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FACTORS IMPACTING SERVICE TAX COMPLIANCE: A CONCEPTUAL REVIEW UNDER THE SST REGIME IN MALAYSIA


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Abstract:

Service tax compliance has become a critical concern in Malaysia's evolving Sales and Service Tax (SST) regime, particularly following recent legislative revisions that increased tax rates and expanded taxable categories. Despite continuing enforcement efforts by the Royal Malaysian Customs Department (RMCD), challenges such as underreporting and inaccurate declarations persist among business registrants. While existing literature extensively covers income tax, Goods and Services Tax (GST), and Value-Added Tax (VAT), service tax compliance in Malaysia's current system is limited attention has been given. To address this gap, this study synthesises behavioural taxation literature to develop a conceptual framework based on the Theory of Planned Behaviour (TPB). The proposed model examines how perceived tax system effectiveness, law enforcement, tax complexity, tax knowledge, and trust in tax authorities influence service tax compliance behaviour. Importantly, this study indicates that compliance is driven not only by deterrent mechanisms, but also by institutional and behavioural factors that influence voluntary compliance. Moreover, in this complex situation, trust in tax authorities is introduced as a key moderator that may strengthen or weaken compliance behaviour. Finally, this paper contributes to the indirect tax literature by extending the TPB to the indirect tax setting and provides

the groundwork for future empirical research and targeted policy development.

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Sales and Service Tax, Service Tax Compliance, Tax Knowledge, Theory of Planned Behaviour, Trust in Tax Authorities.



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Introduction

Despite ongoing digitalisation and stronger enforcement initiatives, tax authorities across the world are still facing persistent challenges in achieving consistent indirect tax compliance. Even in the face of increased audit activities and monitoring mechanisms, businesses continue to underreport taxable transactions, file inaccurate declarations and delay tax submissions. This situation raises important concerns about the limitations of traditional enforcement-based approaches in explaining taxpayers' compliance is shaped by behavioural, institutional and administrative considerations. While stricter enforcement may increase the likelihood of detecting non-compliance, this does not fully explain why businesses operating under the same regulatory framework respond differently to their tax obligations (Kogler et al., 2023; Organisation for Economic Co-operation and Development [OECD], 2024). Taxation scholars are increasingly arguing that compliance behaviour is driven not only by economic deterrence, but also by psychological, institutional and behavioural considerations affecting taxpayers' willingness to comply voluntarily.

Such concerns are further exacerbated in service-based industries given the intangible nature of service transactions. Services are not like physical goods in that they are not easy to classify, verify and track consistently as the transaction does not usually leave a paper trail. This increases the probability of inaccurate reporting, classification errors and under-declaration in service-based tax environments. The complexity of service transactions is also increasing the administrative burden on business registrants, especially when tax regulations and reporting procedures are subject to frequent change. Service tax compliance should therefore not be viewed as a mere technical or enforcement issue. It rather reflects a wider behavioural and institutional challenge, shaped by taxpayer perceptions of tax fairness, administrative efficiency and institutional trust (Kirchler et al. 2008; Wahl et al. 2010). Recent developments in tax administration also point to a slow shift from coercive compliance models to

behaviourally informed models with a focus on taxpayer education, administrative support, service quality and trust-building activities (Sapidin et al., 2025).

Such challenges have been further compounded in Malaysia with the current Sales and Service Tax (SST) regime imposed by the Royal Malaysian Customs Department. The reintroduction of SST in 2018 under the Service Tax Act 2018 (STA 2018) has imposed on business registrants the obligations of conforming to service classification regulations, registration requirements, documentation standards, online reporting systems and SST-02 filing procedures. The compliance environment has become even more intense with the budget reforms. On 1 March 2024, the rate of service tax for certain taxable services was increased from 6% to 8%. On 1 July 2025, the scope of service tax was expanded to cover more categories of services (Ministry of Finance Malaysia, 2024, 2025). The changes have made it more important that business registrants understand their obligations properly and be quick to adapt to more complex administrative requirements.

Although tax compliance is one of the most investigated areas, existing literature has mostly concentrated on income tax, Goods and Services Tax (GST) or Value-Added Tax (VAT) systems, especially in the Western taxation settings (Kothandan & Palil, 2022; Taing & Chang, 2020). In Malaysia, prior research mostly centred on the problems related with the adoption of GST, transitional compliance costs and administrative problems with the transition from GST to SST. Relatively little emphasis has been placed on service tax compliance in the existing SST framework, particularly from a behavioural perspective. In addition, many studies still treat sales tax and service tax together, although the two systems operate differently under different act. This creates an essential study gap as service tax compliance entails unique administrative, behavioural and institutional dynamics that are notably different from goods-based taxing regimes. Hence, recent studies have suggested that more attention should be given to the behavioural and institutional aspects affecting service tax compliance in the changing SST landscape in Malaysia (Jamian et al., 2025).

To address this gap, this conceptual paper proposes a behavioural framework for understanding factors that may influence service tax compliance among business registrants in Malaysia's SST regime. The framework studies the role of perceived effectiveness of the tax system, law enforcement, tax complexity, tax knowledge and trust in tax authorities on service tax compliance behaviour, principally based on the Theory of Planned Behaviour (TPB) and the behavioural taxation literature. In particular, the paper incorporates trust as a moderating component to go beyond traditional deterrence-based techniques and acknowledges the significance of institutional confidence in fostering voluntary compliance behaviour. This view is consistent with recent research showing sustainable tax compliance requires not only enforcement mechanisms, but also on the trust, understanding and opinions of taxpayers towards the tax administration system (Sapidin et al., 2025). Overall, the study contributes to the growing literature on indirect taxation by offering a behavioural and institutional perspective on service tax compliance in the SST context in Malaysia.

Literature Review

Tax Compliance

Tax compliance generally refers to taxpayers' willingness and ability to fulfil their tax obligations in accordance with established tax laws, regulations, and administrative

procedures. In self-assessment tax regimes compliance is more than just the technical issue of calculating and paying the right amount of tax. This is also part of the behavioural responses of taxpayers to tax rules, administrative procedures and the general trustworthiness of tax institutions (Alm, 2019; Sapidin et al., 2025). Consequently, tax compliance has been increasingly viewed as a complex term impacted by economic, psychological, institutional and social factors.

Tax non-compliance may occur through underreporting, inaccurate returns, late filing, non-payment, or deliberate evasion. For these reasons tax authorities worldwide have introduced a number of compliance procedures like audits, penalties, electronic reporting systems and voluntary disclosure initiatives to curb such activity. However, modern taxation literature increasingly argues that compliance behaviour cannot be explained only by the deterrence-based perspectives. Instead, taxpayers' perceptions of fairness, trust, tax complexity and institutional legitimacy have a considerable influence on their readiness to voluntarily comply with tax responsibilities (Kirchler et al., 2008; Kogler et al., 2023). This change has seen tax authorities adopting more behaviourally informed techniques that combine enforcement tools with educational support, administrative efficiency and trust-building strategies.

Service Tax Compliance under Malaysia's SST Regime

Malaysia's SST regime faces unique administrative and behavioural issues in the application of service tax compared to other indirect taxes. Services are non-physical in nature unlike physical products and so it is difficult to establish taxable activities, maintain uniform classifications and efficiently verify transactions. There may also be a higher likelihood of reporting inaccuracies, misclassification and unintentional non-compliance among business registrants due to the lack of unambiguous physical transaction trails.

With the reinstatement of the SST in 2018 under the Service Tax Act 2018, Malaysian firms have had to constantly evolve to meet the changing compliance requirements including business registration, taxable service categories, SST-02 filings and digital administration procedures. Recent policy modifications have increased the service tax rates and expanded the types of taxable services within Malaysia's service economy, hence increasing the regulatory burden (Ministry of Finance Malaysia, 2024, 2025). These changes have further complicated service tax administration and increased the compliance burden on business registrants.

Current studies show that many Malaysian businesses are still facing operational and administrative challenges in complying with the SST rules. Kothandan and Palil (2022) state that businesses faced several obstacles during the transfer of GST back to SST, especially related to understanding the technical reporting requirements and administrative processes. Bidin et al. (2026) found that documentation requirements, accounting system adjustments, and technological limitations continue to create compliance difficulties among Malaysian SMEs operating under SST 2.0. It is harder to monitor and verify service transactions than goods-based taxing systems since they are subject to interpretation ambiguity and have less physical documentation. Hence, compliance to service tax under the SST environment in Malaysia is still susceptible to reporting errors, under-declaration and administrative discrepancies.

Theory of Planned Behaviour (TPB)

One of the most extensively used theories of behaviour in taxation research is the Theory of Planned Behaviour (TPB) proposed by Icek Ajzen (1991). TPB posits that behaviour is primarily a function of behavioural intention, which is determined by three major constructs: attitude, subjective norm and perceived behavioural control. Attitude, however, is the individual's favourable or negative appraisal of executing the given behaviour and subjective norm is the feeling social pressure from major reference groups. Perceived behavioural control relates to an individual's belief of the ease or difficulty of doing the behaviour.

The TPB has been widely utilised in taxation research to understand taxpayers' compliance goals and decision-making processes about behaviour. In general, taxpayers who have positive attitudes towards taxation, experience higher societal pressure to comply, and have better power in satisfying their tax duties are more likely to self-comply with tax legislation. For example, Taing and Chang (2020) discovered that elements of the Theory of Planned Behaviour made a significant impact on the compliance intentions of taxpayers in taxation contexts. Similarly, Bani-Khalid et al. (2022) found that behavioural attitudes, social influence and perceived behavioural control remained significant drivers of compliance behaviour among company taxpayers.

Yet, recent taxation studies have suggested that TPB alone may not sufficiently represent the institutional and administrative complexities that influence service tax compliance behaviour in the modern-day. In the face of growing digitalisation and administrative complexity of taxation systems, researchers have broadened TPB with the inclusion of other variables such as tax knowledge, trust in the tax authorities, and perceive tax system effectiveness to improve the theory's explanatory power in the context of taxation (Palil & Ramli, 2022). The extension is particularly significant in the context of the SST in Malaysia because the compliance decisions of taxpayers may be influenced not only by behavioural intentions but also by views of institutional efficacy, administrative complexity, and trust in the tax authorities.

Factors Influencing Service Tax Compliance

Taxation research has consistently shown that compliance behaviour is affected by a combination of behavioural, institutional and administrative factors (Alm, 2019). In the context of indirect taxes, compliance choices are not merely affected by enforcement methods, but also by taxpayers' perceptions of tax system, understanding of tax obligation and general connection with tax authorities (Gangl et al., 2015). In Malaysia's SST environment, these characteristics are more pronounced as a result of the development of taxable service categories and the growing complexity of service tax administration.

One factor that is often connected with compliance behaviour is the taxpayers' perception of the effectiveness of the tax system (Jamian et al., 2025). Generally, tax systems that are viewed as transparent, efficient and administratively dependable are connected with increased voluntary compliance behaviour, as taxpayers tend to have greater confidence in the tax authority. An efficient administrative system will minimise procedural problems, minimise reporting errors and lessen the compliance burden on taxpayers. Simplified digital filing systems can reduce transaction friction and increase reporting accuracy (Devano et al., 2023). Gorecki and Letki (2021) also claimed that positive evaluations of institutions lead taxpayers to more readily comply with their tax duties. Thus, the perceptions on the ease of use of MySST,

reporting procedures and administrative support might influence business registrants' tendency to voluntarily comply with service tax laws in the Malaysian SST environment.

Law enforcement is an important tool that affects taxpayers' decisions to comply besides institutional effectiveness. Enforcement actions such as audits, investigations, penalties and monitoring procedures are aimed to create awareness of the repercussions of non-compliance among taxpayers. But the enforcement function is not only punitive. Robust and consistent enforcement further supports perceptions of fairness by assuring compliant taxpayers that non-compliant businesses will not be granted unfair competitive advantages (Kogler et al., 2023). Economic deterrence still works as stated by Alm (2019), especially in commercial settings where there is financial pressure and market competitiveness. Administrative support and enforcement methods should therefore not be considered as opposing alternatives. Instead, these are seen as complimentary techniques that increase the overall effectiveness of the tax system together (Small & Brown, 2020).

The indirect taxation systems are also faced with the challenge of tax complexity due to frequent policy changes, technical filing requirements and the interpretative ambiguity. Taxation of services is usually more unpredictable than taxation of goods since services that are taxable are intangible and that there are different classification rules for different businesses. The changing SST framework in Malaysia can result in higher compliance challenges for business registrants in terms of paperwork requirements, classification of taxable services and SST reporting procedures. Higher tax complexity may impair taxpayers' capacity to comply accurately because ambiguity about tax regulations and processes raises the possibility of reporting errors and misunderstandings (Musimenta, 2020; Saptono & Khozen, 2023).

In addition to structural and administrative aspects tax knowledge is often recognised as a major factor of voluntary compliance behaviour. Taxpayers with higher tax knowledge are usually more able to understand reporting requirements, maintain right documents and meet tax obligations properly. However, a lack of tax knowledge can lead to errors in tax filing, misinterpretation of tax rules and unintentional non-compliance. Earlier compliance models acknowledged the importance of tax knowledge in shaping compliance behaviour but the latest findings from the OECD (2025) also stressed that the knowledge of taxpayers about tax obligations and digital compliance processes has been gradually becoming more important in the modern digitalised taxation contexts.

More recently, the behavioural taxation literature has highlighted the increasing importance of trust in tax authorities as an underlying determinant of compliance behaviour. Trust is the confidence of taxpayers in the fairness, transparency, professionalism and integrity of tax administration practices. As Kirchler et al. (2008) argue, trust is an important element for voluntary cooperation between tax authorities and taxpayers, especially in the context of compliance that cannot solely rely on deterrence-based methods. Similarly, Jamian et al. (2025) have underscored the increasing role of institutional trust in influencing taxpayers' compliance behaviour in the context of Malaysia's SST. Taxpayers who trust the tax authorities are more likely to spontaneously comply and to meet their tax obligations despite the increasing complexity of regulatory conditions.

Conceptual Framework and Propositions Development

This study adopts the Theory of Planned Behaviour (TPB) proposed by Icek Ajzen (1991) as the main theoretical framework to explain service tax compliance behaviour in the SST environment in Malaysia. TPB suggests that three important variables influence behavioural decisions, namely attitude, subjective norm and perceived behavioural control. The theory has been widely applied in taxation research to explain taxpayers' intentions of compliance and behavioural decision-making in different taxation settings because it provides a structured way to understand the impact of behavioural perceptions on compliance behaviour (Taing & Chang, 2020; Bani-Khalid et al., 2022). Tax knowledge is added as an extended TPB variable because knowledge strengthens taxpayers' capability to understand and perform compliance obligations.

Although the TPB remains very relevant in understanding compliance behaviour, the modern-day taxation landscape has gotten more complex than ever before due to digitalisation, changing regulatory requirements and changing taxpayer expectations. Therefore, recent studies on taxation have argued that behavioural intention may not be sufficient to explain taxpayers' compliance decisions, particularly in the context of indirect taxation systems with administrative complexity and institutional uncertainty (Palil & Ramli, 2022). In light of these developments, this study aims to extend the Theory of Planned Behaviour (TPB) by adding behavioural and institutional elements that are especially significant in the Malaysian SST context. For this reason, the framework integrates trust in tax authorities as a moderating variable. Trust is expected to shape the strength and direction of the relationships between perceived tax system effectiveness, law enforcement, tax complexity, tax knowledge, and service tax compliance. The proposed conceptual framework is shown in Figure 1.

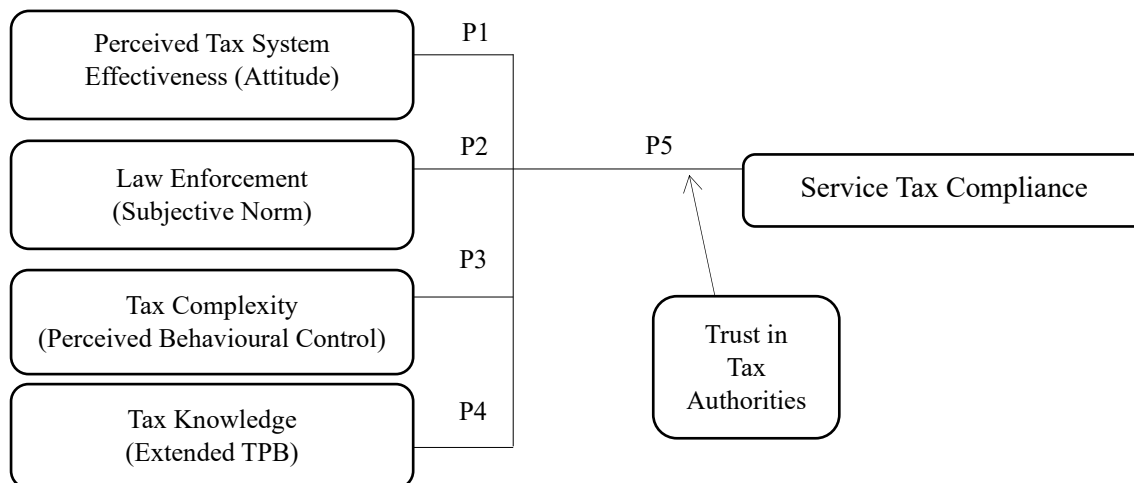


Figure 1: Conceptual Framework

Source: Developed by the Author based on TPB and tax compliance literature

The perceived tax system effectiveness is the attitudinal component of the theory of planned behaviour (TPB) in the proposed framework as the taxpayers' perceptions related to the efficiency, transparency and reliability of the tax system may influence their overall attitude toward service tax compliance. Taxpayers who view the SST system as administratively efficient and supportive are often more likely to acquire good views towards voluntarily

complying with their tax duties. This view is in line with previous taxation literature indicating that good institutional impressions may improve voluntary compliance behaviour by lowering administrative frustration and increasing taxpayers' confidence in the tax system (Gorecki & Letki, 2021). Therefore, the first proposition is proposed in this study as follows:

Proposition 1 (P1): Perceived Tax System Effectiveness Positively Influences Service Tax Compliance Among Business Registrants in Malaysia.

Law enforcement is part of the subjective norm dimension since enforcement operations such as audits, investigations and penalties can produce external social and regulatory pressure that affects the compliance behaviour of taxpayers. In the commercial context, taxpayers are also impacted by the normative expectations of regulatory accountability and compliance standards apart from personal reasons. Hence, strong and visible enforcement procedures may strengthen the idea that compliance in the taxing environment is socially and legally anticipated (Kogler et al., 2023). The second proposition is as follows:

Proposition 2 (P2): Law Enforcement Positively Influences Service Tax Compliance Among Business Registrants in Malaysia.

Meanwhile, tax complexity is the perceived behavioural control element of TPB as the more complex SST procedures, documentation required, and service classifications could influence taxpayers perceived capacity to comply efficiently with service tax duties. If taxpayers regard tax procedures as complicated or administratively burdensome, then their faith in compliance management may be eroded. Consequently, perceived complexity may reduce the ability and willingness of the taxpayer to comply with the SST requirements accurately. The third proposition is therefore:

Proposition 3 (P3): Tax Complexity Negatively Influences Service Tax Compliance Among Business Registrants in Malaysia.

The present study extends the paradigm by including tax knowledge as an additional explanatory variable influencing service tax compliance behaviour besides the original dimensions of the TPB. The importance of tax knowledge inclusion is vital in the emerging SST environment in Malaysia where taxpayers would need to constantly adapt to the changing legislation and reporting procedures. Taxpayers with better knowledge of taxation are often better able to understand the requirements of SST, to keep proper documentation and to meet the reporting requirements appropriately. Understanding tax better may therefore reduce the risk of unintended non-compliance as a result of misunderstanding or confusion over procedures. The fourth proposition of current study is:

Proposition 4 (P4): Tax Knowledge Positively Influences Service Tax Compliance Among Business Registrants in Malaysia.

Trust in tax authorities is conceptualised as a moderator instead of a simple predictor of compliance. Trust may affect business registrants' interpretation of the tax system, enforcement actions, tax complexity, and knowledge-based compliance requirements in the context of the SST. Taxpayers who perceive RMCD to be fair, professional, transparent and competent may be more receptive to compliance obligations and administrative guidance. Taxpayers with confidence in tax authorities are more likely to voluntarily comply and respond positively to

compliance responsibilities (Kirchler et al., 2008). Links between behavioural and institutional factors and service tax compliance behaviour may become stronger in the trust in the SST environment of Malaysia. Thus, the last proposition is suggested as follows:

Proposition 5a (P5a): Trust in tax authorities moderates the relationship between perceived tax system effectiveness and service tax compliance.

Proposition 5b (P5b): Trust in tax authorities moderates the relationship between law enforcement and service tax compliance.

Proposition 5c (P5c): Trust in tax authorities moderates the relationship between tax complexity and service tax compliance.

Proposition 5d (P5d): Trust in tax authorities moderates the relationship between tax knowledge and service tax compliance.

In conclusion, the proposed conceptual framework suggests that perceived tax system effectiveness, law enforcement, tax complexity and tax knowledge could be significant drivers of service tax compliance among business registrants in the SST environment of Malaysia. Moreover, trust in tax authorities is expected to moderate the linkages as trust influences taxpayer behavioural responses to administrative procedures and enforcement measures. Hence, this study provides a more holistic explanation of service tax compliance behaviour in the dynamic indirect taxation environment of Malaysia by integrating behavioural and institutional factors into a unified framework.

Methodology

This study adopts a conceptual research methodology based on the review and synthesis of literature on tax compliance, service tax administration and behavioural taxation theories. The study is mostly based on the Theory of Planned Behaviour (TPB) published by Icek Ajzen (1991) and recent tax compliance literature that discusses the behavioural, institutional and administrative factors that influence the compliance behaviour of taxpayers. The conceptual approach was deemed acceptable since the study intends to establish a theoretically grounded framework explaining service tax compliance behaviour in the context of Malaysia's changing SST environment, rather than experimentally evaluating causal linkages.

To facilitate the conceptual formulation process, relevant material was systematically obtained from reliable academic databases and institutional sources such as Scopus-indexed journal articles, Google Scholar, government publications, policy documents, and taxation-related reports. The literature selection was mainly focused on the studies linked to service tax, SST, GST, VAT, tax compliance behaviour, behavioural taxation, institutional trust and tax administration systems in the modern taxation and compliance contexts. Particular attention was paid to studies on behavioural and institutional aspects impacting compliance behaviour in indirect taxation contexts. Several recurring determinants important to the Malaysia's SST framework were identified through the review process, including, perceived tax system efficacy, law enforcement, tax complexity, tax knowledge and trust in tax authorities (Kothandan & Palil, 2022; Palil & Ramli, 2022).

The literature was analysed and synthesised to find theoretical relationships and behavioural patterns that are consistently associated with voluntary tax compliance behaviour. Rather than merely adopting deterrence-oriented perspectives, the review included behavioural and institutional considerations to develop a broader understanding of compliance behaviour in

service-based taxation settings. Conceptual Framework Hence, the conceptual framework proposed in this study is a representation of the integration of TPB with contemporary tax compliance literature to explicate how administrative perceptions, behavioural factors and institutional trust may jointly impact on service tax compliance among business registrants in Malaysia.

The proposed model is expected to provide a theoretical underpinning for future empirical studies on service tax compliance in the Malaysian SST context. Future research may also validate the framework quantitatively using survey-based approaches and multivariate statistical analyses such as Structural Equation Modelling (SEM) or Partial Least Squares Structural Equation Modelling (PLS-SEM) to test the relationships among the identified variables and to examine the moderating role of trust in tax authorities. The framework could also be useful for Malaysian policymakers and tax authorities to design more behaviourally informed compliance tactics in Malaysia's indirect taxation system, by providing a better conceptual knowledge of service tax compliance behaviour.

Implications Of the Study

The proposed conceptual framework has several key implications for policy makers, tax authorities and future researchers in terms of their attempts to better understand the service tax compliance behaviour within the SST context in Malaysia. As the scope of indirect taxation expands and the administration of SST in Malaysia improves, the importance of understanding the behavioural and institutional factors that influence taxpayers' compliance decisions is growing. The present conceptual review indicates that sustainable service tax compliance is not only dependent on enforcement measures but also on taxpayers' sentiments towards administrative efficacy, institutional trust and regulation complexity.

From a policy and administrative viewpoint, this study points to the importance of improving the overall perceived effectiveness of the tax system in encouraging voluntary compliance by business registrants. Tax systems perceived to be transparent, efficient, accessible and administratively supportive are more likely to build taxpayers' trust and reduce their resistance to compliance demands. Improvements to digital tax administration systems such as MySST in the SST environment of Malaysia can help business registrants to better manage their tax obligations by reducing procedural issues and reporting errors. Effective digital technologies can also improve the overall taxpayer compliance experience and increase taxpayer confidence in the tax authority, in line with recent efforts concerning digital tax administration (Devano et al., 2023).

The study also reinforces the continuing relevance of enforcement as a compliance tool in indirect tax systems. Regulatory accountability and limits for wilful non-compliance still need actions such as audits, monitoring procedures, investigations and fines. Robust enforcement procedures can improve the perception of taxpayers on the likelihood of being punished for false reporting and non-compliance behaviour. Nevertheless, past studies have consistently shown that over-reliance on punitive enforcement does not necessarily lead to sustainable compliance behaviour in the long run (Alm, 2019). Therefore, enforcement activities should be combined with taxpayer education, administrative support and confidence building measures to promote increased voluntary collaboration between taxpayers and tax authorities (Small & Brown, 2020).

The results further reveal the significance of lowering tax complexity in SST system in Malaysia. Frequent policy change, expansion of taxable service categories and more technical reporting methods can pose challenges to business registrants in terms of compliance. This is especially for service-oriented businesses where there is interpretative uncertainty. Therefore, simplification of SST procedures, review of administrative rules and improvement of communication channels between Royal Malaysian Customs Department (RMCD) and taxpayers would help in reducing the compliance difficulties and increasing the accuracy of reporting. Less available compliance assistance (Musimenta, 2020) and weaker instruction may also decrease inadvertent non-compliance due to misunderstanding or procedural uncertainty. Moreover, the present model also stresses the significance of tax knowledge in enhancing the taxpayers' capability to correctly adhere to the SST requirements. Better knowledge of tax by taxpayers often enables them to better understand and comply with reporting requirements, keep proper records and adapt to changing SST legislation. Hence, educational programmes, compliance seminars, awareness campaigns and taxpayer advisory initiatives may be needed to enhance taxpayers' understanding of SST rules and reduce errors in filing among business registrants (Kothandan & Palil, 2022). In the digitalised tax environment, continuous taxpayer education might be more pertinent to promote voluntary compliance behaviour.

Another major implication concerns the role of trust in tax authorities as a behavioural determinant of service tax compliance. The framework suggests that the taxpayers' voluntary compliance with tax regulations may increase despite the increase in the complexity of legislation, provided they consider RMCD as fair, transparent, professional and administratively competent. Hence, enhancing institutional trust may be crucial in the long-term voluntary compliance in the context of SST in Malaysia (Kogler et al., 2023). These findings support the existing behavioural tax concepts that stress the need to foster collaborative relationships between taxpayers and tax authorities rather than solely depending on deterrent-based approaches.

This paper makes a theoretical contribution to the current taxation literature by extending the application of the Theory of Planned Behaviour (TPB) in the context of Malaysia's service tax. The TPB has been frequently employed in the context of taxation research however empirical research on service tax compliance under SST regime in Malaysia is rather few. The paper extends the general explanation of service tax compliance behaviour beyond the traditional economic deterrent models by incorporating behavioural and institutional variables such as perceived tax system effectiveness, law enforcement, tax knowledge and trust in tax authorities in one framework. Thus, the proposed approach can be a good basis for future empirical studies to explore the behavioural determinants that influence service tax compliance among Malaysian business registrants (Palil & Ramli, 2022).

Conclusion

Service tax compliance has become an increasingly important issue in Malaysia's changing SST environment, particularly after the 2018 reinstatement of SST, the 2024 service tax rate revision, and the 2025 expansion of taxable service categories. RMCD continues to uphold and enhance administration, but challenges such as underreporting, incorrect declaration, inconsistency in reporting, late filing and administrative difficulty may arise among business registrants. The results suggest that service tax compliance cannot be fully explained by traditional deterrence perspectives, as taxpayers' behavioural responses are also shaped by institutional and psychological considerations.

To address these issues, this study proposes a conceptual framework on the elements influencing service tax compliance behaviour in the SST regime in Malaysia. The framework is mainly built on the Theory of Planned Behaviour (TPB) and the existing literature on tax compliance and proposes that taxpayers' willingness and ability to comply with SST obligations may be jointly determined by perceived effectiveness of the tax system, law enforcement, tax complexity, tax knowledge and trust in tax authorities. The proposed framework of combining the behavioural and institutional perspectives provides a more complete explanation of service tax compliance.

This study contributes to the growing literature on indirect taxation by extending the application of TPB in the context of service tax in Malaysia, which has been relatively under-researched in previous empirical studies. In particular, the presence of trust in tax authorities as a moderator highlights the importance of institutional confidence to influence voluntary compliance behaviour within increasingly complex tax systems. It is thus hoped that the framework can provide useful insights for policymakers, tax authorities and future researchers who are interested in exploring how administrative processes, behavioural attitudes and institutional linkages may influence service tax compliance among Malaysian business registrants.

However, this study is conceptual and does not empirically test the hypothesised correlations between the identified variables. Thus, future studies are recommended to validate the framework through quantitative methodologies such as survey-based research and Structural Equation Modelling (SEM) or Partial Least Square Structural Equation Modelling (PLS-SEM). More robust evidence on the role of behavioural and institutional elements in influencing service tax compliance behaviour in the SST context in Malaysia could be provided through empirical validation. These insights can help tax authorities develop more balanced, behaviourally informed and sustainable compliance strategies for the Malaysian services industry.

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