

Examining the Factors Influencing Taxpayers' Compliance in Malaysia

Tengku Eleena Nur Iman

Faculty of Business, International University-Malaya Wales, Jalan Tun Ismail 50480 Kuala Lumpur, Malaysia

ABSTRACT

This study investigates the factors influencing taxpayers' compliance in Malaysia based on the Tax Knowledge, Personal Financial Constraint (PFC), Tax Penalty Rates and Enforcement (TPRE) as well as the Perception on Government Spending (PGS) based on Theory of Planned Behavior and Economic Deterrence Model. This research employed a descriptive quantitative approach derived through several sources investigating the respective five correlating factors. All variables have a positive relationship on taxpayer's compliance. However, only Tax Knowledge, and Perception on Government Spending have a significant influence on Taxpayers Compliance whereas Personal Financial Constraint and Tax Penalty Rates and Enforcement does not have a significant influence on taxpayers' compliance. This study contributes to richer insights to taxpayers' compliance from varying economic and personal aspects. Determining the key factors that relate to taxpayers' compliance on the tax knowledge, individual's financial position, tax penalty rates and enforcement as well as the perception on government spending could develop better compliance of taxpayers which benefits society and government, minimizing governmental losses and delay in economic developments. Therefore, it is recommended for the tax authorities like IRBM to initiate a yearly promotional educational programmed to the public as a way to improve tax knowledge, in turn, improve taxpayer compliance in Malaysia, which consequently provides more transparency in government budgets to combat corruption and reduce unnecessary spending.

Keywords: Taxpayer compliance, Tax knowledge, Financial position

