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(AIJBES)**www.gaexcellence.com/aijbis**DETERMINANTS OF TAX COMPLIANCE BEHAVIOUR:
EVIDENCE FROM CIVIL SERVANTS IN NORTHERN
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Abstract:

The issue of taxpayers' compliance behaviour needs to be taken into consideration, as it is important for ensuring economic stability. Sufficient revenue generated through tax collection is essential for the government to provide quality services to citizens, including healthcare, education, and public facilities. In view of the above goals, the Malaysian tax authority has been organizing various awareness and education campaigns to enhance tax compliance among taxpayers. Despite all these continued efforts, the issue of tax non-compliance has proved to be very challenging. Hence, this study is helpful in revealing some of the determinants of tax compliance behaviour among the civil servants in Malaysia. Several factors have been considered in this study; they include tax knowledge, tax morale and perceived fairness of tax system. A total of 208 civil servants from four states in northern part of Malaysia were involved in the study through administration of structured questionnaires. A non-probability convenient sampling method was used in the study together with descriptive and inferential statistical analysis. The findings demonstrate that tax knowledge, tax morale, and perceived of tax fairness significantly influence compliance behaviour. Among the factors examined, tax knowledge was categorized as the most significant predictor of tax compliance

behaviour. The findings contribute to a better understanding of strategies to enhance voluntary tax compliance among taxpayers.

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Keyword:

Malaysian Civil Servants, Perceived Fairness, Tax Compliance Behaviour, Tax Knowledge, Tax Morale



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Introduction

Tax compliance entails the completion of all statutory obligations for taxation in relation to Malaysian tax law. This involves accurate reporting of tax liabilities, filing tax returns as required and paying of any tax owed. It also involves adherence to all the processes stipulated by the Inland Revenue Board of Malaysia (IRBM). In Malaysia, tax compliance by a taxpayer is officially documented through means like issuing of a Tax Compliance Certificate (TCC). TCC is an official document indicating that a taxpayer has fulfilled all tax obligations and hence adheres to the relevant tax laws and regulation as per IRBM (Inland Revenue Board of Malaysia, 2025). Over the past few years, tax compliance behaviour of individual taxpayers has increasingly drawn researchers and policy makers' attention due to the substantial contributions made by it to national revenue (Rabun, 2023). Past literature always reveals that tax knowledge, awareness of taxpayers and sense of fairness are key factors determining tax compliance behaviour (Rabun, 2025).

Tax non-compliance refers to taxpayers' failure to comply with tax legislation, either intentionally or unintentionally (Kirchler, 2007). In order to deal with such issues, the Malaysian government has implemented several measures for modernizing tax administration, which mainly include digitalization of the tax system. The IRBM has introduced E-Filing and other online tax portals to make the process of tax administration easier and more efficient. According to recent research, the introduction of digital tax systems increases the efficiency of services provided to taxpayers, helps build their confidence and promotes voluntary compliance with tax laws by individual taxpayers (Hassan et al., 2022). As technologies continue developing, digitalization has become an essential aspect of tax administration system modernization.

However, despite all these measures, there have been long-term declining trends in terms of Malaysia's tax revenue as a percentage of its GDP. The tax revenue in Malaysia was about 20 percent of GDP in the mid-1990s but fell to around 11 percent in 2020, according to the World Bank (2022). Some of the reasons for this trend include tax non-compliance due to under-reporting of income, growth of the informal economy, as well as limited enforcement capabilities. Current problems are even more complicated due to various psychological factors including mistrust of governmental organizations, unfair tax system and tax knowledge

deficiency on the part of taxpayers. Additionally, several studies indicate that low tax knowledge, tax regulations, taxpayer attitudes, tax morale and social media have an impact on tax non-compliance especially in relation to individual taxpayers (Kurnia & Khomsiyah, 2023; Safian et al., 2025). As seen from various official records, thousands of people were recorded as non-compliant based on the results of digital monitoring systems; however, many people still do not file for their income tax return even though there are better reporting tools, such as e-Invoicing (IRBM, 2025). Despite all efforts made by the IRBM regarding enforcement, auditing, and imposing penalties, voluntary tax compliance behaviour has not been improved yet (IRBM, 2024). From past studies, it has been found out that audit frequency, penalties for non-compliance, and perception of government spending affect intention to comply with tax law (Khan et al., 2024). This shows that behavioural and institutional issues play a significant role in determining tax compliance.

Objectives and Scope

This study intends to study the tax compliance behaviour of individual taxpayers in Malaysia. The conceptual framework will highlight and explain the various determinants of tax compliance behaviour of individual taxpayers. In particular, this research intends to: (1) identify the level of tax compliance behaviour of civil servants in Malaysia, (2) assess the association between taxpayer knowledge, perceived fairness and tax morale, and tax compliance behaviour of civil servants and (3) determine the most important determinant of tax compliance behaviour of civil servants in Malaysia. A limitation of this study is that the sample comprises only individual taxpayers who are civil servants in the northern regions. Consequently, the findings may not be generalizable to taxpayers from other employment sectors or geographical areas.

Literature Review

There is The Ajzen's Theory of Planned Behaviour (TPB)

According to the TPB, the behaviour of an individual is determined by attitude, subjective norms, and perceived behavioural control. In the context of tax compliance, attitude reflects taxpayers' overall evaluation of complying with tax obligations and the perceived benefits associated with such compliance. For instance, taxpayers who possess adequate tax knowledge and perceive the tax system as fair are more likely to demonstrate positive attitudes towards complying with tax regulations. On the other hand, subjective norms refer to an individual's perception of social pressures from family members, colleagues, and the wider community regarding a particular behaviour. These social influences are closely linked to tax morale, as taxpayers may perceive tax compliance as a moral and civic responsibility. Perceived behavioural control relates to taxpayers perceived capability and confidence in fulfilling their tax obligations, including understanding tax requirements, determining taxable income, and submitting tax returns accurately. Therefore, TPB is important in explaining how tax knowledge, perceived tax fairness, and tax morale influence individual taxpayers' tax compliance behaviour.

Tax Compliance Behaviour

The tax compliance behaviour exhibited by individual taxpayers in Malaysia can be explained by the willingness of taxpayers to respect their obligations by providing precise information

regarding their income and by understanding their obligations regarding the taxation system within the country by fully complying with the various rules that govern the system. Furthermore, their attitude can be explained by taxpayers' awareness of the system and their judgment of the various aspects regarding ethical and fair judgment within the system. In general terms, lack of experience and knowledge regarding the filing requirements and deductions for the taxpayers can pose challenges for those who lack understanding of the taxation system. According to Sritharan et al. (2025), many Malaysian taxpayers possess insufficient tax knowledge, particularly regarding tax declaration procedures, and lack practical experience, which may hinder their tax compliance behaviour.

Tax Knowledge

Variations in socioeconomic development across regions may contribute to disparities in taxpayers' financial literacy and tax knowledge. Insufficient understanding of tax regulations, taxable income, and available tax incentives may lead to misconceptions regarding tax obligations. This may lead to a higher incidence of unintentional tax non-compliance. (Yusof et al. 2022). Tax knowledge has consistently been identified as a critical determinant of tax compliance behaviour, as it enhances taxpayers' ability to understand legal requirements, accurately report income, and fulfil their tax obligations (Saad, 2014). Individuals possessing greater tax knowledge are generally better equipped to navigate complex tax systems and are therefore more likely to demonstrate voluntary compliance. Conversely, inadequate tax knowledge may contribute to various compliance-related issues, including filing errors, late submission of tax returns, and failure to comply with reporting requirements (IRBM, 2023).

The recent studies of Rabun (2025) reveal that inadequate tax knowledge, lack of awareness regarding tax obligations and tax administration that is perceived as unfair are among the important determinants of the taxpayers' non-compliance with tax law. At the same time, according to Kamarudin et al. (2024), the low tax morale, negative attitude towards taxes and poor enforcement systems have been identified as factors that lead to the taxpayers' undesirable compliance behaviours, including income understatement, tax form filing and tax payment delay. It was concluded that the tax compliance is not determined only by the effectiveness of the enforcement measures. On the contrary, the compliance behaviour is driven by various factors related to the taxpayers' tax knowledge, attitudes, moral values, perception of the tax administration system and institutional environment.

Perceived Fairness of The Tax System

Perceived fairness of the tax system is a critical determinant of tax compliance behaviour. Taxpayers are more likely to comply voluntarily when they perceive that tax policies, tax rates, and tax administration procedures are implemented fairly and consistently. According to the Fiscal Exchange Theory, taxpayers are generally willing to fulfil their tax obligations when they believe that tax revenues are utilised effectively to provide public goods and services that benefit society. Fairness perceptions also influence taxpayers' trust in government institutions and tax authorities, which subsequently affects their willingness to comply with tax regulations (Nurmalasari et al., 2026).

It has been consistently shown empirically that there is a positive association between tax fairness perception and compliance behaviour. Those taxpayers that see tax administration and rules as fair are more prone to having positive attitudes about taxation and to complying with

taxes on a voluntary basis. For Malaysia, for example, Zamiruddin et al. (2024) have shown that the perception of fairness significantly impacts taxpayers' commitment and compliance behaviour in the context of the Special Voluntary Disclosure Programme (SVDP). At the same time, Sobri (2022) has shown that there is a significant impact of the taxpayers' perceptions of tax justice on personal income tax compliance. Taxpayer-friendliness can be assessed through the availability and effectiveness of initiatives such as e-Filing, MyTax, and tax education programmes, which aim to enhance transparency and reduce compliance costs. These initiatives reflect the government's effort to strengthen taxpayers' trust and perceptions of fairness, which are essential for fostering sustainable tax compliance behaviour. Consequently, policymakers should continue to prioritise transparency, accountability, and equitable treatment within the tax system to promote greater voluntary compliance among Malaysian taxpayers.

Tax Morale

The term tax morale is the motivation of individual taxpayers to obey tax laws irrespective of any deterrent actions such as audit and penalty (Kirchler, 2007). This includes intrinsic values, ethical norms, social norms, and civic responsibility of the citizens in respect to the tax payments (OECD, 2025). Those people who have tax morale view paying taxes as an act of citizenship and as part of improving societal welfare rather than an obligation. For example, Rabun (2025) reported in her paper entitled "*Tax Morale and Voluntary Tax Compliance among Malaysian Individual Taxpayers*" that individuals who have tax morale will be compliant even if the probability of being audited and the level of enforcement is not high. Likewise, Teh et al. (2024) in their study entitled "*The Role of Social Norms and Ethical Beliefs on Tax Morale in Malaysia*" gave evidence from their data that social norms and ethical values have a strong influence on the intrinsic compliance of the taxpayers.

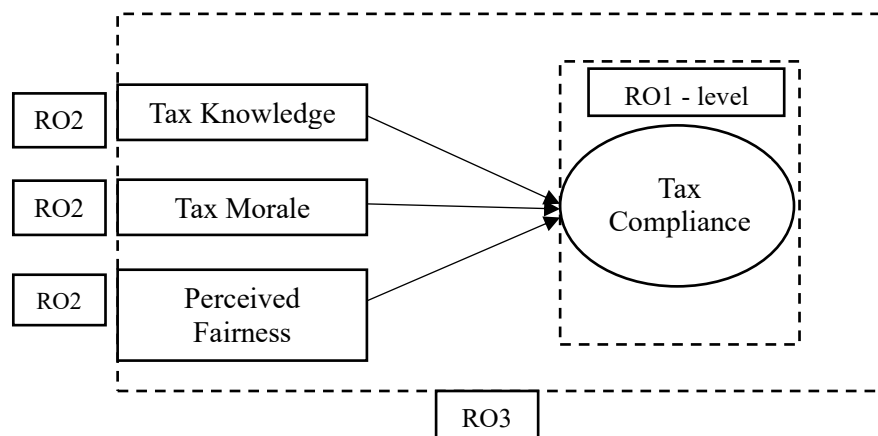


Figure 1: Conceptual Framework of Tax Compliance

Source: (Note. Proposed Conceptual Framework Adapted from the Theory of Planned behaviour by I. Ajzen (1991), *Organizational behaviour and Human Decision Processes*, 50(2), 179–211.

Research Methodology

The purpose of this research is to investigate the determinants of the behaviour of civil servants in Northern Malaysia with respect to their income and taxable income who face personal income tax obligations. The methodology adopted is a quantitative approach and uses the cross-sectional correlational design. According to Hair et al. (2022), at least 150-200 samples are required for correlation and multiple regression. Thus, 208 individual taxpayers' data were

obtained using non-probability sampling method. A five-point Likert scale was used to measure the study variables and ensure respondents' understanding of the items.

Northern Malaysia was chosen due to variation in the level of economic development and income distribution (Department of Statistics Malaysia, 2025). The data were gathered via the structured questionnaire to identify the tax knowledge, the perceived fairness of the tax system, and tax morale as independent variables, and tax compliance behaviour as dependent variables. Descriptive statistics, Pearson correlation analysis, and multiple regression analysis were conducted to address the research objectives.

Findings and Discussion

Reliability Analysis and Normality Testing

Results of the normality and reliability tests for all the constructs are shown in Table 1. A measuring tool is deemed to be reliable if the Cronbach's Alpha value is equal to or greater than 0.700. On the other hand, the assumption of normality is said to be valid if skewness values are between -2 and +2 and kurtosis values are between -7 and +7 (West et al., 1995). From Table 1, it can be observed that all the variables satisfied the assumptions of normality with skewness values ranging between -1.447 and -1.009 and kurtosis values between 0.794 and 3.209. Moreover, Cronbach's Alpha values for Tax Knowledge (0.966), Perceived Fairness of the Tax System (0.969), Tax Morale (0.966) and Tax Compliance Behaviour (0.954) were above the required level. Therefore, the study satisfied the assumptions of normality and reliability.

Table 1: Measurement of Variables, Normality Test, and Reliability Test Results

Variables	Skewness	Kurtosis	Cronbach's Alpha	Decision
Tax Knowledge	-1.343	2.342	0.966	Normal
Perceived Fairness	-1.009	0.794	0.969	Normal
Tax Morale	-1.447	3.017	0.966	Normal
Tax Compliance Behaviour	-1.406	3.209	0.954	Normal

Demographic Profiles

A total of 208 respondents participated in the study, comprising 104 males (50%) and 104 females (50%). Most respondents were aged 20-30 years ($n = 94$, 45.2%), followed by those aged 31-40 years ($n = 57$, 27.4%), 41-50 years ($n = 43$, 20.7%), and 51-60 years ($n = 14$, 6.7%). In terms of length of service, the majority were early-service employees ($n = 138$, 66.3%), followed by mid-service employees ($n = 51$, 24.5%) and senior-service employees ($n = 19$, 9.1%). Regarding monthly income, most respondents earned between RM3,111 and RM4,999 ($n = 111$, 53.4%), followed by RM5,000 to RM7,999 ($n = 69$, 33.2%).

Table 2: Demographic Profiles of the Respondents

Profile		Frequency (n)	Percentage (%)
Gender	Male	104	50.0
	Female	104	50.0
Age Group	Young Adults (22-29 years)	87	41.8
	Adults (30-49 years)	102	49.0
	Older Adults (50 years and above)	19	9.1
Period Of Service	Early Service Employees (1-11 years)	138	66.3
	Mid Service Employees (12-22 years)	51	24.5
	Senior Service Employees (23-34 years)	19	9.13
Monthly income	RM 3,111 - RM 4,999	111	53.4
	RM 5,000 - RM 7,999	69	33.2
	RM 8,000 - RM 11,999	20	9.6
	RM 12,000 and above	8	3.8
Marital status	Single	92	44.2
	Married	116	55.8
Number of Dependents	None	92	44.2
	1-2	62	29.8
	3-4	33	15.9
	5 and above	21	10.1

Level of Tax Compliance

Following Sekaran and Bougie (2013), tax compliance behaviour was interpreted using three levels based on mean scores: low (1.00-3.00), moderate (>3.00-4.00), and high (>4.00-5.00). Table 3 indicates that respondents exhibited a high level of tax compliance behaviour, with mean scores ranging from 4.31 to 4.52. The highest rated item was the reporting of all income sources in tax returns ($\bar{x} = 4.52$), while staying updated on changes in tax regulations recorded the lowest mean score ($\bar{x} = 4.31$). Overall, the results suggest a strong level of tax compliance among the respondents.

Research objective (RO) 1: To Identify the Level of Tax Compliance Behaviour.**Table 3: Level of Tax Compliance Behaviour**

Items	Mean	Level
I report all sources of my income accurately on my tax return.	4.52	High
I completed the income tax return form carefully to avoid mistakes.	4.50	High

I ensure that all information in my tax return is complete and accurate.	4.50	High
I ensure that the amount of tax paid is in accordance with tax regulations	4.47	High
I submitted my income tax return on time.	4.45	High
I make sure my tax payments are made on time every year.	4.44	High
I keep complete records (receipts, documents) for tax purposes.	4.36	High
I always keep up to date with the latest developments regarding changes in tax regulations.	4.31	High

Note: 1.00-3.00, low; >3.00-4.00, medium; >4.00-5.00, high.

Pearson Correlation

Research objective (RO) 2: To Assess the Relationship Between Tax Knowledge, Perceived Fairness of the Tax System, Tax Morale and Tax Compliance Behaviour.

All assumptions required for correlation analysis were satisfied, including linearity, normality, and homoscedasticity. The results indicated that the data met the necessary requirements, supporting the validity and reliability of the correlation analysis.

As presented in Table 4, all the independent variables have a statistically significant positive relationship with the dependent variable (tax compliance behaviour). Out of the three independent variables analysed, the strongest positive relationship with tax compliance behaviour is exhibited by tax knowledge ($r = 0.842$, $p < .001$), then tax morale ($r = 0.769$, $p < .001$) and perceived fairness of the tax system ($r = 0.760$, $p < .001$) **. All the hypotheses are thus accepted.

Table 4: Correlation Analyses

Variables	Tax Compliance of Behaviour	
Tax Knowledge	Pearson Correlation	0.842**
	Sig. (2-tailed)	<0.001
	N	208
Perceived Fairness of the Tax System	Pearson Correlation	0.760**
	Sig. (2-tailed)	<0.001
	N	208
Tax Morale	Pearson Correlation	0.769**
	Sig. (2-tailed)	<0.001
	N	208

Multiple Regression**Research objective (RO) 3: To Determine the Most Significant Factors Influencing Tax Compliance Behaviour**

Generally, multicollinearity is not considered a concern when VIF values are below 10 and tolerance values exceed 0.01. According to Hair et al. (2022), multicollinearity is not considered problematic when VIF values are below 10 and tolerance values exceed 0.01. As shown in Table 5, the VIF values ranged from 3.119 to 4.569, while the tolerance values ranged from 0.219 to 0.321, indicating the absence of multicollinearity issues. The regression results indicate that tax knowledge, perceived tax system fairness, and tax morale collectively explained 73.4% of the variance in tax compliance behaviour ($R^2 = 0.734$). The remaining 26.6% of the variance was attributable to factors not included in this study. Therefore, the overall regression model was statistically significant ($F = 186.579$, $p < 0.001$).

Standardized beta coefficients measure the strength of the impact of each independent variable on tax compliance behaviour. The results show that tax knowledge is the most powerful determinant of tax compliance behaviour ($\beta = 0.600$, $p < 0.001$), followed by tax morale ($\beta = 0.056$, $p < 0.001$). However, tax system fairness was not found to significantly affect tax compliance behaviour ($\beta = 0.053$, $p = 0.471$).

Table 5: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig.
1	.857 ^a	.734	.730	.33790	.734	186.579	3	203	<.001

a. Predictor: (Constant), Tax Knowledge, Perceived Fairness of the Tax System, Tax Morale

b. Dependent Variable: Tax Compliance Behaviour

Table 6: Summary of Multiple Regression Analysis

	Beta (β)	T-Value	Sig. (p)	Decision
Tax Knowledge	0.600	7.757	<0.001	Tax Knowledge is the most influential factor
Perceived Fairness of the Tax System	0.053	.723	0.471	
Tax Morale	0.056	3.816	<0.001	

Discussion

Descriptive, correlation and multiple regressions analysis were carried out to identify the factors that determine tax compliance behaviour among individual taxpayers through the level and effect of tax knowledge, perceived fairness of the tax system and tax morale. Correlation analysis results indicated that the three independent variables have positive and significant

relationship with tax compliance behaviour among civil servants. Yusoff et al. (2026) reported that tax knowledge plays a significant role in influencing taxpayers' compliance behaviour in Malaysia. In order to determine the most significant determinants of tax compliance behaviour, the results from multiple regression indicated that only tax knowledge and tax morale were the significant determinants of tax compliance behaviour, but the perceived tax system fairness was insignificant. These results are supported by the study by Yusoff and Mohd (2017) which indicated that there are other determinants apart from economic deterrence that influence tax compliance behaviour. They explained that taxpayers' attitude, social norms and morality values play significant roles in ensuring that taxpayers become voluntarily compliant under Malaysia's Self-Assessment System. According to multiple regression analysis, tax knowledge is the strongest determinant of tax compliance behaviour among civil servants. The results of this study indicated that taxpayers with high tax knowledge will become voluntary compliant of their tax responsibilities. It is evident that tax knowledge enables taxpayers to understand tax system comprehensively.

The result above is in line with TPB (Ajzen, 1991) which states that the higher the knowledge, the higher the level of perceived behavioral control and willingness to do the behavior. It is also in accordance with research conducted by Safian et al. (2024), Wardani & Hermawan (2024), and Lumenta and Sulistyowati (2024). Furthermore, from the results, it is clear that tax morale has a positive effect on compliance behaviour of taxpayers. This implies that individuals with high ethics values, social responsibility, and self-motivation will always adhere to tax laws regardless of whether there is any compliance mechanisms put in place. When people view tax payment as a social obligation, they are more likely to file their returns and declare their incomes accurately. This is because of the fact that people are influenced by their ethics and societal norms in making behavioural intentions, as described in the TPB. In addition, the finding has been corroborated by the research of Teh et al. (2024), Rabun (2025), and OECD (2025).

In contrast, perceived tax system fairness was not found to have a significant effect on tax compliance behaviour. Although the correlation analysis indicated a positive association between perceived tax system fairness and tax compliance behaviour, the multiple regression results revealed that this relationship became insignificant when tax knowledge and tax morale were considered simultaneously. This finding suggests that individual taxpayers may place greater emphasis on their understanding of tax regulations and personal moral values than on perceptions of fairness when making tax compliance decisions (Azaka et al., 2023; Torgler, 2007). However, this result is inconsistent with the findings of Che Azmi et al. (2025), Safian et al. (2024), and the OECD (2025), which reported that taxpayers are more likely to comply with their tax obligations when they perceive the tax system as fair. One possible explanation is that the effect of perceived tax system fairness may be overshadowed by stronger determinants, such as tax knowledge and tax morale, within the present study context.

Overall, the findings indicate that tax knowledge and tax morale are the key determinants of tax compliance behaviour among individual taxpayers. The voluntary tax compliance behaviour of taxpayers is greatly influenced by their attitudes and moral beliefs and not by mere enforcement actions (Abd Shukor, 2020). The regression model explained 73.4% of the variance in tax compliance behaviour in which highlighting the substantial role of these factors in shaping taxpayers' compliance decisions. Accordingly, efforts to enhance tax knowledge, strengthen public awareness, and foster ethical values among taxpayers should be prioritised to promote voluntary tax compliance in Malaysia. In addition, the IRBM should continue to

strengthen taxpayer education such as through outreach programmes to improve taxpayers' understanding of tax laws and reporting requirements, thereby encouraging higher levels of voluntary compliance.

Limitations of the Study

The following limitations pertain to the current study and need to be considered in future research because they may impact on the interpretation of the results obtained. First, the current study is limited to 208 civil servant taxpayers from Northern Malaysia. Therefore, this limitation can be overcome by increasing the sample size to include civil servants from all over Malaysia, including those from Sabah and Sarawak. Also, future research could include civil servants from other categories, for example, the Support Group, the Management and Professional Group, among others.

Second, the use of a self-administered questionnaire may have introduced response bias into the study. As the data were self-reported, respondents may have misinterpreted some questions or selected the neutral response option to minimise the time required to complete the questionnaire. This may have affected the accuracy of the responses and, consequently, led to less reliable findings. Finally, the cross-sectional nature of the study limits the ability to assess changes in tax compliance behaviour over time. Future research could employ longitudinal designs to address this limitation.

Conclusion

In conclusion, this study investigates the effects of tax knowledge, perceived fairness of the tax system and tax morale on tax compliance behaviour of civil servants in Northern Malaysia. It was found that both tax knowledge and tax morale have a significant effect on tax compliance behaviour while perceived fairness does not have a significant effect on tax compliance behaviour. Based on the multiple regression analysis, it is found that tax knowledge is the significant predictor of tax compliance behaviour. The findings of this study have supported the Theory of Planned Behaviour and have provided useful implications to IRBM and policy makers to promote voluntary tax compliance behaviour especially among civil servants. Some limitations must be considered in this study, especially concerning sample size, cross-sectional study design, sampling procedure and some other independent variables which were not included in the study.

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Second Author: Data curation (managing, organizing, and entering the data into SPSS) and writing.
Third Author: Conceptualization, methodology, formal analysis, writing, review and editing.
All authors read and approved the final version of the manuscript prior to submission.
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