Factors Affecting Tax Compliance Intention Among Sole Proprietors in Malaysia: A Proposed Model

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Abstract: Tax non-compliance is a unique problem as it does not only depend on the economic consequences but also the result of the combination of factors such as psychological, sociological, ethics, enforcement, tax administration, and demographics. Various strategies have been introduced by the Inland Revenue Board of Malaysia (IRBM) to combat non-compliance problems in Malaysia such as taxpayer’s education, programs to increase tax awareness, tax audit, and tax investigation. Hence, in this study, we have developed a new model to predict the intention to comply among sole proprietors in Malaysia. The model is based on the Theory of Planned behaviour associated with the Expected Utility Theory and Deterrence Theory. The potential factors that influence the intention to comply with tax laws such as attitude towards the intention to comply, audit factors that consist of penalty rates and the probability of being audited, opportunity and subjective norms are studied. The mediating effect of information dissemination is also examined in this study. Non-audited taxpayers are chosen as a sample to measure voluntary compliance instead of enforced compliance. This research had adopted a quantitative method of data gathering by way of a questionnaire. Voluntary compliance is the key to a successful tax administration. Thus, it is very critical for IRB to determine the factors that can influence the intention to comply voluntarily with tax laws.

Keywords: Voluntary compliance, Theory of Planned Behaviour, information dissemination, direct tax

JEL Classification: H2, H24, H25, H26, H27, K34

Paper Type: Research

1. INTRODUCTION

Inland Revenue Board of Malaysia (IRBM) is one of the main revenue collecting agencies of the Ministry of Finance. IRBM act as agent of the government and provide services in administering, assessing, collecting and enforcing payment of income tax, petroleum income tax, real property gains tax, estate duty, stamp duties and such other taxes as may be agreed between the Government and the Board. Amongst the mission of IRBM is
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improving voluntary compliance and implementing an integrated and transparent taxation system (IRBM, 2016). However, like every other tax authority around the world, tax non-compliance is still a significant problem. Since Malaysia is on a trajectory towards the high-income nation, it needs to face challenges such as its narrow tax base and an overdependence on oil and gas revenue (Organisation for Economic Co-operation and Development (OECD), 2015).

Tax non-compliance behaviour among taxpayers persist even though there are several acts been gazetted such as the Income Tax Act 1967 (ITA 1967), Real Property Gains Tax 1969 and a few others. Several sections in the ITA 1967 such as section 112 to section 126 deal with tax offences and penalties. In the effort to ensure fair tax execution to all, strict enforcement action has to be applied to taxpayers who refuse to comply with tax laws (IRBM, 2016). Despite the fines and penalties imposed on the tax defaulters, non-compliance still exists.

It is the mission of every country in the world to get 100 per cent compliance from its taxpayers. OECD (2004) states the main indicators of compliance used by many OECD countries include registration of taxpayers, filing of tax return on time, correct reporting of tax liability and prompt payment of tax. In Malaysia, a variety of ways have been introduced to combat non-compliance to tax laws such as increasing tax enforcement, educating taxpayers and implementation of Self-Assessment System (SAS). Since the introduction of the SAS in 2001 for companies and 2004 for individual taxpayers in Malaysia, the tax authority has increased its audit activities to increase compliance. A tax audit, which is a primary activity of the IRBM, is aimed at enhancing voluntary compliance with tax laws and regulations (IRBM, 2017).

Statistics by OECD (2015) indicated that the average percentage of tax on income and profit from individual taxpayers as compared to total tax for Malaysia is only 14.43% for the year 2010 to 2012 compared to 24.2% for OECD countries.

According to Fischer, Wartick, and Mark (1992), Jackson and Milliron (1986) and Richardson (2006), among the determinants of individual taxpayers’ tax compliance behaviour include a) Demographic determinants: age, gender, education, and occupational status; b) Economic determinants: income level, income source, marginal tax rate, sanctions and probability of detection; and c) Behavioural determinants: tax complexity, fairness, revenue authority-initiated contact, compliant peers, and ethics or tax morale.

Since tax non-compliance is a result of economic and non-economic determinants, many studies were done to assimilate these two causes. This study investigates the effect of information dissemination on some determinants (as proxied by attitude, subjective norm, opportunity, penalty rate, audit probability) that affect taxpayers’ intention to comply with tax laws. It focuses on the factors that influence compliance among sole proprietors.

2. LITERATURE REVIEW

2.1 Theory of Planned Behaviour

The compliance behaviour of individual taxpayers depends not only on the economic factors but also on psychological and sociological aspects. Many theories have been used in taxation researches to explain taxpayer behaviour. One of the theories is the Theory of Planned Behaviour (TPB). TPB (Ajzen, 1985) is an extension of the Theory of Reasoned Action (TRA) by Ajzen and Fishbein (1980). TPB was developed due to TRA’s inability to deal with behaviours over which individuals had incomplete volitional control (Ajzen, 1991). According to TPB, an individual’s performance of certain behaviour is determined by his or her intention to perform the behaviour. TPB states that three kinds of
considerations influence human actions. These three factors are expected to influence a person to carry out their intention when the opportunity arises. The three factors are a) behavioural belief or the belief about the likely outcome of behaviour, b) normative belief or the belief about the expectation of others, and c) perceived behavioural control (PBC) or the belief regarding the presence of factors that can facilitate or impede the performance of the behaviour.

TPB proposes a direct relationship between intention and behaviour. The intention is the basis of TPB (Ajzen, 1991). It is assumed as the immediate antecedent of behaviour and the most dominant factor in determining actual behaviour. This is because intention and actual behaviour are closely related (Ajzen, 1991). Thus, relying on behaviour intentions is the best way to predict behaviour. The intention is explained by attitudes towards behaviour, subjective norms and PBC. Attitude includes the evaluations made by the individual who will perform the behaviour regarding the act of that behaviour.

Norms, on the other hand, is as essential. Norms and values carry a substantial weight on the decision to comply with a tax obligation or not. Both personal and social norms can be seen as the value of certain social groups influencing the behaviour of individuals who identify themselves with the group (Wenzel, 2003). Social norms are crucial because people tend to follow the majority, to think and do what other people do, especially with those with whom they can identify themselves with.

Finally, PBC specifies the difficulty level of the performance displayed by an individual. It is the beliefs about the presence of factors that may facilitate or impede the performance of the behaviour and the perceived power of these factors (Ajzen, 2002). Kidwell and Jewell (2003) stated that PBC is added to reflect an individual's perception of control over the performance of the behaviour. Conner and Armitage (2001) and Kidwell and Jewell (2003) have suggested a dimensionalisation of PBC into internal and external control. Internal control happens when the individual perceives that he or she possesses control over their own resources, such as requisite skills, self-assurance, and skill, to perform the behaviour. This conceptualisation is equivalent to Bandura's (1977) concept of self-efficacy, a measure of perceived confidence in one's own ability toward carrying out a focal behaviour (Conner & Armitage, 2001).

External control in PBC happens when a behaviour is relatively free of external or extrinsic influences that can act as a barrier toward behavioural performance. It is similar to Triandis's (1977) facilitating conditions concept (see Kidwell and Jewell, 2003). Facilitating conditions include the "state of the actor and any environmental conditions that make the act easy or difficult" (Triandis, 1977, p. 76).

2.2 Economic Deterrence Model

Various theories have been introduced by researchers to explain non-compliance behaviours, such as Deterrence Theory or Economic Deterrence Theory/Model. The principles of this theory come from the work of Becker (1968), who analysed illegal behaviour using an economic approach. Proponents of deterrence believe that people choose to obey or violate the law after calculating the gains and consequences of their actions. The conventional Deterrence Theory emphasised on sanctions and detections as a primary determinant in combatting tax non-compliance issues. Under this theory, taxpayers concerned about maximising their expected utility by declaring tax that balances the benefits of successful evasion compared to the consequences of detection. This theory only focuses on economic factors.

Subsequent to Becker's model, Allingham and Sandmo (1972) derived a model that assumed taxpayers as utility maximisers who has actual knowledge about penalty and detection rates. The model predicts that increasing the probability of detection and penalty
rates will improve tax compliance. Their study also indicated that when the probability of detection is certain, mild punishment can be as effective as severe ones.

Economic Deterrence Model has been widely used in tax compliance research. The model is drawn upon the Expected Utility Theory (EUT) and Deterrence Theory (Devos, 2014). According to Devos (2014), factors that have been examined in the Economic Deterrence Model include the complexity of the tax system, level of revenue information services, withholding and information reporting, preparer responsibilities and penalties, audit probability, progressive and actual level of tax rates and penalties for non-compliance. Under this model, taxpayers are viewed as "perfectly moral, risk-averse individuals who seek to maximise their utility and choose to evade tax whenever the expected gain exceeded the cost (Jackson & Milliron, 1986).

Since tax non-compliance is the result of economic, social and psychological factors, many studies done nowadays tend to assimilate these factors. The studies conducted not only focus on punitive factors but also persuasive factors. As such, this study employs the TPB and Economic Deterrence Model to investigate the compliance behaviour of sole proprietors.

2.3 Tax Compliance

Kirchler (2007) defined tax compliance as an ability of a taxable body to submit accurate, complete and satisfactory returns in accordance with tax laws and regulations of the state to the authority for tax assessment. Badara (2012) states that compliance relates to obligations of taxpayers which include registration in the tax system, timely lodgement of tax return, payment of taxes on time, and reporting complete and accurate information. These four components of non-compliance are prescribed under Sections 112, 113 and 114 of Malaysia Income Tax Act 1967 for offences of failure to furnish return or give notice of chargeability, incorrect returns, and wilful evasion respectively. Kasipillai and Jabbar (2006) describe non-compliance behaviour as failure to submit a tax return within the stipulated period, understatement of income, overstatement of deductions or failure to pay assessed taxes by the due date. According to Isa and Pope (2011), tax compliance comprises submitting a tax return on time, disclosing all taxable income on the return, making a proper claim for deductions on the tax return, and timely payment of tax assessed.

Kirchler and Wahl (2010) state that non-compliance refers to the behavioural outcome of paying less tax than obligated to. It could be done either through tax avoidance or by violating the tax laws. According to them, even though tax compliance leads to the honest payment of taxes, the underlying intentions of this behaviour can either be voluntary or enforced by authorities.

In conclusion, compliance can be observed in four ways which are registered in the tax system, timely lodgement of tax return, payment of taxes on time, and reporting complete and accurate information. Compliance can also be classified into voluntary and enforced compliance. For this study, the researcher will focus on the intention of reporting complete and accurate information to the tax authority and voluntary compliance.

2.4 Attitude

Attitude is one of the critical determinants of an individual intention before engaging in the intended behaviour. Attitude is not behaviour but the idea of readiness for a response. In research by Bobek (1997), he found a direct correlation between a taxpayer’s attitude towards tax payment and the intention to perform the behaviour. He also identified five
scales of attitude measurement, which are tax paid belief, illegal belief, guilt belief, penalty belief, and fairness belief. These five scales were found to influence attitude significantly. According to Aziz, Bidin and Marimuthu (2017), attitude is an individual’s belief that by performing a behaviour, it would steer to a certain result either good or bad. In a research conducted by them to identify the level of attitude and understanding among business communities in Malaysia towards achieving the satisfaction of GST implementation, they found that a positive attitude and clear understanding of GST will lead to increased satisfaction of its implementation.

Another research on GST compliance of individual taxpayers by Bidin and Shamsudin (2014) also indicated that a positive significant relationship between attitude and intention. In a study done by Benk (2011) to investigate compliance intention among individual taxpayers in Turkey, he conceptualised attitude as equity perception of the individual as regards to the tax system. The normative expectation is measured by the social and moral norm, whereas PBC is the legal sanction. The legal sanction is conceptualised using detection risk and penalty magnitude.

Ramayah, Yusoff, Jamaludin, and Ibrahim (2009) researched the intention to use internet filing, or e-filing found that attitude is positively correlated to the intention to use e-filing to pay tax. According to them, attitude is a major determinant of behaviour, and it is the function of the perceived consequences people associate with the behaviour. Personality factors can be the central reason for affecting the relationship between attitude and behavioural intention. Another research by Ramayah, May, and Omar (2008) on the use of internet banking also indicated that attitude is positively related to intention to use online banking. Other studies that indicated that attitude does have a significant and positive impact on intention are Gopi and Ramayah (2007), Ing-Long and Jian-Liang (2005), Ma’ruf, Mohamad and Ramayah (2003), Rhodes and Courneya (2003) and Shih and Fang (2004). Based on the extant literature on the effect of attitude towards tax compliance, it is an indicator that attitude is an essential factor in compliance decisions by the taxpayer.

2.5 Subjective Norms

Subjective norms are a function of an individual's perception that one or more relevant people would approve of a particular behaviour and the extent to which that will influence the individual's behaviour. In other words, it summarises an individual’s perceived expectation that significant others want them either to approach or avoid. According to Lu, Huang, and Lo (2010), the subjective norm is the perception about certain behaviour of a person inclined by the judgment from relevant surrounding individuals. Cialdini and Trost (1998) defined social norms as “rules and standards that are understood by members of a group, and that guide and constrain social behaviour without the force of law”.

Subjective norm or peer influence comprises “members of the family”, “close friends” and “spouse/significant others” (Hanno & Violette, 1996). In prior research, it can be concluded that taxpayers are more likely to evade tax if they believe that their peers are doing so (Grasmick & Scott, 1982; Spicer & Becker, 1980). According to Chan, Troutman, and O’Bryan (2000), if tax non-compliance is acceptable within the group expectations and norms, taxpayers in the group are more likely to conduct non-compliance. Cross-country research done in United States, Singapore, and Australia found that taxpayers’ norms or moral and the beliefs of those who are close to them (subjective norm) is a significant determinant and have direct effect in tax compliance decision (Bobek, Hatfield & Wentzel, 2007).
Bidin, Shamsudin, Shalihen, and Zainudin (2011) decomposed subjective norms into two categories. The first category which is the primary subjective norm encompasses the effect of tax agent of a company while the secondary normative beliefs consist of friends or associates of taxpayers who carry the role of managing sales tax-related matters in other companies. The research confirmed that subjective norm is multidimensional. The findings indicated a significant influence of both dimensions on the intention to comply with the local sales tax among individual agents. Other studies that found the subjective norm variable could be decomposed into several relevant reference groups include Liu (2014), Hanno and Violette (1996) and Zainol and Kamil (2007). In zakah related research by Bidin and Idris (2007), subjective norms are disintegrated into three groups, namely parent's referent group, peer's referent group, and spouse referent group. Their research findings indicated that parent and spouse reference group are correlated positively to zakah compliance intention.

Other studies that have supported subjective norm as an important factor that determines intention to engage in a certain behaviour are Azman and Bidin (2015), Bidin, Idris and Shamsudin (2009), Bidin and Shamsudin (2014) and Saad and Haniffa (2014). Since many studies supported social norm as a predictor of intention to engage in a certain behaviour, it can be concluded that social norm plays a major role in influencing an individual's tax compliance behaviour.

2.6 Opportunity to evade

In this research, taxpayers’ perception of external factors such as opportunity, rate of the penalty imposed on non-compliance and probability of detection of non-compliance behaviour will be examined under Perceived Behavioural Control (PBC) construct. These will then indicate whether tax audit features (audit probabilities and penalty rates) and opportunity will facilitate or act as a barrier to taxpayers’ intention to comply with tax laws.

Opportunities for tax non-compliance emerge as a vital determinant of tax evasion and other tax offences in a large number of researches (Antonides & Robben, 1995). According to Kirchler (2007), the opportunity to evade taxes is probably the most relevant determinant of non-compliance. Opportunities to non-compliance are high if taxes are not deducted at source. Such is the situation in groups of self-employed people and business taxpayers. Other studies that found opportunities as the most probable and relevant determinant of non-compliance are by Slemrod, Blumnethal, and Christian (2001). Different clusters of taxpayers differ in opportunities to evade or avoid taxes. Entrepreneurs and sole proprietors generally have more opportunities to evade taxes because they are more active in the cash economy (Kirchler, 2007). Reducing both actual opportunities and perceived opportunities to commit tax evasion is essential for the tax authority to ensure compliance (OECD, 2011).

Kamleitner, Korunka, and Kirchler (2012) state that small business owner owners are likely to perceive more opportunities not to comply than employed taxpayers, more likely to experience a lack of meaningful taxation knowledge and more likely to face decision frames that render taxes as painful losses. Small-business owner-managers are also more likely to cheat than other groups of taxpayers (Jouffaian & Rider, 1998). A study by Kleven, Knudsen, Kreiner, Pedersen, and Saez (2011) on 40,000 individual taxpayers found that tax evasion is more frequent for self-reported income rather than income which is subject to third party reporting.

In a study by Blanthorne and Kaplan (2008), they concluded that high opportunity taxpayers, as compared to low opportunity group of taxpayers to feel less guilty if they underreport an income. Other characteristics of high opportunity taxpayers are they feel that underreporting went against their principles to a lesser extent; underreporting was
less morally wrong; underreporting was less unethical, and underreporting was less dishonest compared to low opportunity group of taxpayers.

In short, the opportunity is an important determinant in tax compliance research with regards to taxpayers conducting business. This is because business taxpayers have more opportunities not to comply as compared to other groups of taxpayers. People with more opportunities to evade taxes are likely to do so if it pays. The fact that sole proprietors in Malaysia are not required to file an audited account opens a bigger opportunity for sole proprietors in Malaysia to conceal their true income. Opportunity may present itself if the sole proprietor’s income is not withheld at source and maybe because the accounts of sole proprietors are not required to be audited by an external auditor (Kirchler, 2007). All these important reasons and factors have made opportunity as an important variable when it comes to income of sole-proprietors.

2.7 Tax Audit

Tax audits are key characteristics of the voluntary compliance mechanism in the SAS regime because higher audit rates are thought to increase tax compliance (Allingham & Sandmo, 1972; Bagdad, Noor, Hamid, & Aziz, 2017). According to Alm, Jackson and McKee (2009) and Alm, Cherry, Jones, and McKee (2010), audits produce a direct deterrent effect on those who were audited; but, more notably, audits also provide an indirect deterrent effect on individuals not audited.

In research done by Chalu and Mzee (2018), they conceptualised tax audit effectiveness by looking at four factors; organisational related, tax auditors related, taxpayers related, and regulatory related. In addressing taxpayer's related factors, the probability of being audited and tax penalty are analysed. They argue that if taxpayers think that tax audits could not detect their malpractice, they are more likely to continue with non-compliance. When non-compliance increases, the tax authority will revise its auditing approach in order to increase effectiveness. Loo, Evans, and McKerchar (2009) have conducted research on compliance behaviour on individual Malaysian taxpayers define tax structure as tax rates, probability of audit and the penalty regime in Malaysia. The findings from their research indicated the fear of being audited and penalised had indirectly influenced the decision to comply with the tax laws. Their findings have also supported the fact that the economic deterrence model is capable of predicting taxpayers' behaviour.

Devos (2014) stated that in the environment of self-assessment, it is crucial for tax audits to operate effectively because it is the instrument to achieve compliance. He also concluded that a tax audit effectiveness could be improved by increasing the probability of audit and not by imposing sanctions or fines. Kastlunger, Kirchler, Mittone, and Pitters (2009) and Devos (2014) considered compliance as an indicator of tax audit effectiveness. Findings by Kastlunger et al. (2009) indicated that compliance was a function of the cost of being audited and penalised. Hence, it is clear that tax audits can influence taxpayers to be more careful in preparing and submitting returns.

A study conducted by Isa and Pope (2011) on the perception of corporate taxpayers in Malaysia towards their audit experience, tax auditors’ professional proficiency and audit perception indicated that taxpayers' audit experience is perceived as reasonably satisfactory, while the level of tax auditors' professional proficiency is identified as moderate and that corporate taxpayers are found to have a strongly negative perception towards auditing. Findings from this study suggest that if a tax audit is carried out effectively, it can improve the tax administration system and thus, increase compliance.
In conclusion, the effect of the tax audit variable that consists of a probability of being audited and penalty rates have an impact on compliance. As such, these two variables will be analysed in this research.

2.8 Information Dissemination

Information dissemination is an important aspect of ensuring compliance (Alm et al., 2009). One of the reasons is because information on enforcement activities needs to be communicated. A study on information dissemination will uncover the networks through which information dissemination and communication work. In a study by Alm, Jackson, and McKee (2006), they investigated two different information transmission mechanisms. The first one is official information from the tax authority. The simplest information is a public announcement of audit probability. The other official information is the actual number of audits that occurred and total fines collected in the previous period. The second type of information is unofficial or informal communication among taxpayers which is also known as a taxpayer to taxpayer communication. In their research, they found that announcing official audit rate increase compliance but reporting the actual number of audits does not lead to higher compliance.

Hasseldine, Hite, James, and Toumi (2007) have conducted an experiment on small enterprises that were considered as high-risk groups. The enterprises were divided into six groups inclusive of one control group, and they received different types of letters characterised by the terms “increased audit”, “audit/penalties”, “preselected audit”, “enabling” and “citizenship”. The outcome from the experiment indicated a significantly high turnover and net profit were reported in the three audit-related groups than the control group.

Another study is by Applegren (2008) on the effect of information to taxpayers concerning different audit strategies, namely the rational audit strategy and the random audit strategy. The research was done on 900 sole proprietors because this group of taxpayers has more opportunity to evade as compared to individuals with income from employment. The statistical tests indicate strongly that knowledge on the use of rational, “near-optimal” audit strategies is superior to knowledge concerning random audit with regards to income declared. Another finding is that audit information affects income declared rather than no audit information. The indirect impacts of the audit must eventually develop through the information about audit probabilities and outcomes that are communicated. This communication will serve to increase audit awareness and thus compliance. Audit of others may also convey a reminder effect, reminding individuals that audits do occur even if they have no personal experience.

A study on information dissemination will give ideas on different forms of audit information and taxpayers’ communication. This will enable tax authority to investigate the effects of information and communication on compliance behaviour.

3. RESEARCH CONCEPTUAL FRAMEWORK

A conceptual framework was developed based on past research to study the relationship between the variables. For this study, the conceptual framework is based mainly on three theories, namely TPB, EUT, and Deterrence Theory. Based on the prior works of literature it was suggested that attitude, subjective norm, opportunity, probability of being audited and penalty rates might affect the taxpayer’s intention to comply voluntarily with tax laws, while information dissemination mediates the relationship of audit probability and penalty rates to comply voluntarily with tax. The conceptual framework is also used to show the
variables studied in this research and the relationship between the variables. Hence the model, as shown in Figure 1, serves as a conceptual framework for this study.

**Figure 1. Conceptual Research Model**

Based on Figure 1 above, the framework for this research is based mainly on TPB. The behavioural beliefs or the likely outcome of the beliefs are represented by the attitude towards the intention to comply with the tax law. The variable subjective norm represents the normative beliefs or the normative expectation of others. The PBC or the control beliefs are represented by tax audit variables which are the audit probability and penalty rates and also the opportunity to evade tax. As been discussed, PBC can be dimensionalised as internal and external control. Both internal and external control are discriminable or distinguishable. The three variables that represent PBC, as stated above, are external control, and it is predicted to affect internal control or the ability and confidence of the taxpayer. Internal control will then affect the intention to comply variable. Based on research by Langham, Paulsen, and Hartel (2012), they found that the most appropriate model for developing understanding and shaping taxpayer behaviour is the TPB.

Based on EUT and Deterrence Theory, audit probability and penalty rates are expected to increase compliance. Under these theories, taxpayers are assumed as rational and act accordingly to prosper. Taxpayers are also ‘utility maximisers’ in decisions of tax reporting and compliance, and tax evasion is viewed as worthwhile if the financial gains purely outweighed the financial costs. The premise of EUT is that the primary tool for managing tax compliance is through interventions such as audits and penalties. Tax agencies around the world have applied the principles of EUT as a foundation on which to build their compliance management models.

As the tax authority increases its use of enforcement measures, voluntary compliance often declines and overt dishonesty increases due to a growing environment of mutual distrust (Kirchler, 2007; Torgler, 2002). Therefore, the tax administration must strike a balance between interventions to encourage voluntary compliance while maintaining firm authority over misconduct.
This research is focusing on sole proprietors. As such, the element of opportunity should be included as one of the variables. The result from previous research finds that entrepreneurs and small businesses are more likely to evade tax due to the opportunity that exists. (Kamleitner et al., 2012; Joulfaian & Rider, 1998)

4. CONCLUSIONS

The purpose of this study is to investigate the determinants of taxpayers’ intention to comply with tax laws. The findings of this study will assist the tax authority in re-shaping the enforcement activities so that it will result in getting better compliance among the sole proprietors. As mentioned earlier, this study addressed the relationship of attitude, subjective norm, opportunity, probability of audit and penalty rates on the intention to comply voluntarily with tax law with information dissemination as a mediator. As such, the findings from this research will provide input on addressing the matters of non-compliance behaviour of business taxpayers. The result from this study will assist tax administrators to think of ways to improve the taxpayers' attitudes, promoting compliance through the subjective norm and reducing the opportunity for non-compliance that exist among sole proprietors.

This study also investigates the effects of information propagation of audit activities to other taxpayers and its effect on the taxpayers’ intention to comply. In other words, this study will give insight into whether the dissemination of audit information will enhance the relationship between tax audit and voluntary compliance. If the result shows that publicising tax audit information to all taxpayers will improve compliance, tax authorities should focus on spreading the news of audit activities as one of the ways to prevent non-compliance in tax.

The results from this research can also be used to help the tax authorities to enhance the quality of IRBM operations and to monitor activities and strategies to deal with noncompliance. Improvement in the conduct of tax audit strategies that will result in tax compliance more effectively and efficiently, thereby reducing the problem of tax non-compliance in the country. It is hoped that this study will provide ideas and knowledge about audit activities and its impact, either direct or indirect on the voluntary compliance behaviour of business taxpayers in Malaysia.

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