2012). Park & Hyun (2003) believe that tax education would effectively induce taxpayers to comply more. Furthermore, a study was conducted in the United States and Hong Kong to test the impact of education on tax compliance. Chan, Troutman, & O'Bryan (2000) found that education, along with age, was one of the factors that drove respondents to comply with tax laws and positively influenced moral development and attitude. In contrast, there was a negative relationship between education, moral development, attitude and compliance among the respondents of Hong Kong. Therefore, it is crucial to equip taxpayers with basic knowledge about taxes as early as possible.

With the implementation of SAS, it is opportune for the authorities to contemplate making tax education a mandatory course for university students. There has been no consensus on tax education, and some have contended that it does not have a substantial effect on tax compliance. Compared with, Torgler (2007) observed that the level of education affects their perception of tax evasion and indirectly increases their tax compliance. Considering the significance of tax education in enhancing tax compliance, Malaysian Inland Revenue Board CEO Dato' Sri Sabin stressed in his speech the necessity of continuing tax education programmes for future generations. According to him, educating the public about the need for taxation must

begin at an early age (Malaysian Tax Conference, 2019). To ensure that SAS becomes a successful system, an element of knowledge is helpful. Through this system, taxpayers need to be aware of the latest information regarding tax as well as understanding the procedure and the requirements needed to pay the tax amount (Norzilah; Anuar; and Ahmad et al., 2017).

### 2.3 Tax Awareness

Several studies have found a connection between tax compliance and tax awareness. As far as the research goes, one of the most important elements in guaranteeing tax compliance is awareness. Awareness is an intrinsic motivation that would encourage taxpayers to pay a sum of money and contribute to the development of a country (Nurkhin, Novanty, Muhsin, & Sumiadji, 2018). It is a state in which someone knows, acknowledges, respects and obeys the applicable tax provisions with utmost sincerity and desire to fulfill their tax obligations (Muliari & Setiawan, 2011). Hence, individuals possessing a heightened level of awareness are generally more inclined to comply with tax regulations compared to those with lower awareness. Thus, tax knowledge is necessary to increase tax awareness, especially to educate taxpayers on how and where the government's money is spent (Mohd, 2010).

According to Savitri and Musfialdy (2016), three types of awareness or consciousness were set out, drawing taxpayers to fulfill their tax obligations. Firstly, individuals acknowledge that taxes constitute a vital source of funds for a country's development. This awareness leads taxpayers to willingly fulfill their tax obligations, avoiding being on the disadvantaged side. Secondly, there is an understanding that delaying tax payment and reducing the tax burden can have detrimental effects on the country. Taxpayers are conscious that such actions not only delay the country's development but also negatively impact its progress. Finally, the third aspect of awareness involves recognizing tax as a legal obligation that can be enforced. Considering this realization, taxpayers fulfill their tax duties, understanding that paying taxes is an integral part of their legal obligations. Through possessing these three types of awareness, taxpayers become more cognizant that the sum they contribute to taxes holds significance in supporting the country's development. Consequently, they place trust in the government's ability to effectively manage these funds.

Awareness of the obligation towards tax will result in either compliance or disobedience towards tax. Due to awareness, taxpayers are willing to contribute funds, out of their wealth, for the development of the country (Nurkhin et al., 2018). Therefore, taxpayers will be more compliant the more knowledgeable they are. Furthermore, a conscientious taxpayer is less likely to wonder why they are required to pay taxes. However, due to their ignorance of the advantages associated with their tax payments, non-compliance has become largely due to tax ignorance.

Individual-level tax awareness shows the recognition of tax mechanisms and prevailing tax laws (Taofeq, 2018). Tax awareness indicates the importance of the tax system for public welfare (Savitri & Musfialdy, 2016). A thorough understanding of tax awareness suggests a possible link with tax compliance (Zandi et al., 2016). Tax awareness makes the taxpayers conscious of paying taxes and promotes public wellbeing (Rahmayanti et al., 2020).

### 2.4 Tax Morale

According to OECD (2019), tax morale can be described as a measure of the ethical behaviour of a taxpayer when complying or evading tax. Thür (2013) explained several factors that influence tax compliance attitude, which include factors like tax knowledge and tax morality. In actuality, the self-assessment system heavily relies on people to complete their own tax returns and self-assess. However, because of their unfavorable opinion of the system's fairness and equality concerns, taxpayers often avoid paying taxes. Based on the study, people will try to avoid tax and tend to behave in a manner of non-compliance towards tax obligation if they feel injustice in the system enforced by the government. These

findings were supported by Faizal, Palil, Maelah and Ramli (2017) who suggested that the positive perception of justice and trust in the tax system could increase tax compliance attitude.

Tax compliance and tax morale are related. It is not the same as tax compliance since tax compliance is an activity, whereas morale is an attitude. Tax moral is one part of intrinsic motivation from religious beliefs or moral values to pay taxes (Mohd Ali & Pope, 2014). An improvement of intrinsic motivation is expected to boost the willingness to pay tax. However, external elements that surround taxpayers have the greatest impact on tax morale. Tax morale was impacted by a variety of external factors, including the government, tax authorities, society, and an individual's own sentiments influenced by moral and religious beliefs. Some may suggest that having good governance and treating people fairly by the government would promote voluntary compliance among citizens (Kirchgässner, 2011). Kirchler et al. (2008) argue that providing good governance and treating people equally by the government would encourage citizens to comply voluntarily. On the other hand, according to Mohdali and Pope (2014) Malaysian taxpayers have been well informed of their responsibility in the SAS, and it is quite fair for people who knew their tax responsibility and their obligations.

According to Van Raaij (2016), tax morale is related to the attitude of taxpayers, which takes into consideration a few elements such as the moral principles and values. Ultimately, it is up to the taxpayers to decide whether to pay taxes. The attitude of taxpayers towards whether they are being truthful or if they are just ignoring their tax-paying obligations is known as tax morale. When taxpayers understand that their duty and contribution can have a significant impact on the country, they will willingly comply with tax laws. People's tax morale can be impacted by their environment; if most of their close friends or family members are paying their taxes, they will also concur that paying taxes is required and that it is a part of their culture. Based on the theoretical model by Lee (2016), if the tax morale in society is high, it leads to higher tax compliance. In the subjective norms, the decision of taxpayers is usually influenced by their group belongings. Their environment also becomes a crucial element in determining their compliance. (Hamid et al. 2020). As for personal norms, it involves their internal value such as feelings of guilt if they are not complying with tax. This type of individual has a high potential to comply with tax as they know their responsibility and are not ready to face the tax penalty that will be imposed on them.

## 2.5 Tax Complexity

Another element that needs to be considered is the tax complexity. Ghani et al. (2020) found that tax complexity significantly affects tax compliance level among the self-employed taxpayers. Richardson (2008) also found out that tax complexity is the main factor which significantly affects non-tax compliance among the citizens. This study is supported by Saad (2011) and Gambo, Masud, Mustapha and Oginni (2014), whereby they found that the tax rule is the major contributor to tax compliance due to the fact that the rule is difficult to understand. Her Majesty Revenue and Customs UK also claimed that removing the ambiguity from tax return forms would help people to better understand and comply with tax laws.

Fundamentally, the dimension of tax complexity is a multidimensional concept whereby O'Donnell, Koch, and Boone (2005) stated that the concept of tax complexity concept can be defined by different people with different viewpoints. . According to Gambo et al. (2014), they have given three different definitions of tax complexity in the way of tax accountants', tax lawyers' and taxpayers' perceptions. Meanwhile, the definition of tax complexity from taxpayers' perspective is the time taken and cost incurred in complying with the relevant tax legislations.

Furthermore, Isa (2015) conducted a study and found that there have been difficulties by corporate taxpayers in complying with the tax obligation under the SAS in Malaysia. Isa (2015) found three elements of tax complexity which include tax calculations, record keeping requirements, and ambiguities in the taxes. The tax calculations and record keeping requirements, as stated by Isa (2015), are said to be the biggest

challenges faced by small firms in their bid for tax-compliance, while medium and large firms have always faced ambiguities in their taxes.

Tax complexity can include many forms such as the complexity of tax computation and the complexity of filling the tax forms (AICPA, 1992). Also, tax complexity can also include compliance complexity, rule complexity, and procedural complexity (Carnes & Cuccia, 1996; Cox & Eger, 2006). In this sense, complex and ambiguous tax laws will result in taxpayers' tendency to not comply as there will be a higher tendency of taxpayers taking questionable deductions compared to if the tax laws are precise and explicit (Nugent, 2013). Tax complexity involves not only the complex phrases used in tax returns and brochures issued by the authorities but also the intricate procedures involved in preparing the actual income tax return. Such a reporting activity is perceived to be very exhausting, complicated, and burdensome for taxpayers (Braniyyah & Rusydi, 2012; Hamid et al., 2019). In addition, taxpayers need outside expert assistance and complete additional training to comply with the intricate tax systems. As a result, tax complexity has direct and indirect effects (via compliance costs) on tax compliance (Musimenta, 2020).

According to Mat Jusoh et al. (2021), in Malaysia, taxpayers perceived tax complexity concerning documentation, the ambiguity of taxation, and items in taxation are considered excessive. Due to the complexity of tax procedures, taxpayers find it challenging to manage their tax obligations correctly, caused by the complexity in tax calculation and the tax return and the procedures (Hamid et al., 2022). Therefore, these explanations lead to the following hypotheses:

- H1: The level of tax compliance among individuals is high.
- H2: There is a significant relationship between tax education and individual tax compliance.
- H3: There is a significant relationship between tax awareness and individual tax compliance.
- H4: There is a significant relationship between tax morale and individual tax compliance.
- H5: There is a significant relationship between tax complexity and individual tax compliance.

This study aims to determine the level of tax compliance and explore the relationships between factors such as tax education, tax awareness, tax morale and tax complexity among individual taxpayers at Pejabat Setiausaha Kerajaan Negeri Perlis (SUK). This study also aims to determine the main factor influencing tax compliance among individual taxpayers at Pejabat Setiausaha Kerajaan Negeri Perlis (SUK). At the same time, individual tax compliance is identified as the dependent variable (see Figure 1):

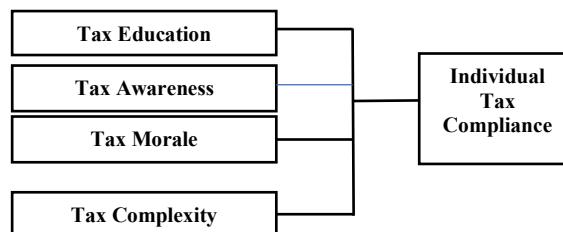


Figure 1. Conceptual framework

### 3. Research Methodology

The study population involves public servants who work at Pejabat Setiausaha Kerajaan Negeri Perlis (SUK). The study utilised a quantitative research design with a survey method. The questionnaire was constructed and adapted from previous research (Munawarah Mahran et al. 2023; Asmahani Mohd Hanapi 2022) to obtain data about relationships between independent variables and individual tax compliance. The constructed questionnaire has six parts, namely, Part A: sociodemographic profile (7 items), Part B: individual tax compliance (5 items), Part C: tax education (5 items), Part D: tax awareness (5 items), Part E: tax morale (5 items), and Part F: (5 items). A pilot study was conducted to determine the reliability of the instrument. The Cronbach Alpha values obtained for all four variables in the study instrument are above 0.60. According to Kline (2016), a sample size of 100 is considered small, a sample of 100 to 200 is medium, and a sample over 200 is considered large. This study used only 150 public servants from Pejabat Setiausaha Kerajaan Negeri Perlis (SUK) as respondents.

#### 4. Analysis and Results

As shown in Table 1, the dominant gender of respondents who participated in this study was female, with a response rate of 56.0%, while males were at 44.0%. Next is the age group of 20 to 30 years old in the study, where the percentage is 5.3%; this is followed by 31–40 years old at 22.0%; meanwhile, 41–50 years old had the highest percentage at 56.7%; and 50 years old and older had a response rate of 16%. Furthermore, the tertiary education level had the highest response rate at 96.7%, compared to the secondary school's 3.3%. Next, for the position level, the top management group with 23.3%, compared with the management and professional groups at 46.0%, had the highest percentage, followed by the implementation group at 30.75%. Furthermore, 38% of the respondents reported income between RM 3,170 and RM 4,849, while 51.3% reported income between RM 4,850 and RM 10,959, and 10.7% reported income exceeding RM 10,960. Finally, the response from the departments shows the human resource department was at 10%, the management service department at 12%, the information technology management department at 10.7%, the state economic planning department at 12.7%, the district administration department at 16.0%, the real estate development and management department at 11.3%, the corporate management and integrity unit at 6.7%, and others at 20.7%.

Table 1. Demographic Profile of Respondents

No.	Variables	Profile	Frequency	Percentage (%)
1.	Gender	Male	66	44.0
		Female	84	56.0
2.	Age	20-30 years old	8	5.3
		31-40 years old	33	22.0
		41-50 years old	85	56.7
		50 years old and above	24	16
3.	Education Level	Secondary	5	3.3
		Tertiary	145	96.7
4.	Position Level	Top Management Group	35	23.3
		Management and Professional Group	69	46.0
		Implementation Group	46	30.7

<b>5.</b>	Income	RM3,170 - RM4,849	57	38.0
		RM4,850 - RM10,959	77	51.3
		RM10,960 and above	16	10.7
<b>6.</b>	Department	Human Resource Department	15	10.0
		Management Service Department	18	12.0
		Information Technology Management Department	16	10.7
		State Economic Planning Department	19	12.7
		District Administration Department	24	16.0
		Real Estate Development & Management Department	17	11.3
		Corporate Management & Integrity Unit	10	6.7
		Others	31	20.7

Thus, as shown in Table 2, it illustrated the reliability data for each variable tested. Cronbach's Alpha value for Tax Education was 0.866, Tax Awareness was 0.780, Tax Morale was equal to 0.6, Tax Complexity was 0.770 meanwhile, the Individual Tax Compliance was 0.793. Hence, it can be concluded that all the variables measured in this study appeared to be reliable and appropriate.

Table 2: Reliability Analysis

Variables	No. of items	No. of items deleted	Cronbach's Alpha Value	Decision
<b>Dependent Variable:</b>				
<b>Individual Tax Compliance</b>	5	-	0.793	Reliable
<b>Independent Variables:</b>				
<b>Tax Education</b>	5	-	0.866	Reliable
<b>Tax Awareness</b>	5	-	0.780	Reliable
<b>Tax Morale</b>	5	-	0.573	Reliable
<b>Tax Complexity</b>	5	-	0.770	Reliable

As shown in Table 3, it indicates that Tax Education, Tax Awareness, Tax Morale and Tax Complexity can be contended as normal because all the skewness and kurtosis values in the range of -3 to +3 and -10 to +10 indicate the normal distribution of data. The Skewness value should fall within the range of -3 to +3. Moreover, for kurtosis, the range of -10 to +10 needs to be assumed (Kline, 2005).

Table 3: Normality Analysis

Variable	Skewness	Kurtosis	Decision
<b>Dependent Variable:</b>			
<b>Individual Tax Compliance</b>	-2.041	7.263	Normal
<b>Independent Variables:</b>			
<b>Tax Education</b>	-2.254	8.410	Normal
<b>Tax Awareness</b>	-2.204	8.648	Normal
<b>Tax Morale</b>	-1.998	7.604	Normal
<b>Tax Complexity</b>	-1.033	1.290	Normal

Based on the result in table 4, the findings revealed a mean score of 4.49 and a standard deviation of 2.49. According to Sekaran and Bougie (2013), a mean value ranging from 3 to 4 is average, above 4 is high, and between 1 to 3 is considered low. Therefore, this indicates that most individual taxpayers at Pejabat Setiausaha Kerajaan Negeri Perlis (SUK) exhibit a high level of tax compliance.

Table 4: Level of Individual Tax Compliance

Variables	Mean	Standard Deviation
<b>Individual Tax Compliance</b>	4.49	2.499

Table 5 demonstrates the result of correlation analysis between tax education, tax awareness, tax morale, tax complexity and individual tax compliance among individual taxpayers at Pejabat Setiausaha Kerajaan Negeri Perlis (SUK). The strength of this connection is expressed as a correlation coefficient, which ranges from -1.00 to +1.00. In this study, Pearson's r was used as the appropriate measure of correlation for interval or ratio data (Hair et al., 2010). According to Cohen (1988), an R-value between 0.10 and 0.29 is considered low, an R-value between 0.30 and 0.49 is moderate, and an R-value between 0.50 and 1.0 is high. Table 5, it shows the result of Pearson Correlation analysis between tax education, tax awareness, tax morale, tax complexity and individual tax compliance among individual taxpayers. As illustrated in table 5, it shows that tax education, tax awareness and tax morale had a strong positive correlation between individual tax compliance. Meanwhile, tax complexity indicates a low relationship between individual tax compliance. Since  $r = 0.273$ ,  $p\text{-value} = 0.001$ . Hence, H2, H3, H4 and H5 were supported.

Table 5: Correlation Analysis Between Tax Education, Tax Awareness, Tax Morale, Tax Complexity and Individual Tax Compliance

Variables	R	p-value	Decision
<b>Correlation between tax education with individual tax compliance among individual taxpayers at SUK.</b>	0.734	0.001	H <sub>2</sub> supported

<b>Correlation between tax awareness with individual tax compliance among individual taxpayers at SUK.</b>	0.735	0.001	H <sub>3</sub> supported
<b>Correlation between tax morale with individual tax compliance among individual taxpayers at SUK.</b>	0.620	0.001	H <sub>4</sub> supported
<b>Correlation between tax morale with individual tax compliance among individual taxpayers at SUK.</b>	0.620	0.001	H <sub>5</sub> supported

Based on the result shown in Table 6, it depicted the independent variables that explained 64.6% of the individual tax compliance which was highly significant. F-value of 66.209. The model is statistically significant as the P-value shown is  $p < 0.05$ . In this current study, there were four factors identified as independent variables which were Tax Education, Tax Awareness, Tax Morale and Tax Complexity. As presented in the results, the value of Tax Education was ( $\beta = 0.384$ ,  $p = 0.001$ ), while the value of Tax Awareness was ( $\beta = 0.354$ ,  $p = 0.001$ ), the value for Tax Morale was ( $\beta = 0.208$ ,  $p = 0.004$ ) and the value for Tax Complexity was ( $\beta = -0.092$ ,  $p = 0.118$ ). Among these independent variables three factors were found to be significant namely tax education ( $p = 0.001$ ), tax awareness ( $p = 0.001$ ) and tax morale ( $p = 0.004$ ). Therefore, it can be concluded that tax education was the most significant factor that affected individual tax compliance among individual taxpayers at Pejabat Setiausaha Kerajaan Negeri Perlis (SUK) since the Standard Beta value is greater than other variables.

Table 6: Multiple Regression Analysis

Variables	Unstandardized Beta	Standard Beta	T-value	P-value	Decision
<b>Tax Education</b>	0.346	0.384	4.948	0.001	Significant
<b>Tax Awareness</b>	0.352	0.354	4.650	0.001	Significant
<b>Tax Morale</b>	0.194	0.208	2.907	0.004	Significant
<b>Tax Complexity</b>	-0.059	-0.092	-1.572	0.118	Not Significant
<b>R<sup>2</sup></b>	0.646				
<b>F-Value</b>	66.209				
<b>p-Value</b>	0.001				

## 5. Discussion

Based on the results obtained in this study, the level of tax compliance among individual taxpayers at Pejabat Setiausaha Kerajaan Negeri Perlis (SUK) had a majority of respondents that had a high level of tax compliance. Therefore, it can be concluded that the majority of the individual taxpayers at Pejabat Setiausaha Kerajaan Negeri Perlis (SUK) demonstrated a high level of tax compliance. According to Shahnaz Noorul Amin et al. (2022), this finding reinforces the findings of the current study, indicating Malaysia's progress towards becoming a developed country and the need to implement all necessary measures to ensure a high level of tax compliance. Azwadi Ali and Norsiah Ahmad (2014) found that a high tax compliance level among taxpayers reduces the monitoring and auditing duties of the tax collector.

### Correlation between tax education, tax awareness, tax morale and tax complexity with individual tax compliance among individual taxpayers at Pejabat Setiausaha Kerajaan Negeri Perlis (SUK)

The correlation between tax education, tax awareness, tax morale, and tax complexity was analysed using correlation analysis to determine whether there is a significant correlation or not between individual tax compliance at Pejabat Setiausaha Kerajaan Negeri Perlis (SUK).

The first correlation identified is between education and individual tax compliance among individual taxpayers at Pejabat Setiausaha Kerajaan Negeri Perlis (SUK). The result shows that there is a correlation between education and individual tax compliance among individual taxpayers at Pejabat Setiausaha Kerajaan Negeri Perlis (SUK). Kurniawan (2020) supported the findings of this study by demonstrating a significant impact of tax education on tax compliance. The study's findings suggest that educating taxpayers about the social responsibility of paying taxes can impact tax compliance and influence their intention to comply. Numerous studies mentioned above endorsed the significant correlation between tax education and individual tax compliance among individual taxpayers.

The second correlation was between tax awareness and individual tax compliance among individual taxpayers at Pejabat Setiausaha Kerajaan Negeri Perlis (SUK). Based on the results of this study, it is demonstrated that there is a significant correlation between tax awareness and individual tax compliance among individual taxpayers at Pejabat Setiausaha Kerajaan Negeri Perlis (SUK). Based on the Palil and Rusyidi (2013) study, the concept of tax awareness refers to tax knowledge and tax education amongst taxpayers, where tax knowledge improves an individual's awareness and level of ethics towards tax compliance.

The third correlation determined is between tax morale and individual tax compliance among individual taxpayers at Pejabat Setiausaha Kerajaan Negeri Perlis (SUK). The present study revealed that there is a significant correlation between tax morale and individual tax compliance among individual taxpayers at Pejabat Setiausaha Kerajaan Negeri Perlis (SUK). Alm and McClellan's (2012) study, which found that taxpayers with high tax morale believed it was wrong to evade taxes, is consistent with this supportive correlation between tax morale and individual tax compliance among individual taxpayers.

This study concludes that tax complexity and individual tax compliance among individual taxpayers at Pejabat Setiausaha Kerajaan Negeri Perlis (SUK) significantly correlate. According to the findings of the study by Ghani et al. (2020), tax complexity significantly affects tax compliance levels among self-employed taxpayers. Saad (2011) and Gambo et al. (2014) support this study. Alm et al. (1992) examined the effects of institutional uncertainty on taxpayer compliance using laboratory experiments. As a result of the findings of this study, there was a significant correlation between tax complexity and individual tax compliance among individual taxpayers at Pejabat Setiausaha Kerajaan Negeri Perlis (SUK).

### **Main factor that affects individual tax compliance among individual taxpayers**

Tax education was the most influential factor that affects individual tax compliance, which was the highest among the other variables measured in this study. According to the research findings by Pali (2011), tax education has a significant impact on tax compliance, as the study suggests that a higher level of tax education can lead to a higher level of individual tax compliance. A study by Oladipupo and Obazee (2016) also supports the finding that tax education has a higher tendency to promote tax compliance. Tax education plays an important role in increasing tax compliance. Tax knowledge could potentially encourage taxpayers to be more prudent in completing their tax returns. Nasution et al. (2020), in contrast to some previous research, found that tax education does not significantly impact tax compliance among taxpayers in Indonesia. A separate study focusing on taxpayers in Pontianak, Indonesia, echoes this finding. The Pontianak study also concluded that tax education is not a significant determinant of individual tax compliance.

## 6. Conclusion

Based on the study's results, the research objective focused on the level of tax compliance among individual taxpayers at Pejabat Setiausaha Kerajaan Negeri Perlis (SUK), and the majority of respondents demonstrated a high level of tax compliance. Therefore, it can be concluded that the majority of the individual taxpayers at Pejabat Setiausaha Kerajaan Negeri Perlis (SUK) had a high level of tax compliance. The correlation identified is between tax education, tax awareness, tax morale, tax complexity, and individual tax compliance among individual taxpayers at Pejabat Setiausaha Kerajaan Negeri Perlis (SUK). In this study, the result shows that there is a correlation between the variables and individual tax compliance among individual taxpayers at Pejabat Setiausaha Kerajaan Negeri Perlis (SUK). Moreover, the analysis of results in this study shows the most influential factor that affects tax compliance among individual taxpayers at Pejabat Setiausaha Kerajaan Negeri Perlis (SUK). Tax education was the most influential factor that affects individual tax compliance, which was the highest among the other variables measured in this study. A recommendation for this study is that an important way to extend awareness of individual tax compliance is for future studies to examine other determinants of tax compliance beyond those identified in this study.

For instance, researchers could investigate how utilising tax experts can influence taxpayers' compliance by providing professional guidance and reducing errors in tax filings. Thus, to ensure appropriate applicability of the findings, a subsequent study with additional respondents from all income groups is required. Furthermore, future studies could benefit from a larger sample size, especially when focusing on the tax incentive aspect, to ensure more robust and generalizable findings. A larger, more diverse sample would enhance the reliability of the results and potentially uncover patterns or trends that smaller samples might miss. Throughout the research conducted, several limitations were identified along the way in completing this study. The first limitation of this study was that it only included respondents who were individual taxpayers at Pejabat Setiausaha Kerajaan Negeri Perlis (SUK). This study's respondents only focus on taxpayers who work at Pejabat Setiausaha Kerajaan Negeri Perlis (SUK). The second limitation of this study was the restricted number of factors tested. The current study only discussed a few independent variables, namely tax education, tax awareness, tax morale, and tax complexity. However, there was a possibility that the other predictors or factors might have influenced the level of tax compliance among individual taxpayers at Pejabat Setiausaha Kerajaan Negeri Perlis (SUK). However, this study did not test the other factors that could impact tax compliance, which highlights its limitations. The study's methodology was the final limitation. Methodology refers to the framework of methods used, particularly within a specific field of study or activity. This research employed a quantitative approach, utilising questionnaires to collect data from the target respondents.

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### Conflict of interest statement (this section is compulsory)

We certify that the article is the Authors' and Co-Authors' original work. The article has yet to receive prior publication and is not under consideration for publication elsewhere. This research/manuscript has not been submitted for publication, nor has it been published in whole or in part elsewhere. We testify that all Authors have contributed significantly to the work, validity, and legitimacy of the data and its interpretation for submission to EJSSH.

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