THE ASSOCIATION OF TAX EDUCATION AND TAX COMPLIANCE: A CASE OF UUM ACCOUNTING STUDENTS

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ABSTRAK (MALAY)

Mematuhi pembayaran cukai adalah perkara yang sukar untuk dicapai oleh mana-mana kerajaan. Kebanyakan pembayar cukai tidak peka akan kewajipan membayar cukai tahunan kerana kurangnya pengetahuan mengenai cukai serta kurang kesedaran moral akan kepentingannya. Apabila masyarakat kurang pengetahuan tentang perundangan cukai, adalah sukar bagi mereka untuk mematuhi undang-undang cukai terutamanya berkaitan dengan pengiraan cukai. Tidak mengetahui akan sumbangan keuntungan daripada cukai itu sendiri dalam penjanaan kewangan kerajaan bagi menjalankan aktiviti seharian turut mengakibatkan individu mempunyai kesedaran moral yang rendah dalam mematuhi pembayaran cukai. Bagi memastikan masyarakat mempunyai pengetahuan asas mengenai perundangan cukai dan bagaimana keuntungan daripada cukai dapat menyumbang kepada pembangunan, pendidikan cukai adalah penting. Melalui pendidikan, seseorang individu itu akan memperolehi ilmu dimana secara tidak langsung dapat mempengaruhi sikap serta moralnya. Justeru, kajian ini mengkaji bagaimana pengajaran kursus cukai di universiti di Malaysia dapat mempengaruhi kesedaran moral mematuhi pembayaran cukai dalam kalangan pelajar sarjana muda perakaunan. Kajian ini juga mengkaji persepsi tenaga pengajar subjek cukai akan keberkesanan subjek ini bagi meningkatkan kesedaran moral supaya mematuhi pembayaran cukai. Metod campuran telah digunapakai bagi mendapatkan maklumat. 122 set soalan telah diedarkan kepada pelajar sarjana muda perakaunan dan soal jawab juga telah dijalankan kepada beberapa orang pensyarah kursus cukai. Keseluruhan kajian mendapati bahawa pendidikan cukai mempunyai hubung kait dengan mematuhi pembayaran cukai. Pendidikan cukai memberi impak kepada pengetahuan asas cukai kepada sesiapa yang mengikuti kelas tersebut. Kajian juga mendapati perspepsi pensyarah kursus cukai ke atas kesesuaian kursus ini kepada pelajar bukan perakaunan dalam mengubah cara berfikir golongan pembayar cukai pada masa hadapan. Kajian ini mencadangkan supaya nilai etika disertakan didalam prinsip dan kajian kes moral cukai. Kekangan dalam kajian ini adalah tidak mendapat jumlah responden yang ramai sepanjang kajian dijalankan.

Kata kunci: Patuhi bayaran cukai, pendidikan cukai, pengetahuan cukai, moral cukai.

ABSTRACT

Making taxpayer Comply with tax payment has not been easy to for any government. Many eligible taxpayers do not comply with their tax obligations annually which probably emanates from lack of basic knowledge on taxation and low compliance morale. When people are ignorant of tax laws, they will find it difficult to comply with the tax laws, especially in relation to tax computation. They may also be ignorant of how taxation revenue contributes towards funding government's day to day activities. In order to have citizens with the basic knowledge on taxation laws, and how taxation revenue contributes to development, taxation education is therefore imperative. Through education, individual can acquire new knowledge, which in turn can influence their behaviour or morale reasoning. Having said that, this study examines how taxation courses taught in Universiti Utara Malaysia, influence the tax compliance morale of the undergraduate accounting students. It also explores the perceptions of the taxation instructors on the relevance of taxation courses in creating tax compliance morale. Mixed method of data collection was applied. Questionnaires were administered to 122 undergraduate accounting students, while interviews were conducted with four taxation lecturers. Overall findings indicate that taxation education has an association with tax compliance. Taxation education impacts the basic tax knowledge of those who attended the classes. Findings also show that the lecturers interviewed are of the opinion that inclusion of taxation course in the syllabus of non-accounting students can go a long in changing the mindset of future taxpayers. The study recommends the inclusion of ethics in the principles of taxation and tax morale case studies. There is a limitation in this study from not using a greater number of respondents during the survey.

Keywords: Tax compliance, tax education, tax knowledge, tax morale.

ACKNOWLEDGEMENT

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CHAPTER ONE

1.1 INTRODUCTION

With the introduction of the Self-Assessment System (SAS) of taxation in Malaysia, individual taxpayers are expected to have the basic knowledge of personal income tax laws to enable to them pay the correct amount of taxes to the tax authority. This knowledge entails knowing all the sources of income that must be included when calculating taxable income, knowledge on relief that can be claimed and all other deductions that are allowed by the tax authority. It also includes the ability of the individual taxpayer to file the return form when it is due. Inability of some individual taxpayers to understand the personal income tax laws such as when to submit tax return within the stipulated time, not been aware of the legal deductions, not knowing all the taxable incomes has contributed to their tax noncompliance known as unintentional tax (Kasipillai, 1996; McKerchar, 2002). This is known as unintentional tax noncompliance. Also worthy of note is that some taxpayers who have already acquired the basic tax knowledge still do not comply with the taxation rules, regulations and payments of their tax liabilities (Bahari & Ling, 2009). To them, paying taxes is not essential, and they will do everything possible to evade and avoid tax payment. These groups are referred to as intentional non-compliance taxpayers or simply put, "tax evaders".

Various authors, depending on their perspectives of what constitutes compliance with the tax laws, have defined tax compliance differently. For instance Palil and Mustapha (2011), defined tax compliance as the ability of a taxpayer to pay his/her taxes and the disposition to be obliged to the taxation rules and regulation in line with ethics, court decisions and other factors. Tax compliance can be defined as the action of calculating correctly the amount of taxable income, the tax liability, filling and filing the return form on time, and claiming the exact amount of relief/deduction from the tax authority (Roth, Scholz & Witte, 1989). The paper further stated that the ability of a taxpayer to comprehend taxation laws and their influence on a country's development can be a factor to improve tax compliance. This understanding of tax laws is referred to as tax literacy or tax knowledge, and can be acquired through tax education.

Taxpayer education is broadly defined as including efforts to show how taxes are being paid, explain why taxes should be paid, and to empower citizens to engage in discussions on the use of tax revenue (OECD, 2013). It covers a range of activities, including government/national revenue authority programmes to encourage tax compliant behavior on the part of citizens, and civil society initiatives to promote the participation of citizens in policy discussions of how taxes are collected and redistributed (OECD, 2013). Tax education is an introduction to ideas and philosophies of taxation, which covers individual and corporate taxes, taxation planning, appeals and assessment for individual and corporate bodies (Ling, Zalilawati, Amran & Choong, 2013). This definition is more comprehensive as it takes cognizance of tax appeal and tax planning which is very important in understanding taxation laws. Tax planning

which was pointed out in the above definition is a common practice among taxpayers' as it enables them to pay lesser amount of tax liability legally.

On another note, Albert Einstein (1879-1956) emphasised that the most difficult thing globally to comprehend is the income tax laws. Given that income tax laws are too complex for a layman to understand, it becomes imperative to educate the potential taxpayer about taxation laws. This will enable them to understand their obligations with regards to tax payment, and have a positive view about the existing tax system (Kasipillai, Aripin, & Amran, 2003; Furnham, 2005). Tax education has been identified by some researchers as a means through which tax noncompliance can be reduced to the bearable minimum (Bahari & Ling, 2009). This has been evidenced in Kasipillai, et al., (2003), who found a relationship between education and tax compliance. According to the authors, with higher level of education, the attitude of the taxpayer is more positive towards meeting taxation rules, regulations and payment.

It has been observed that taxation education improves the tax compliance behaviour of the taxpayers, as they would be mindful of their responsibility and penalties for not complying with the taxation laws (Berhane, 2011). The paper also stated that when the taxpayers are informed about the judgment, fines and penalties for noncompliance, it will stimulate them to comply with their tax payment. This has a positive effect, as it is easier to prevent tax noncompliance through tax education than through pursuing the tax evaders. Hence, tax education is necessary to increase public mindfulness about taxation laws. It also increases the knowledge on how taxation revenue contributes to the development of a country. It is also useful to educate taxpayers or the potential taxpayers

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regarding taxation and their share of responsibility to the country. This could be in the form of seminars or in collaboration with the Ministry of Education in designing higher education curriculum that include the relevant taxation topics in colleges and universities.

Tax education will improve the literacy level (tax knowledge) of the existing and potential taxpayers. According to Bhushan and Medury (2013), tax literacy may be defined as the knowledge which an individual should possess in order to manage the issues relating to personal taxation effectively. According to Olowookere and Fasina (2013), to comply with tax laws, the taxpayers need to have adequate tax knowledge. When the taxpayers' knowledge is improved, their views and perception with respect to complying with tax payment will be positive. Taxation knowledge relates to the ability of existing or potential taxpayers to comprehend taxation rules and regulations and the disposition to comply with it.

Basic knowledge on taxation laws can be acquired from various sources, though the most effective and influential source is through tax education acquired in colleges and universities. This stems from the fact that education has been successful in changing the mindset of people. Taxation courses taught at undergraduate level not only equip the students with the basic taxation knowledge on computation, but includes the technicalities of the laws. Berhane (2011) stated that tax compliance attitude can be improved through the provision of tax education. In light of this, the author asserted that the Ministry of Education, in collaboration with the tax authorities must think of this

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relationship and deliver tax courses, similar to civics and ethics courses being a common course for all students.

Taxation education course is very important because income tax laws are believed to be complex and above the comprehension of an average person. Previous studies, for instance, Krause (2000), pointed out that the complexity of taxation laws will make the administration and compliance inadequate both to the tax authorities and taxpayers. Complexity of tax laws causes the taxpayers to incur more costs in order to comply with the tax laws, and thereby, make the tax policies ineffective. When the tax laws are simple to understand for the taxpayer, the taxpayer will save both time and money (compliance costs), but when it is too complex, this will force the taxpayer to engage the services of a tax agent or consultant. Tax education, especially at the university (undergraduate), will help the taxpayer to easily understand the complexity of taxation laws. Some studies have shown a negative influence of the complexity of tax laws on compliance. For instance, Richardson (2006) stated that complexity of tax laws is one determinant of tax noncompliance. The study noted that complexity of tax laws affects individual taxpayers mostly because of the costs to hire a tax agent or consultant. Those who cannot afford to hire a tax agent or consultant will either not comply at all or fall victim to unintentional noncompliance.

The influence of tax knowledge on tax compliance behaviour was evidenced from the work of Erikson and Fallan (1996), which found that the perception of taxpayers did change positively about taxation after attending taxation course class. The knowledge acquired did influence them to perceive tax evasion as unacceptable and the tax system

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as being fair. The study concluded that acquiring the knowledge of the operations of tax systems through taxation education will lead to tax compliance attitude.

Taxation education can inform how government spends revenue generated through taxation (Mohd, 2010). This present study becomes imperative in response to the statement made by the second Finance Minister of Malaysia, Datuk Seri Ahmad Hanadzlah, to taxpayers in Malaysia that evading their tax responsibilities could depress the country's economic growth (Business Times Malaysia, 2011). Tax noncompliance does not only depress a country's economic growth, but the government could be running into shortage of funds to finance activities, particularly if the taxpayers continue to evade their tax responsibilities. It will weaken the ability of the government to raise revenue in an efficient manner, and hence, undermine the government's contribution to national economic well-being (Noor, Mohd, Rosiati & Ruhanita, 2012).

Different countries around the world have introduced and implemented one measure or the other with the intention to improve the tax compliance level among the citizens. Survey studies on tax compliance reported several mechanisms, including penalties, fines, reduction of tax rate, tax amnesty, providing incentives for voluntary tax compliance, seminars organized by the tax authority and tax education, that have been used by different countries to reduce tax noncompliance. Of all the measures that have been used by various countries to improve tax compliance behaviour of their citizens, tax education seems to have been the most influential. For instance, Lai, et al. (2013) found a relationship between education and tax compliance. Kołodziej (2011) stated that economic education which transfers knowledge of the relationship between tax paid by

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citizens and socio-economic tasks undertaken by the government create voluntary tax compliance. Machogu and Amayi (2013) citing Svetna and Taumo (2007), stated the basic goal of most education programmes is directed towards behavioral change. That being the case, tax education can therefore influence the behaviour of the taxpayers positively.

Tax education as a compulsory course for undergraduate accounting students in all Malaysian universities will also make it possible for the government to save some costs that would have been expensed on creating awareness on tax and tax related issues. The governments of many countries around the globe spend a great deal of money on tax education awareness in order to educate the public on the existing or new tax laws. The government of Ireland spent a sum of € 358,000.11 per annum on advertising arising from the publicity campaign to launch the tax on using plastic bags for shopping (Frank, McDonnell & Ferreira, 2007). The Irish government would have saved the costs of advertising for the launch of plastic bags taxation assuming greater percentage of her citizens have the basic knowledge of different types of taxes that exist and why they exist.

Tax morale is one factor that influences the decision to comply or not to comply with tax payment. Tax morale is an important factor in tax compliance especially in a society with a high shadow economy where other factors such tax rates, fines, penalties and audit probabilities may be less effective in improving tax compliance. Since shadow economy makes it difficult for the tax authorities to capture all the eligible taxpayers,

creating tax compliance morale becomes the only solution to improve tax compliance. Tax morale is the belief and the zeal to comply with tax payment which is stimulated by the understanding that paying taxes is a means through which the individual contributes to the society (Togler, Cummings, Martinez & McKee, 2005). When tax compliance morale is created among the citizens of a given society, the eligible taxpayers will perceive paying taxes as contributing to the development of their society which they will be proud of both at present and in generations to come.

With the given background, this study seeks to find out whether the taxation course taught in Universiti Utara Malaysia (UUM) prepares the future taxpayers (undergraduate accounting students) to be tax compliant citizens after graduation by evaluating their level of tax knowledge, and their knowledge on the impact of taxation revenue on economic development of Malaysia.

1.2 PROBLEM STATEMENT

Tax noncompliance has been an issue of concern to many countries globally. Both the policy makers and the tax authority have not been able to come up with a lasting solution for tax noncompliance. Thus, large sums of money are lost annually through tax avoidance and evasion, despite all the measures that the government puts in place for prevention. The revenue base of many countries has been affected by tax noncompliance, including in Malaysia. Some countries have introduced the incentive and penalty approach in order to curb tax avoidance and tax evasion, but studies show that tax avoidance and evasion still exist. For instance, Bahari and Ling (2009), said that

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for the year 2005, 1.3 million potential taxpayers in Malaysia did not file their tax forms. Some of the tax noncompliance are unintentional, while some are intentional. Acquiring some level of tax knowledge by the taxpayers through tax education will go a long way in eliminating the unintentional tax noncompliance.

The motive of the Malaysian government in introducing the SAS of taxation, like in many other countries in Asia, Europe and America, was aimed at increasing tax compliance among the taxpayers, speed up assessment process, reduce compliance costs, and facilitate tax collection. After some years of introducing and implementing SAS, the Malaysian government is still faced with an enormous tax noncompliance among the existing and potential individual taxpayers just like every other country of the world (Bahari & Ling, 2009). Malaysian tax revenue to gross domestic product (GDP) stood at 22.2% by the year 2012 which is among the least globally. With the increase in tax noncompliance among many nations, including Malaysia, there is an urgent need to come up with a strategy that will improve and encourage tax compliance by creating in the taxpayers, the zeal to comply with their tax obligations.

Knowing that some taxpayers noncompliance is unintentional resulting from lack of tax knowledge, it becomes imperative to educate this group of taxpayers about taxation laws. Educating the taxpayers on the technical aspects of taxation laws, penalties for willful evasion, and how taxation revenue contributes to the development of Malaysia and other countries will be a motivating factor for them to comply willingly. The above statement is consistent with Kołodziej (2011), who opined that economic education

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which transfers knowledge of the relationship between tax paid by citizen and social-economic tasks undertaken by the government, will create voluntary tax compliance. This study is important for identifying the contribution of tax education to tax compliance. An increase in tax compliance level will go a long way in reducing the government's fiscal deficit, and speed up infrastructural and intellectual developments. With these, it becomes imperative to undertake a study on the level of tax knowledge which translates to tax compliance, using a sample of undergraduate accounting students in UUM.

1.3 OBJECTIVES OF THE STUDY

This study has four objectives as follows:

1. To identify the level of personal income tax knowledge among the UUM undergraduate accounting students.

2. To explore UUM undergraduate accounting students' level of knowledge relating to the contribution of taxation revenue to economic development of Malaysia

3. To identify the level of tax compliance among the future taxpayers.

4. To identify the level of tax morale among the UUM undergraduate accounting students.

5. To examine the association of tax knowledge and tax compliance of the UUM undergraduate accounting students.

6. To examine the association between tax morale and tax compliance of the UUM undergraduate accounting students.

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7. To explore the perception of the UUM taxation lecturers on relevance of the taxation course contents in creating tax compliance morale.

1.4 THE SIGNIFICANCE OF THE STUDY

It is anticipated that the findings of this study will fill the gap which other researchers left unfilled. It will shed some light on the influence of taxation courses at university level in creating tax compliance morale. The significance of the study can be viewed from two perspectives - from the theoretical and the practical perspectives.

From the theoretical perspectives, this study will assist the academia in understanding how taxation courses taught at UUM prepare the future taxpayers to comply with their tax obligations. In addition, it will be useful to them to make some improvement on the contents of taxation syllabus (if necessary) in order to create tax compliance morale in the minds of undergraduate students taking taxation courses, and a knowledge on the contribution of tax revenue to economic development.

From the practical perspective, the result of the study will help the Malaysian government to know the influence of taxation courses taught in UUM on tax compliance morale. The study also shows the level of understanding the future taxpayers have on technicalities of taxation laws, as well as the general knowledge on taxation rules and regulations. This will provide the basis for the Malaysia government, through the Ministry of Education to strengthen their collaboration with the universities on teaching taxation courses. With that, it is hoped that it can reduce the level of tax noncompliance

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in the minds of the future generation and thereby increase the tax revenue generation. This will in return lead to an efficient running of government and provision of social amenities for the public in return for their taxes. The government will save the costs associated with organising seminars to educate the taxpayer on how a new tax regime operates and its implementation, and thereby save a huge amount of money and time in pursuing tax evaders.

1.5. LIMITATIONS OF THE STUDY

Findings of this study should be interpreted in respect of the following limitations: The quantitative data collected for this study is limited to the undergraduate accounting student of UUM, who attended taxation classes between September 2012 and February 2013 semester only. Another limitation is the small number of interviewees i.e., the taxation instructors only. Other lectures from the accounting department or non-accounting department were not included in the interview session.

1.6. THE SCOPE AND COVERAGE OF THE STUDY

The study evaluates how the personal income tax course taught in UUM prepares the undergraduates to be tax compliant citizens of Malaysia. This study, however concentrated on a survey of undergraduate accounting students of UUM. They were selected will be the future taxpayers; and also because they have enrolled in personal income tax classes. The researcher is of the opinion that the responses from these students and lecturers will give an insight on how effectively they have been exposed to

taxation courses, ethics, knowledge and the effect that taxation revenue has on economic development of Malaysia.

1.7 ORGANISATION OF THE THESIS

The study has six chapters excluding references and appendixes. The first chapter is the introduction. Chapter two is the literature review relevant to understanding the topic, while Chapter three is the research methodology, which includes the research approach, method adopted, population and samples, questionnaire design, and data analysis techniques. Chapter four presents results of quantitative data analysis. Chapter five is the report of qualitative data, and the sixth chapter summarises the main results of the study, and gives some recommendations.

CHAPTER TWO

LITERATURE REVIEW

2.1 INTRODUCTION

This chapter focuses on detailed review of the related literature relevant to understanding the topic of the study. The chapter covers five subheadings: Malaysian Income tax system, tax compliance, tax education, tax knowledge and tax morale. In addition to the above is the hypotheses development from the related literature is provided.

2.2 MALAYSIAN INCOME TAX SYSTEM

Malaysia has adopted official assessment system of taxation since 1947. Under the system, taxpayers were assessed by the Inland Revenue authority based on the tax return they filed. The Malaysian government budget for the year 1999 announced that a self-assessment system (SAS) of taxation will replace the official assessment system. Under this new system, taxpayers are assessed to income tax based on the tax returns filed by them (Kasipillai & Hanefah, 2000). Malaysian taxpayers can be grouped as salaried individuals, co-operative bodies, businesses, partnership and companies.

The SAS for companies was first implemented in the year 2001 while that of salaried individuals, businesses and partnership was implemented from 2004. SAS is a system whereby the taxpayesr are required by law to determine the taxable income, compute the

tax liability and file their return with regard to tax laws, policy statement and regulations issued by the tax authority (Kasipillai & Hanefah, 2000). The shift from official assessment to SAS largely reflected the thought of the Malaysian policy makers as a means through which the problem facing by the tax administration can be overcome (Kasipillai, 1998). According to Natrah (2009), the change from official assessment system to SAS created more responsibility on the side of taxpayers as they are required to have good knowledge of the tax system in order to comply. Hence, the Inland Revenue Board now focus more on a random audit of the taxpayers tax form. This change was aimed at relieving the aggregate workload of the IRB, and to allow the IRB to concentrate on areas with high tax risks and revenues. In order to safeguard the SAS from abuses, the Inland Revenue Board does audit on some taxpayers at random, and if found that they give incorrect information on their return form, they will be penalized based on the nature of the offence (Kasipillai, 1998). The Income Tax (Amendment) (No 2) Act,1999 set out the provisions for submission of tax returns, assessment of tax payable, payment of estimated tax by instalments and some penalty provisions under the SAS.

Generally, Malaysian personal income tax system is taxed at progressive rate. The top rate of personal income tax in Malaysia is 26 percent and it applies to income above MYR 100,000. From the year 2015, the maximum income tax rate will decrease to 25 percent, and it will apply to chargeable income of MYR 400,000 or greater (KPMG, 2013). Non-residents are taxed at a flat rate of 26 percent (pending issuance of the Finance Bill) on gross income from all sources.

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2.3 TAX COMPLIANCE

Tax compliance can be defined as the action of calculating correctly the amount of taxable income, the tax liability, filling and filing the return form on time, and claiming the exact amount of relief/deduction from the tax authority (Roth, Scholz & Witte, 1989). According to Motiakavandar (2004), tax compliance implies that the individual must have submitted the return form within the given period, calculated the tax liability and made the payment without enforcement by the tax authority. Tax compliance entails the taxpayer filing the tax return form within the stipulated period, and reporting the tax liability accurately in line with the prevailing tax laws (Roth, et al., 1982). Tax compliance, as defined above, shares some similarities with other authors, namely, Berhane (2011), who stated that a taxpayer must be able to calculate his/her tax liability independently and settle the tax liability within the statutory deadline. It also implies that a tax payer must not only be able to calculate his/her tax liability, but must do so within the specified deadline before he/she can be said to have complied with the law. Thus, tax noncompliance can either be unintentional where the taxpayer makes a mistake when filling the return form or intentional noncompliance where the taxpayer willingly decides to evade the tax payment.

Alm, J. (1991) stated that a compliant taxpayer is one who submits or files his/her return within the stipulated deadlines, truthfully and accurately reports all relevant information pertaining to his or her tax liabilities and pays taxes due without any need for further enforcement by the tax agency (Loo, Mckerchar & Hansford, 2009). Compliance in terms of personal income tax entails reporting the exact income

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(Allingham & Sandmo, 1972). They also stated that compliance is subjective if the taxpayer s not sure of what the outcome will be for noncompliance. Palil & Mustapha (2011) defined tax compliance as the ability of a taxpayer to pay his/her taxes and the disposition to oblige to the taxation rules and regulation in line with ethics, court decision and other factors.

According to Devos (2005), compliance with respect to taxation implies the taxpayer files the return form and reports the exact income taxable based on the prevailing tax laws. Late tax payments cannot be considered as proper compliance, as "cash today" may be worth more than "cash tomorrow". The rationale behind much emphasis on noncompliance is that if the government is unable to generate revenue through taxation within the stipulated period, it would be forced to either cut public expenditure or increases the amount it has to borrow elsewhere (James & Alley, 2004). Complying with taxation obligation has to do with the readiness of a taxpayer to obey the tax laws by stating the exact income earned, and making legal deduction in line with taxation laws, and paying the taxes due within the tax year (Kirchler, 2007). When a greater percentage of taxpayer comply with their tax obligations, it will translate to a reduction of tax gap. Tax gap is the monetary variance of what the tax authority is supposed to have collected, and what they actually collected from the taxpayers. When many taxpayers evade their tax obligations, it will be difficult for the government to fund the public expenditures, such as road construction, provision of electricity, health services, security and education, at affordable rates.

2.3.1 Determinants of Tax Compliance

The readiness of a taxpayer to comply with taxation obligations is determined by some factors as revealed by studies conducted on tax compliance. These factors have been identified to explain why some taxpayers comply with the laws and others do not comply with the same tax laws. Each of the factors has an influence on the taxpayer behavior towards paying his or her fair share of tax liability when it is due. Kirchler, (2007) provided a thorough description of the determinants of tax compliance, dividing it into three categories namely: (1) Economic determinant, (2) Socio-psychological determinant, and (3) Political determinant. The researcher stated that economic determinants include the rational decision-making process and the effect of audits, fines, tax rates. The socio-psychological determinants comprises attitudes, different types of norms, fairness perceptions, as well as motivational features relating to tax compliance. Political determinants relates to complexity of law, tax system, or fiscal policy.

2.3.1.1 Economic Determinants of Tax Compliance

According to the neoclassical economic theory which makes use of the Smithian concept of homo economicus (human economics), taxpayers are selfish, rational utility maximisers who, following the optimal strategy, try to evade taxes as a means of obtaining the best outcome (Batrancea, Nichita & Batrancea, 2012). According to Becker's seminal work (1968), evading taxes is no longer seen as a criminal activity per se but a rational utility maximising strategy used by taxpayers when the benefits of the successful evasion is worth more than the costs of being audited, detected, and fined.

The tax evasion model, as created from Becker's theory, is a situation where the taxpayer has two strategies: (1) to pay the tax according to the real income; or (2) to declare a smaller amount of income and consequently to pay less tax. Choosing between these two strategies depends on the probability of being audited. As rational maximisers conform to the von Neumann-Morgenstern axioms, individuals are presumed to opt for the strategy that yields the maximum expected utility under uncertain conditions; therefore, they evade taxes if it pays (Batrancea, et al., 2012). It can be concluded that if the tax authority audits the taxpayer and fraud is detected, and he/she is fined for it, a rational taxpayer will prefer the first strategy (i.e., to pay the tax according to the real income). The second strategy will generate a higher profit if the taxpayer was not audited (i.e., to declare a smaller amount of income and consequently pay less tax).

The factors that influence taxpayers compliance attitude includes the costs of compliance (OECD, 2003, Karen, 2012), tax audit and tax rates (Witte & Woodbury, 1985, cited in Mohd, 2010), and awareness of offences and penalties (Allingham & Sandmo, 1972, Mohamad, Hanefah, & Noor, 2011, Berhane, 2011)

2.3.1.2 Psychological Determinant of Tax Compliance

Previous studies for instance Kołodziej (2011), have also shown that people are likely to pay their fair share of taxes if they are optimistic that their tax money is going to be utilised effectively by the government for the good of the people. Believing that the government is using their tax money to provide basic amenities and social securities will go a long way to motivate the taxpayers to comply voluntarily. Tax rate has been

identified as a factor that determines the level of compliance among the taxpayers. When the tax rate is too high, people may be likely not to comply with the tax obligation, but when the tax rate is low, there is a tendency that people will comply. On the other hand, how tax rates affect tax compliance depends on the trust which the citizens have on the government. If the trust which the citizens have is low, high tax rate will be seen as an extortion by the government, but when the people trust the government, high tax rate does not become an issue. Trust in the government will make the public to view taxation as a means of contributing to the development of the country or community (Kirchler, Hoelzl, & Wahl, 2008).

Designing effective policies that will improve the compliance attitude requires understanding the behavioural aspects of the taxpayers decision making either to comply or not to comply. Naylor (1989) stated that culture of the people has influence on the taxpayers' behaviour towards complying with their tax obligations. Other psychological determinants of tax compliance include shame and guilt (Fakile, 2011), social influence and norms (Fjelstad, Katera & Ngalewa, 2009, Chau & Leung, 2009).

2.3.1.3 Political Determinant of Tax Compliance

The political determinants of tax compliance behaviour comprise the complexity of tax laws, the complexity of the tax system and the fiscal policy. Before taking the decision to comply, one of the first elements taxpayers are faced with is the tax law. The level of complexity can turn a well-intentioned taxpayer into a non-complier. The structure of the tax system can also hinder taxpayers' willingness to comply, if they perceive the

system as being too bureaucratic, with a high tax burden, and various types of taxes. In the same vein, an inefficient fiscal policy mirrored in wastage of public funds and low quality of public goods make taxpayers have second thoughts about paying the entire share of their tax liabilities (Batrancea, et al., 2012).

Complexity of taxation laws inevitably puts compliance at risk as some percentage of taxpayers will not fully comprehend their obligations, and thereby make errors; while some may simply ignore what is expected of them. In addition, the possibilities of tax noncompliance normally increases with the complexity of the tax system which may lead taxpayers to spend even more resources on reducing their tax liabilities via the use of tax agent/consultant in preparing their tax liability. By reducing the complexity of the tax system, authorities might reduce the opportunities for taxpayers to make filing errors, and thereby reduce tax non-compliance. Less complexity will lead to an increase in tax compliance since the taxpayer can easily understand what he/she is expected to do.

When taxation laws are complex, it will give rise to noncompliance as many taxpayer will not comprehend it very well. Complexity of income tax laws usually leads to unintentional noncompliance. Richardson (2006) found that complexity of tax laws is one determinant of tax noncompliance. This, the study noted, is rampant among individual taxpayers who find it costly to employ a tax agent/consultant who can assist with tax liabilities computation. Those who cannot afford to hire a tax agent/consultant will either not comply at all or fall victim to unintentional noncompliance.

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In the case of this study, political and economic determinants of tax compliance are excluded, given that the respondents are not the real taxpayers. The study focuses on the psychological determinants that have to do with tax morale or the intrinsic motivation to comply with tax obligations. Also included is the knowledge about taxation rules and regulations given that tax laws are said to be complex according to Krause (2000). This study is aimed to identify how tax education offered at universities equips the potential taxpayers with basic knowledge of tax laws and the intrinsic motivation to pay their fair taxes in the future.

2.4. TAXPAYERS' EDUCATION

Albert Einstein (1879-1956) stated that understanding personal income tax laws is the most difficult thing for the taxpayers globally. Based on this, educating the younger generation about taxation is a means through which income tax laws can be simplified. This will enable the taxpayers to comprehend the tax laws, have a positive view about taxation and thereby comply with their obligations (Kasipillai, et al., 2003). The paper also asserted that with higher level of education, attitudes of the taxpayers changed towards meeting the requirements of Malaysian tax laws. The paper further stated that tax evasion among those with adequate tax knowledge is deliberate noncompliance that will attract higher penalties.

Taxation education is a system adopted in Israel, Japan, the United States and some other countries, including Malaysia, where taxation courses are included in the school curriculum. According to Jones (1988, 1996), tax education plays an important role in

creating tax compliance morale in Israel by convincing the taxpayers that when they pay

taxes, they are paying themselves (Likhovski, 2007). With the awareness of how

taxation education influences tax compliance behaviour, taxation is now a course of

study in schools in Japan, and not just at university level. Making it a mandatory course

of study is to equip the younger generation with the essential tax knowledge (Sarker

2003).

The primary purpose of tax education is to expose the potential taxpayers to the basic

taxation laws, as well as the importance of taxation revenue for economic development.

It can expose learners to fines and penalties for noncompliance, which has been

identified as a deterrence to tax evasion and avoidance. Taxpayers' education can be

described as a method of imparting knowledge about tax laws and why tax payment is

essential. Taxpayer education will assist taxpayers in meeting their tax obligations to the

government. Educating the individual taxpayer is a technique through which the mindset

of the public can be reoriented towards taxation (Lai, et al., 2013). The paper asserted

that the best period in life to gain taxation education is at the undergraduate level. Given

that university students are the future taxpayers, equipping them with tax knowledge

through tax education will be successful in reducing tax noncompliance. In addition,

giving them tax education at undergraduate level will make them better retain the

knowledge acquired as they are already mature to some extent.

Taxpayer education is broadly defined as including efforts to show how to pay taxes,

explain why taxes should be paid, and empower citizens to engage in discussions on the

use of tax revenue. It covers a range of activities, including government/national revenue authority programmes to encourage tax compliant behaviour on the part of citizens, efforts by business organisations to mobilise and represent the interests of their members on tax issues, and civil society initiatives to promote the participation of citizens in policy discussions of how taxes are collected and redistributed (OECD tax and development Draft, 2013). The primary existence of taxpayer education is to encourage voluntary compliance amongst taxpayers, though there is no evidence that taxpayer education in isolation can impact compliance.

Taxation education needs to not only concentrate on the knowledge of taxable incomes, penalties, deductions, relief, and ethics. It should also include the uses of taxation revenue by the government. Such uses include funding of security forces, building roads, bridge construction, establishing of public schools and hospitals, and other public utilities (Likhovski, 2007). Voluntary compliance amongst taxpayers is heightened when taxpayer education and enforcement functions are balanced to achieve the desired output in tax compliance (Mishra, 2004).

The International Tax Compact (ITC), (2010) in their paper titled, "addressing tax evasion and avoidance in developing countries", stated that in order to achieve a willful compliance with regard to taxation, the public must have a good education. The people who are expected to pay their taxes and comply with the obligations must understand the operation of the tax system, and appreciate it before they can comply fully. Taxpayers need to have a good understanding of taxation laws. A taxpayer who is tax literate to a certain level will have more respect for a tax system within his/her area of residence, and

thus will comply with the tax obligation. By acquiring taxation education, people will be more informed about taxation and how to plan their tax payment (Bahari & Ling, 2009)

Tax education has an association with voluntary tax compliance. Normala (2007) noted that an increase of taxation knowledge through education will enable the taxpayers in Malaysia to compute their tax liability accurately. Thus, with some level of tax knowledge through tax education, the taxpayer can file and make exact payment of his/her tax liability. Tax education has been used as tool by some countries to create tax compliance morale among students who are the future taxpayers. An instance is Australia, where the Australian Tax Office launched a programme called 'Teaching Tax with Tax Files' in 1998 to educate school children aged 9 – 12 years (ATO, 2009). It is an innovative multimedia tax education kit which comprises an interactive audio visual and printed copy that provide the students with current information on taxation. The programme is expected to educate the school children on the different sources of funds of the government, as well as the public expenditures, the responsibilities of a taxpayer, and develop their understanding of the role of taxation in a society, such as the connection between tax and provision of public amenities.

2.5 TAX KNOWLEDGE

A potential taxpayer is said to have acquired the basic tax knowledge if he/she can compute the taxable income correctly, make the legal claims of relief and rebate (Loo, et al., 2009). From the above definition, one can conclude that tax knowledge entails knowing all the types of income that must be included when calculating taxable income,

understanding all the income exempted as well as all the relief available. It also includes knowing when to file the return form and how to fill it correctly. The SAS, as it is being practiced in Malaysia and other countries, mandate the resident who are expected to pay their taxes to comprehend all the rules and regulations relating to tax payment. The need arises because the taxpayer are obliged to compute their tax liability, independently of the tax authority and make the payment within the stipulated period (Kasipillai, 2003). Hence, a taxpayer who has not acquired the basic tax knowledge will end up not complying or making an honest mistake in terms of income declaration and computation of tax liability.

Globally, taxation laws are beyond the understanding of an average individual; thus having or acquiring the basic knowledge on taxation laws will influence the attitude and behaviour of a taxpayer towards compliance (Kołodziej, 2011). Tax knowledge can be acquired through formal education in colleges and universities or informally through seminars, reading of magazines or journals. With respect to formal education, when a taxpayer attains a certain level of education, his/her knowledge on taxation and policies of the government will increase and thereby translate to tax compliance (Berhane, 2011). Previous studies have shown evidence that generally, acquiring knowledge on taxation is associated with the ability of the taxpayers to comprehend the taxation rules and appreciate the tax system. This inevitably will motivate them to comply with their tax obligations (Singh, 2003).

Mohd (2010) pointed out that knowledge on taxation is very important because it will add to public awareness about taxation, how the tax revenue contributes to the

development of a country and also give an insight on the spending of the governments. Machogu and Amayi (2013), in their studies, found that in order to increase the level of tax compliance among the public, imparting knowledge of taxation is very important. The studies also stated that making a right decision about compliance can be enhanced through taxation knowledge. It further claimed that it will positively affect businesses since the business owners are required by taxation laws to keep a proper record of their books of account for a certain number of years. It will also reduce the compliance costs to the taxpayers. The paper also indicated that a greater percentage of the taxpayer, filed their return on time, and declared accurately their tax liabilities after receiving tax education as reported by the staff of the Tanzania tax authority.

The tax knowledge that taxpayers acquired would also enable them to comprehend the chargeability of specific income as well as knowing the deduction of specific expenses incurred. This appears to be critical as taxpayers' tax knowledge could affect their attitude especially in terms of confidence in handling their tax affairs, which eventually would affect their compliance behaviour. Hence, any lack of tax knowledge on understanding of the chargeability of any income and deductibility of any expense would eventually lead to unintentional noncompliance or over compliance (Loo, et al., 2009). This finding originated from the study on the understanding of the compliance behavior of Malaysian individual taxpayers with the introduction SAS.

Tax knowledge is very important specifically in SAS of taxation. A study by Eriksen and Fallan (1996) indicated that there is a correlation between tax knowledge and positive attitude on taxation. Their study is divided into three main parts. The

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investigation is focused on taxpayers' knowledge. The research tries to reveal how tax compliance behaviour of the public was changed through knowledge of taxation. Tax agents were involved in the studies in order to know their influence in determining taxpayers' behaviour because in SAS, tax agents are presumed to be involved more in preparing, declaring and calculating tax liability on behalf of individual taxpayers than in the official assessment system.

Eriksen and Fallan (1996) in their study also stated that providing more tax knowledge to taxpayers can enhance their morale and perception of equality and is a successful means through which tax compliance can be improved (Palil & Mustapha, 2011). There is no clear difference between tax knowledge and tax literacy as such, because a tax literate individual might have acquired the tax knowledge. According to Bhushan and Medury (2013), tax literacy may be defined as the knowledge which an individual should possess in order to manage the issues concerning personal taxation effectively. Ogundele (1994) asserted that to comply with tax laws, taxpayers need to have adequate tax knowledge (Olowookere & Fasina, 2013).

Collins, et al (1992), on the other hand, produced an inconsistent result in their study in the United States from a random mail survey of 700 households from telephone directories. Out of 220 usable responses, they found that tax knowledge and the level of education were negatively correlated with compliance behaviour (Berhane 2011). Knowledge of taxation laws and regulation did on average reduce or eliminate frustration of taxpayers when filling and filing their tax forms. It also improved the probability of filing the accurate amount in a timely manner, while reducing their

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compliance costs (Kornhauser, 2007). Loo and Ho (2005), in their study of Malaysian salaried individuals' knowledge of personal income tax, found that greater percentage of the respondents lacked the basic knowledge of personal income tax computation and when to file their return. Many were not able to state when a particular income will be taxed. In addition to this, they had less information and knowledge about tax exemptions, relief and rebate. With this, it becomes imperative to ascertain the knowledge of the undergraduate accounting student in the area of income exempted from taxation, relief and rebates that is made available. Common sense will show that knowledge of income tax exemption and relief do reduce the tax burden on a taxpayer.

Although the findings of the studies above indicate that taxpayers' tax knowledge has a positive influence on their tax compliance behaviour, yet it may also have a negative influence. A high level of tax knowledge may result in the taxpayer trying to utilise the loopholes in tax laws. Utilising the loopholes, though not illegal, will result in loss of tax revenue to the government. Tax knowledge will improve taxpayer compliance behaviour when there is a trust on the government's activities as well as on tax authorities. This is where morality of the taxpayer (tax compliance morale) comes into play.

Based on the above studies, it is suggested that individuals with some level of tax knowledge acquired in taxation class from universities are more likely to comply with the tax laws. This is true because the taxation courses taught in schools and universities equip students with the knowledge of all income that must be included when calculating the taxable income. It also equips them with the knowledge about personal relief and

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deductions, and when to file the return form. At the extreme, students are taught the impacts of taxation revenue on economic development, thereby creating in them tax morale. Tax education can improve taxpayers' knowledge about tax laws and its operations as it relates to individual and corporate bodies. Also Kasipillai, et al. (2003) found that a relationship exist between education and tax compliance. Mohd (2010) stated that taxpayers who have attended a tax course would be expected to have better tax knowledge and tax compliance attitude in comparison with taxpayers who have never attended a tax course. In line with the above concerning tax education and knowledge, it is hypothesised in an alternative form as:

H1: Tax knowledge acquired through attending taxation courses will influence taxpayers' compliance behaviour.

2.6 TAX MORALE

Tax morale can be defined as one's inner belief that will motivate an individual to comply with the tax obligations. The belief that one is contributing to the development of the community or society in general is what motivates a taxpayer to pay his/her fair share of tax (Cummings, et al., 2005). The positive morale to comply with tax obligation is what will propel a taxpayer to comply especially where the enforcement by the tax authority is low or in a society with large shadow economy. Tax morale can be enhanced through taxpayers trust in the government and tax authority, fiscal exchange and the perception that the tax system is fair. Tax morale, when created among the taxpayers, will positively influence their tax compliance behavior and thereby enable the

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government to generate more funds. This will be beneficial to the public as well because the provision of basic amenities by the government will be achievable since there are available funds for it. Kołodziej (2011) stated that economic education which transfers knowledge on the relationship between tax paid by citizen and social-economic tasks undertaken by the government will create tax morale. This will translate to voluntary tax compliance.

The literature above indicates that tax morale has an association with voluntary tax compliance. This study seeks to find out whether the taxation course offered at Universiti Utara Malaysia creates tax morale in the minds of undergraduate accounting students. In line with the above literature, it hypothesized in alternative form as:

H2: Tax morale has an association with voluntary tax compliance.

2.7 SUMMARY

The chapter briefly discussed the Malaysian Income tax system. Related literature that gives a better understanding of tax compliance and the determinants were also discussed. It further discussed tax education and tax compliance, tax knowledge and tax compliance. The chapter concluded with what tax morale means and development of hypotheses for the study.

CHAPTER THREE

METHODOLOGY

3.1 INTRODUCTION

This chapter describes the research design to meet the objectives of this study. To recapitulate, this study focuses on determining the influence of taxation courses on tax knowledge and tax compliance among the UUM undergraduate accounting students (future taxpayers). It describes the research approach and justifies the approach selected for this study in light of the research objectives. It also discusses the survey which includes: questionnaire description, population of study, sampling technique, sample frame and sample size, pilot study, data collection procedure, measurement of construct, and data analysis techniques.

3.2 RESEARCH APPROACH

Various approaches to research are available for researchers to choose, including qualitative, quantitative and mixed methods (Creswell, 2009). By looking at the research problem and objectives, the approach that best meets the need of this study is mixed method of data collection. Quantitative data was collected with the use of questionnaire, while face-to-face interview was conducted with taxation lecturers from the UUM's accounting department. This method was also adopted in the study conducted by Alabede (2012).

3.2.1 Survey

This section describes the detailed process of conducting the survey beginning with questionnaire description, population and sample size. It further discusses the pilot testing and data collection procedure. Finally, the measurement of construct and analysis of the data gathered through the survey questionnaire are provided.

3.2.1.1 Questionnaire Description

The questionnaire items were adapted from the previous studies, but were re-worded and modified to suit the current study. The items for one dimension of the knowledge, which is the knowledge on the contribution of taxation revenue on economic development, were self-developed. The first part consists of questions relating to the tax knowledge. The part "B" of the questionnaire relates to tax compliance and contribution of taxation revenue to development of the economy. The questions relating to tax compliance behaviour were a scenario case given midway in the questionnaire. The third section or the last part relates to the samples' demographic information. The questionnaire items are related the variables of the study. The independent variable for this study is tax knowledge, and the dependent variable is tax compliance. The independent variable has five dimension which are: knowledge on income; knowledge on penalties; knowledge on personal relief, knowledge on legal expenses allowed and knowledge on tax revenue contribution to economic development.

3.2.1.2 Population of the Study

Population is the total set, or collection, of potential units for observation (Zikmund, Babin, Carr, & Griffin, 2013). The populations of this study are the undergraduate accounting students of UUM who had attended Principle of Taxation class and are now in the advanced taxation class; and the lecturers are from the accounting department of UUM who teach taxation subjects. The number of undergraduate accounting students who had attended Principle of Taxation class and now in advanced taxation class totaled 216 students.

3.2.1.3 Sampling Technique

Different sampling technique are available in the field of research, including random sampling, stratified sampling, systematic sampling and cluster sampling. Random sampling is based on the idea that every element in the population has equal chance of being selected for a study (Oladele, 2007). Cluster sampling focuses on selection of group of items or individuals and it is suitable when there is a large population. Sampling has some benefits to a researcher and this includes ease of data collection, cost efficiency, speed of collecting data and the population being available (Schindler & Cooper, 2003). Mohamed (2011) studied the influence of education on tax compliance and claimed that using students as the sample has some benefits. In the case of this study, simple random sampling method was used. This gave all the sample an equal chance of selected.

3.2.1.4 Sampling Frame

This is the actual list of sampling units where the sample, or some stage of the sample, is selected. It is simply a list of the study population. This sample is what will give the unit of analysis (Zikmund, et al., 2013). The sampling frames are the UUM undergraduate accounting students who had attended the Principle of Taxation class between February 2012 and February 2013, and are now in the advanced taxation class. This is to ensure that the knowledge gained from the Principle of Taxation class had not been lost or forgotten to passage of time.

3.2.1.5 Sample size

According to Sekaran & Bougie (2010); Hair, Money, Samuoel & Page (2007), sample size is very important when a researcher is designing his/her study and the totality of the study. In determining the sample size, the number of the undergraduate accounting students who had attended the Principle of Taxation class was obtained from the School of Accountancy. The population of undergraduate accounting students who had attended taxation class was around 3,000. In the case of this study, only the accounting students currently taking advanced taxation course were surveyed. The sample frame was 216 undergraduate accounting students in the advance taxation class; while the size were 122 undergraduate accounting students UUM. For the pilot study, thirty undergraduate accounting students were chosen. Thus, the population studied was 152 undergraduate accounting students representing 70% of the sample frame. This number of students, though few, was selected as respondents because of the limited time that the researcher

had. The results obtained from these subjects were used to make an inference on the overall knowledge of the undergraduate accounting students of UUM.

3.2.1.6 Pilot Study

According to McIntire & Miller (2007), a researcher is required to make any necessary revision to the questionnaire items in order to fix the problems that occur during the pilot study. Lucky (2011) stated that pilot study is essential before distribution of questionnaires for the main study. The paper stated that pilot study will help the researcher to note any problem which the instrument has. It will also ensure if the questionnaire items are understandable when responding to the questions or statement. The researcher conducted the pilot study to test the validity and reliability of the variables for the study. With this pilot study, the researcher detected items that were not fit for the study.

Given the context of this study, the pilot study was also conducted as a means of justifying the content and face validity. Critique received assisted in improving the instruments. Prior to the main study, a pilot test was carried out, primarily for knowing the adequacy of the research instrument as a further means of ensuring both the face and content validity of the instrument. In the case of the pilot test, 30 questionnaires were prepared and administered to the undergraduate accounting students of UUM. The result of the pilot test indicated that the variable for the study are reliable. The Cronbach's Alpha for the pilot study was as follows: tax knowledge on revenue contribution - 0.920, tax morale - 0.843, tax knowledge on relief - 0.657, tax knowledge on penalties - 0.807, tax knowledge on income - 0.707.

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3.2.1.7 Data Collection Procedure

Data gathering is a very important process in this study. Data collection for a research can either be primary or secondary; sometimes, both primary and secondary data are used in one study. Primary data is collected or observed directly from first-hand experience. This study used questionnaires to collect data from respondents. The collection took place at one time in the case of this study. This was possible because the drop-and-pick system of data collection was employed to enable a greater response rate. The data collection was done in the month of October 2013, though the data for the pilot study was collected some weeks before the main data collection.

3.2.1.8 Measurement of Constructs

The variables for the study were measured with nominal scale and five-point Likert scale. Nominal scale was used for most of the variables, while five-point scale measurement is for few of the variables. Hair, et al. (2007), pointed out that best method for collecting quantitative data is through interval scales. Hence, the scale was adopted for the data collection. The items for tax knowledge on income were adapted from the works of Berhane (2011) and Alabede (2012). It had seven items which were measured with ordinal scale. For tax knowledge on penalties, the items were adapted from the work of Berhane (2011) and Palil and Mustapha (2011), and were measured with ordinal scale of "Yes", "No" and "Do not know". Items for tax knowledge on income exempted were adapted from the work of Bahari and Ling (2009) and it consisted of six items. Also adapted from Bahari and Ling (2009) were the items for tax knowledge on relief which had seven items. The items for tax compliance behaviour had four items and were

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adapted from the work of Alabede (2012). Tax morale had six items and were adapted from the work of Berhane (2011) and Alabede (2012). Tax knowledge on expenses that are allowed by the Inland Revenue Board were adapted from the work of Palil and Mustapha (2011) and consisted of six items. The items for tax knowledge on revenue contribution had seven items and were self-developed in order to meet the objectives of the study.

Table 3.1: Measurement of Variables

S/N	Variables/Dimensions	No of items	Sources
1	Tax knowledge on income	7	Alabede (2012); Berhane (2011)
2	Tax knowledge on penalties	6	Berhane (2011),Palil & Mustapha (2011)
3	Income exempted	6	Bahari & Ling (2009)
4	Tax compliance behavior	4	Alabede (2011)
5	Tax morale	5	Berhane (2011); Alabede (2012)
6	Tax knowledge on relief	7	Bahari & Ling (2009)
7	Expenses allowed by IRB	6	Palil & Mustapha (2011)
8	Tax revenue contribution	7	Self developed

a. *Tax Knowledge*

The tax knowledge of the respondents was evaluated using five areas, which included knowledge of expenses to be claimed in a period, knowledge on penalties, income to be reported in tax return, income that are exempted and knowledge on relief. The questionnaire items were measured with three options i.e. "True", "False" and "Do not know". The forty one items were summated to derive an overall scale of the tax knowledge. The scores were interpreted as: high score (1) which implying that the group of individual had a good knowledge on taxation, a score with (2) and (3) showed that they do not have the basic knowledge on tax issues. The items were adapted from the

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works of Alabede (2012); Palil & Mustapha (2011); Bahari and Ling (2009) and Berhane (2011), as indicated above. It is worthy to state that the items adapted for tax knowledge were from the previous studies are suited the objective of this study.

b. *Tax knowledge on revenue contribution*

Tax revenue contribution to economic development was measured with seven items. The areas comprised possible government expenditures that can be funded with taxation revenue. Each was measured using five-point scale. The point "1" represented "strongly disagree" and the point "5" implied "strongly agree". (Interpretation: "strongly agree" and "agree" imply that the respondents have the knowledge of where and how taxation revenue contributes to economic development). The points 1 and 2 which represent "strongly disagree" and "disagree" showed that the respondents were not well informed on how taxation revenue impacts development of the society. The items were self-developed and the Cronbach's Alpha for validity and reliability test during the pilot study - 0.920.

c. *Tax Morale*

Tax morale was measured with five items. The areas included the income to declare if the probability of detection is low, deduction to claim with low probability of detection, and not complying because their peers do not comply. Each was measured using five-point scale. The point "1" represented "strongly unacceptable", point "3" was "neither unacceptable nor acceptable", and point "5" represented "strongly acceptable". Interpretation is that "strongly unacceptable" implies high tax morale, "unacceptable" as having a tax morale, while "acceptable" and "strongly acceptable" implies not having a

tax morale. The items were adapted from the work of Berhane (2011) and Alabede (2012). The Cronbach's Alpha for the reliability test during the pilot study was 0.843.

d. *Tax Compliance Behaviour*

The variable, tax compliance, had four items, i.e. testing the compliance behaviour of the individual taxpayer surveyed. It was a scenario case where respondents were expected to respond to the questions as if they were in that position. The statement covered the amount of income to declare given that the taxpayer has various sources of income, the expenses to claim during tax computation, and when the taxpayer would file his/her return. In this regard, the number of days and date were stated with intention to test if they were aware of the filing period as stipulated by the taxation laws. The options were categorised into three. The responses were classified into two: compliance and noncompliance, with noncompliance divided into moderately and somewhat compliant depending on how close the response was to the requirement of the taxation law. The items were fully adopted from Alabede (2012); hence no validity was conducted as the items had been used in a previous study.

3.2.1.9 Data Analysis Technique

The statistical treatment of the data of this study was conducted with the SPSS programme and the statistical techniques used for analysing the data included descriptive statistics, reliability analysis, factor analysis, and correlation and regression analyses.

a. Descriptive Statistics: Descriptive statistics was used in this study to reduce the data to a manageable size and to provide insights into the pattern of behaviour of the respondents, as well as to better analyse the data collected. The descriptive statistics techniques used in the study included mean and standard deviations. There is evidence in the literature that similar techniques were used in some studies on tax education and tax compliance (Kasipillai, et al., 2003; Alabede 2012).

b. Reliability Analysis:

There are different methods for testing the reliability of measures but in this study, the reliability of the measures was established by testing the internal consistency of the measurement items. This was done using Cronbach's Alpha, since Cronbach's Alpha is widely used and recommended for social science research (Hair, Black, Babin & Anderson, 2010; Sekaran & Bougie, 2010). Furthermore, there is evidence in the tax compliance literature that Cronbach's Alpha is commonly used in testing the internal consistency of items (Murphy, 2007; Wenzel, 2005).

c. Factor Analysis

It is one of the important analyses which researchers use to determine the number of items that is valid per variable. In this study, it is also very useful for checking the construct validity of the instrument. With respect to this, a factor analysis was conducted with a view to determining the number of items that would be employed to measure each of the variables. Therefore, all items meeting acceptable limit were accepted while those not meeting acceptable limit were dropped, the researcher did not use them for further analysis in this study (Halim, 2009).

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d. Correlation Analysis

This analysis was used in order to determine the association between the variables. It was also used to determine the direction of the relationship between the dependent variable and independent variables. Correlation will show if the relationship is positive or negative according to Ogbonnaya & Osiki (2007). Correlation has also been used to study the role of education in forming voluntary tax compliance (Kołodziej, 2011).

e. Regression analysis:

The analysis tool was used to understand the relationship that exists between the independent variables and the dependent variable. Regression analysis will show the strength of the relationship and the percentage of variance that is explained by the independent variable.

3.2.2 Interview

The interview in this study was designed with the intention to get the opinion of the taxation instructors on the viability of the taxation courses taught to the undergraduate accounting students in preparing them to comply with their tax obligations after graduation. The findings from this enabled the researcher to reach a conclusion on the study as it complements the quantitative findings. To obtain the response from the participants, one-on-one interview was conducted with the four taxation instructors from the School of Accountancy, UUM. The interview was recorded with the consent of the

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participants and later transcribed. In order to uphold the ethics, the participants' personal information was kept confidential.

3.2.2.1 Interview Guide development

In order to administer the same questions to all the participants during the interview session, six structured questions relating to the objectives were used as a guide. The questions for the interview sought to get the opinion of the taxation instructors on the inclusion of taxation in the curriculum of non-accounting students as a means of opening up their minds to taxation knowledge and ethics. This was designed to achieve objective number seven. Other questions not included in the interview guide were also asked based on the response from the interviewees. For more detail on the interview guide, refer to appendix 6.

3.2.2.2 Sample size for the interview

The sample size for the interview was seven lecturers from the School of Accountancy, UUM. The lecturers chosen are those who taught the taxation course. Out of the seven lecturers chosen for the interview, only four were available to respond to the questions. Hence, the responses from the four lecturers were used for the study.

3.2.2.3 Data collection approach

Prior to the day and time for the interview, the researcher met the lecturers for the interview to make a request for them to be interviewed. With that, the objectives of the study were explained in detail. This gives the lecturers a better understanding of the research objectives before been interviewed.

3.2.2.4 Data Analysis

Thematic analysis was used in the study to analyse the qualitative data. Thematic analysis is a qualitative analytic method for 'identifying, analysing and reporting patterns (themes) within data. It minimally organises and describes the data set in detail. However, frequently it goes further than this, and interprets various aspects of the research topic (Braun & Clarke, 2006). Thematic analysis in its simplest form is a categorising strategy for qualitative data. Researchers review their data, make notes and begin to sort it into categories. Styled as a data analytic strategy, it helps researchers move their analysis from a broad reading of the data towards discovering patterns and developing themes.

3.3 SUMMARY

This chapter focused on the methodology used in this study. The chapter explained the research method used and the justification, questionnaire design, samples used for the study, measurement of construct, data collection procedure and data analysis. It further

explained the objectives of the interview, the interview guide and analysis techniques used for the study.

CHAPTER FOUR

ANALYSIS AND DISCUSSION

4.1 INTRODUCTION

Analysis and discussion of the data used for the study are discussed below. One hundred and twenty two responses (122) were obtained from the undergraduate accounting students of UUM. Also included is the report of interviews conducted with the lecturers of the accounting department who are specialized in taxation. The interview aimed to compliment the quantitative data.

4.2 RESPONSE RATES

To minimize the effect of non-response rate on the results of a study, Sekaran & Bourgies (2010) prescribed an increase of sample size. However, in the course of this study, the population was not increased as suggested above because the questionnaire was self-administered. Drop-and-pick method was applied for the data collection, and this made it possible to have a 100% response rate. One hundred and twenty two questionnaires were distributed and collected for this study. However, only 117 questionnaires representing 96% were usable. Five questionnaires which represented 4% were not completed or wrongly filled by the respondents, and hence were not included in the analysis.

Table 4.1 Response rate

	Number distributed	percent
Distributed	**122**	**100%**
Returned	**122**	**100%**
invalid	5	4%
Usable	117	96%
Total	**122**	100%

4.3 DEMOGRAPHIC BACKGROUND

The data collected on the background of the respondents, as presented in Table 4.2 indicates that 20 respondents representing 17.1% of the respondents are male, whereas 97 respondents representing 82.9% are female. With respect to ethnicity of the respondents, 80 respondents representing 68.4% are Malays, 34 respondents representing 29.1% are Chinese, Indians represent 0.9% of the respondents, and others total 1.7% of the respondents. In terms of religion, 67.5% of the respondents are Muslim, 33 respondents representing 28.2% are Buddhists, while 4.3% are Christians. For their cumulative grade point average (CGPA), 2.6% of the respondents are between the range of 2.00 to 2.49, and 23.9% of the respondents have CGPA of the range between 2.50 to 2.99. A greater number of the respondents, representing 52.1% indicated having a CGPA between the ranges of 3.00 to 3.49, while only 21.4% indicated that their CGPA is above 3.50. with respect to when they attended the Principle Taxation class, 103 of the respondents representing 88% attended the class in February 2013, while eight respondents representing 6.8% attended the class in September 2012, 1.7% of the respondents attended the class in February 2012, while 3.4% indicated attending the class prior to February 2012.

Table: 4.2 Descriptive analysis for the demographic data

N	Frequency	Percentage	Mean	Std deviation
Gender:				
Male	20	17.1		
Female	97	82.9		
Total	**117**	**100.00**		
Ethnicity:				
Malay	80	68.4		

Chinese	34	29.1		
Indian	1	9		
Others	2	1.7		
Total	**117**	**100.00**		
Religion				
Islam	79	67.5		
Christian	5	4.3		
Buddhist	33	28.2		
Hindu				
Others				
Total	**117**	**100.00**		
Semester Attended:				
February 2012	2	1.7		
September 2012	8	6.8		
February 2013	103	88		
Before February 2012	4	3.4		
CGPA:			**2.92**	**.745**
2.00-2.49	3	2.6		
2.50-2.99	28	23.9		
3.00-3.45	61	52.1		
3.50 and above	25	21.4		
Total	**117**	**100.0**		

4.4 FACTOR ANALYSIS

The validity of the measures can be assessed using one or more of these approaches: content validity, face validity, construct validity and criterion validity (Hair et al., 2007). The first three (i.e., content validity, face validity, construct validity) were used to test the validity of the measure of this study. The pilot study was also conducted as a means of justifying the content and face validity. Critique received assisted in improving the instrument. Furthermore, factor analysis was conducted to test the construct validity of the measures. The responses from respondents for the main study were put in for test using SSPS for factor loading analysis with principal component analysis and varimax rotation.

The factor analysis for the tax knowledge was also run with SPSS. Out of 41 items factor analysis 32 two items. Thirty two items were used for the analysis because they were the ones that met the minimum requirement of 0.40 in line with Pallant (2009). The thirty two items accounted for about 45.53% variance and Kaiser-Meyer-Olkin (KMO) of .508.

The factor analysis for the tax knowledge on income was submitted to SPSS. The variable had seven items that were submitted for factor analysis using principal factor and varimax rotation; and only four items were identified by the factor analysis. With this result, the four items were included in the factor analysis as they met the minimum factor loading of 0.40 which is required for any item to be included in the factor analysis and for further analysis in this study (Atyeo, Adamson & Cant, 2001). The summary of statistics for this analysis for tax knowledge on income is presented in Table 4.3

Table: 4.3 Factor analysis result for tax knowledge on incomes

Items characteristics	Factor Loading
Rental income	Tkin4 .731
Employment income (e.g. salary)	Tkin5 .677
Dividend income received from single tier company	Tkin2 .583
Interest income received on money deposited at a bank licensed under Islamic Banking Act 1983	Tkin6 .564

In respect of tax knowledge on penalties, six items were submitted for factor analysis and the six items loaded above the accepted level. A minimum factor loading of 0.40 is

required for each item to be included in any factor analysis in this study. The summary

of statistics for this analysis for tax knowledge on penalties is presented in Table 4.4

Table: 4.4 Factor analysis result for tax knowledge on penalties

Items characteristics	Factor Loading	
Disqualify for five years during general election for understating of income	TKP5	.801
Fine between RM1,000 to RM10,000 and (plus) penalty equal to twice the amount of undercharged for incorrect return.	TKP6	.694
Penalties of 12 months imprisonment for late filing of tax return	TKP2	.688
Fine of up to RM20,000 or imprisonment of up to three years or both with special penalty up to 300% of amount undercharged for wilful evasion.	TKP4	.664
Fines of up to RM2,000 or more than six months imprisonment for not filling return form under s.77 ITA 1967	TKP1	.663
When no prosecution is made, a penalty of up to three times the amount of tax for the offence	TKP3	.622

The items for tax knowledge on expenses were also submitted to SPSS and only four

items out of six items were identified. The four items' loading was above .40 which is

the accepted loading while items 1 and 6 did not load above .40. For the variable, tax

knowledge on relief, only three items of seven loaded above 0.4, and the variable, tax

knowledge on income exempted from taxation which had six items, and only four were

identified.

With regards to knowledge on the contribution of tax revenue to the economic

development, seven items were submitted for factor analysis and six items loaded above

the accepted level. A minimum loading factor of 0.40 is required for each item to be

included in any factor in this study. The summary of statistics for this analysis for

knowledge on revenue contribution to the economy is presented in Table 4.5

Table: 4.5 Factor analysis result for knowledge of tax revenue contribution to economic development

Items characteristics	Factor Loading	
An increase of taxation revenue will assist the Malaysian government in providing scholarship and education grants.	TRC4	.838
An increase of taxation revenue will help the government to provide public transportation at a lower rate for Malaysian resident	TRC6	.809
An increase of taxation revenue will reduce Malaysian public debt.	TRC5	.742
The cost of medical treatment at the government owned hospitals will reduce if there is increase of taxation revenue	TRC7	.721
Subsidy on fuel, diesel and other items are made possible through taxation revenue and other incomes	TRC3	.676
By paying taxes, Malaysian government can provide the basic amenities for the citizens	TRC2	.638

With regards to tax morale, five items were submitted for factor analysis and it identified all the items. A minimum loading factor of 0.40 is required for each item to be included in any factor in this study. The summary of statistics for this analysis for tax morale is presented in Table 4.3

Table: 4.6 Factor analysis result for tax morale

Items characteristics	Factor Loading	
Declaring part of income if the probability of selection for audit is low.	TM2	.852
Overstating deduction if the probability of detection is low by the Inland Revenue Board.	TM3	.803
Not complying because friends and family members do not comply and have not been penalized.	TM4	.789
Reporting the main income fully, but not including other small incomes.	TM5	.761
Excluding small amount of money when calculating taxable incomes.	TM1	.664

4.5. RELIABILITY AND VALIDITY ANALYSIS.

Cronbach's Alpha was used to check the reliability of the instrument. The reliability test was conducted two times in this study. The first test was carried out on the data collected in the pilot study and the test provided information on the internal consistency of the items in the instrument. Result from the pilot study was used to improve on the wording of the questionnaire items and sentence rephrasing. The Cronbach's Alpha result for the main study indicated that tax revenue contribution had a Cronbach's Alpha of 0.856, tax morale 0.825, tax knowledge on income 0.633, tax knowledge on expenses 0.616, and tax knowledge on relief 0.501, and technical knowledge 0.747. The items for general tax knowledge had a Cronbach's Alpha of 0.43 after deleting seven items in a sequence. The items were self-developed and the Cronbach's Alpha for pilot test was 0.67 which made it fit for the study.

Julie (2011) stated that Cronbach's Alpha values are very sensitive to how many items a scale has. When a scale has very few items, such as less than ten items per variable, it is common to get a very low Cronbach's Alpha values (e.g. 0.5) or less. With regards to such a scenario, it will be more appropriate to report the mean inter-item correlation for the items shown in the summary item statistics table. The recommended range for the inter-item correlation should be above 0.2. The dependent variables for the study were categorical where the Cronbach's Alpha could not be verified; hence having less than ten items. The mean of inter-items as recommended by Palllant (2011) is reported to be 1.68. The Cronbach's Alpha coefficient for the variables is shown below in table 4.7. The dependent variable was specifically designed to test the respondents' tax

compliance in terms of income declaration and the filing period. The instrument was adopted from Alabede (2011)

Table 4.7: Validity and Reliability Test Result

Variables	Not of items	Cronbach's Alpha
Tax revenue contribution	6	.856
Tax knowledge on penalties	6	.833
Tax Morale	4	.825
Technical Knowledge	8	.747
Knowledge on Income	4	.633
Tax knowledge on expenses	4	.616
Tax knowledge on relief	2	.501

4.6 DESCRIPTIVE ANALYSIS

A descriptive analysis was conducted in order to obtain the mean scores, frequency, percentage and standard deviations of the demographic data of the respondents. Further descriptive analysis was conducted in order to obtain the mean scores and standard deviations of the respondents' responses on tax knowledge.

4.6.1. Tax knowledge on incomes

The descriptive statistics with respect to the respondents' tax knowledge on income are shown in Table 4.8. The results show that the mean scores concerning the respondents' response on tax knowledge on income ranged from 1.04 to 2.16, and the standard deviation from 0.275 to 0.908. Most of the respondents on average have the basic taxation knowledge on income. Sixty three percent of respondents as can see from the Table4.8 below had the basic tax knowledge on income, while 37% of respondents

lacked the basic tax knowledge on income. This knowledge relates to taxable income,

legal deductible business expenses, and incomes that are exempted from taxes.

Table 4.8 Descriptive statistics for tax knowledge on income

Code	Items	M	SD	WF	UF
EXPALL1	Commission paid for services rendered to the Business	1.43	.686	80(68)	37(32)
EXPALL2	General expenses connected with the personal activity of the business owner	1.43	.620	75(64)	42(36)
EXPALL3	Interest paid on loan used in the business	1.23	.547	97(83)	20(11)
EXPALL4	Cost of producing income	1.61	.781	68(58)	49(42)
EXPALL5	Loss on sale of land the owner used for personal activity	1.44	.674	78(67)	39(33)
EXPALL6	Depreciation and amortisation not exceeding RM5000.00	1.79	.846	56(48)	61(52)
TAXABLE1	Income from business or profession	1.09	.347	108(92)	9(8)
TAXABLE2	Dividend received from single tier company	1.28	.489	86(74)	31(26)
TAXABLE3	Royalty from literary and artistic work	1.79	.426	25(21)	92(79)
TAXABLE4	Rental income	1.04	.275	114(97)	3(3)
TAXABLE5	Employment income (salary)	1.08	.326	110(94)	7(6)
TAXABLE6	Interest received on money deposited at a Bank licensed under Islamic Banking Act	1.45	.623	72(62)	45(38)
TAXABLE7	Retirement gratuity of a public servant	1.84	.669	37(32)	82(68)
INEXEMP1	Grant and subsidy from state government	1.79	.908	63(54)	54(46)
INEXEMP2	Dividend-franked	2.16	.830	32(27)	85(73)
INEXEMP3	Death gratuity	1.61	.840	73(62)	44(38)
INEXEMP4	Interest income received on money deposited at bank Negara	1.98	.557	19(16)	98(84)
INEXEMP5	Compensation received due to ill health	1.15	.460	105(90)	12(10)
INEXEMP6	Pension derived in Malaysia for reaching compulsory age of retirement or ill health	1.15	.441	104(89)	13(11)
				(63)	(37)

Note: M = Mean; SD = Standard deviation; WF = Well informed; UF = Uninformed;
Percentage in   parenthesis

The descriptive analysis result in the Table 4.8 above was used to achieve objective number one, i.e., to identify the level of personal income tax knowledge among the accounting students. The result indicated that 63% of the respondents had the basic knowledge of personal income tax that would enable them to comply with their tax obligations. This is consistent with Bhushan and Medury (2013) who stated that tax education will improve tax literacy level (tax knowledge) of the taxpayers.

4.6.2 Tax Knowledge on Penalties

The descriptive statistics with respects to the respondents' response of knowledge on tax penalties is shown in Table 4.9. The results show that the mean scores concerning the respondents' responses on knowledge of penalties ranged from 2.38 to 2.52, and the standard deviation from 0.761 to 0.897. The respondents on average had the basic knowledge of penalties for noncompliance with 77% of respondents having the basic knowledge of penalties. On the other hand, 23% of respondents lacked the basic knowledge of penalties. Their knowledge was focused more on penalties for noncompliance.

Table 4.9. Descriptive statistics of Knowledge on tax penalties

Code	Items	S	M	SD	WF
TKNP1	Fines of up to RM2,000 or more than six months imprisonment for not filing return form under s.77 ITA 1967	2.38	.869	30(26)	85(74
TKNP2	Penalty of 12 months imprisonment for late filing of tax form	2.30	.843	29(25)	88(75)
TKNP3	When no prosecution is made, a penalty of up to three times the amount of the tax for the offence	2.42	.833	26(22)	81(78)
TKNP4	Fine of up to RM20,000 or imprisonment of up to three years or both with special penalty up to 300% of amount undercharged for willful evasion	2.52	.761	19(16)	98(84)
TKNP5	Disqualified for five years during general election for understatement of income	2.35	.864	30(26)	87(74)

TKNP6	Fine between RM1,000 to RM10,000 (plus) penalty equal to twice the amount of tax undercharged for incorrect return	2.27	.897	35(30)	82(79)
	Overall			(23)	(77)

Note: M = mean; SD = standard deviation; WF = Well informed; UF = Uninformed.

In order to achieve objective number one which seeks to examine the level of personal income tax knowledge among the accounting students, descriptive results from Table 4.9 were used. This analysis measured their knowledge on penalties. The result from Table 4.9 shows that 77% of the respondents had a good knowledge on penalties while 23% did not have the knowledge. Using the student CGPA as a measure for their knowledge on taxation, one can conclude that the 77% of the respondent are very close to 73% of the student with CGPA of 3.50 and above.

4.6.3 Tax Knowledge on Relief

The descriptive statistics with respect to the respondents' response on knowledge on tax relief which a taxpayer is entitled to is shown in Table 4.10. The results show that the mean scores concerning the respondents' response on knowledge on tax relief ranged from 1.10 to 1.28, and the standard deviation from 0.332 to 0.966. The respondents on average had little knowledge on tax relief that is granted to a taxpayer with only 22% of respondents having the basic knowledge on relief. On the other hand, 78% of respondents lacked the basic knowledge on tax relief. The knowledge tested included personal relief and dependents' relief. The small percentage that had the basic knowledge may be attributed to passage of time from when they attended the class and when the study was conducted and the technical nature of the questions.

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Table 4.10. Descriptive statistics of Knowledge on tax relief

Code	Items	M	SD	WF	UF
TKNR1	Personal relief is RM9, 000.00	1.22	.457	39(80)	24(22)
TKNR2	Medical expenses and special needs of a best friend up to RM2, 000.00	1.22	.510	96(82)	21(18)
TKNR3	Purchase of personal computer (once in three years) RM3, 000.00 max	1.10	.332	106(91)	11(9)
TKNR4	Basic supporting equipment RM5, 000 max	1.20	.478	98(84)	19(16)
TKNR5	Disabled individual is allowed RM6.000	1.28	.523	88(75)	29(25)
TKNR6	Unmarried child of 18 years and above who is receiving full time education RM1, 000.00	1.22	.475	94(80)	23(20)
TKNR7	Purchase of a private car from Proton RM10,000 max	1.88	.966	59(50)	57(50)
	Total			(78)	(22)

Note:1. WF = Well informed; UF = Un informed, 2. Percentage in parenthesis

4.6.4 Tax revenue's contribution to development

The descriptive statistics concerning the respondents' knowledge on tax revenue's contribution to development is shown in Table 4.11. This analysis was used to achieve the objective number two which seeks to explore their level of knowledge on contribution of taxation revenue in fostering development. The responses were grouped into three: (1) this included strongly disagree and disagree representing the uninformed; (2) these have the scale "neutral" and (3) consist of agree and strongly agree representing well-informed. The results show that 19 respondents representing 16% were uninformed, 20% were neutral, while 74 respondents representing 64% on average were well informed on the contribution of taxation revenue to development of the country. This was further used to evaluate their tax morale since a greater percentage are aware of the tax revenue contribution to development and provision of public goods.

Table: 4.11.Descriptive statistics for tax revenue's contribution to development

Code	Items	(1) UNIF	(2) N	(3) WINF
TRC1	Government needs to tax the income of the citizens in order to provide social security	13(11)	17(15)	87(74)
TRC2	By paying taxes, Malaysian government can provide basic amenities, like electricity, etc	15(13)	18(15)	84(1.8)
TRC3	Subsidies are possible through taxation revenue and other incomes	12(10)	21(18)	84(71)
TRC4	An increase in taxation revenue will assist the govt in providing scholarships & grants	23(20)	23(20)	71(61)
TRC5	An increase on taxation revenue will reduce Malaysian public debts	29(25)	28(24)	60(52)
TRC6	An increase of tax revenue will help the govt to provide public transport at low rate	15(13)	21(18)	81(69)
TRC7	The cost of medical treatment at government owned hospitals will reduce if there is increase in taxation revenue	23(20)	39(33)	55(47)
	Overall	19(16)	24(20)	74(64)

Note: 1. WINF = well informed, UINF= uninformed, N = Neutral, 2. Percentage in parenthesis

The results above indicate that 64% of the respondents had the knowledge of how taxation revenue contributes to economic development. This result was complemented by the findings from the interview where the participants stated that the uses of taxation fund are not included in Principle of Taxation syllabus, but students can learn from the environment where they live. Hence, objective two is achieved from the result above.

4.6.5 Tax Compliance Behaviour

Table 4.12 below presents the results of the respondents' response on tax compliance behaviour regarding tax rules and regulations. The results from this finding is aimed at achieving objective number three, which seeks to examine the association between tax knowledge and tax compliance morale. The information in Table shows that only 24.8% of the respondents fully complied with the tax rules and regulations with respect to income declaration for tax purposes, while a greater number of the respondents

representing 44.4% moderately complied. The respondents representing 30.8% had a tax compliance below average, meaning that they did not comply with the tax rules and regulations. With regards to filling and filing their tax form, respondents representing 88.9% indicated filing of their return form within the stipulated period. About 6.8% of the respondents stated that they will file their return form two weeks after the due date, while the compliance behaviour of five respondents representing 4.3% showed that they would submit their return form any time after the due date given by the tax authorities.

The response on business expenses claimable by the taxpayer indicated that 20 respondents representing 17% made the exact expenses claim, 67.5% of the respondents moderately complied, while 15.4% of respondents somewhat complied. Overall result shows that 51 respondents representing 43.6% complied with the tax rules and regulations with regards to income declaration and filing return form, while 66 respondents representing 52.4% did not comply. Most of the respondents did not comply with their business expenses claim, while only few did not comply with respect to the period given to pay their fair share of taxes.

Results from objective number one indicate that 56% of the respondents had the basic knowledge on personal income tax. Descriptive results of their tax compliance behaviour from Table 4.12 below shows that 44% did comply with their payment. This finding is consistent with Kasipillai, Aripin and Amran (2003), which stated that there is an association between tax education and tax compliance. Also, Palil & Mustapha (2011) found that tax knowledge (knowledge about employment income, awareness of

offences, penalties and fines, taxpayers' responsibilities and rights, child relief and rebates) significantly and positively affects tax compliance behaviour.

Table 4.12 Descriptive statistics for tax compliance behaviour

	M	SD	Non-compliance		Compliance
			Somewhat	Moderately	
Income reporting	1.94	.746	36(31)	52(44)	29(25)
Filing return form	1.15	.466	5(4.3)	8(7)	104(89)
Business expenses claims	1.98	.572	18(15)	79(68)	20(18)
Total			20(17)	46(40)	51(44)

Note: 1. Percentage are in parenthesis rounded to the nearest whole number.

4.6.6 Tax morale

The descriptive statistics concerning the respondents' tax morale was done using the following procedure. The purpose of this analysis is achieve objective number four which seeks to identify the level of tax morale among the undergraduate accounting students. The scale was classified into three as follows: (1) strongly unaccepted and unaccepted to represent high tax morale; (2) neutral response representing undecided; while (3) accepted and strongly accepted represented low tax morale. Cross tabulation of the response indicated that 47 respondents representing 40% showed high tax morale with respect to declaring the exact income earned, not excluding small amount of income when calculating taxable income. They also complied with their tax obligations even though their family members or friends who did not comply had not been penalized; and they saw overstating deduction as unacceptable. Thirty seven respondents representing 31% were neutral about their tax morale, while 33 respondents representing 29% had low tax morale on average.

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Table: 4.13 Descriptive statistics for tax morale (Cross tabulation)

Code	Items	(1) High Tax Morale	(2) Neutral	(3) Low Tax Morale
TM1	Excluding small amount of money when calculating taxable income	42(36)	17(15)	76(50)
TM2	Declaring part of income if the probability of selection for audit is low	33(28)	43(37)	41(35)
TM3	Overstating of deduction if probability of detection is low	48(41)	45(39)	24(21)
TM4	Not complying because friends who do not comply have not been penalized	64(55)	44(38)	9(7)
TM5	Reporting main income fully, but not including other small income	46(40)	36(31)	35(30)
	Overall	47(40)	37(31)	33(29)

Note: Percentage in parenthesis.

The overall results from the Table above indicate that only 40% of the respondents had high tax morale, while 60% have low or moderate tax morale. This finding is in line with the findings from one of the qualitative results, in which the respondents stated that taxation knowledge only cannot create tax morale in the students. The respondents also stated that the environment where the student reside can influence their morale. An instance is their parents and peers who might teach them not to comply with tax payment. The objective number four was achieved which is consistent with Kołodziej (2011) who found that economic education which transfers knowledge of the relationship between tax paid by citizens and socio-economic tasks undertaken by the government will create voluntary tax compliance. Because the Principle of Taxation course does not include the knowledge on the relationship between tax paid and socio economic tasks undertaken by the government, the tax morale of the respondents was low.

4.7 HYPOTHESES TESTING

To start with, the data were subjected to the basic assumptions for statistical analysis of correlation. Thus, a preliminary analysis was conducted, such as outliers, normality and linearity were performed to ensure that no data of the study violated the assumptions. The correlation analysis was performed in order to test the hypotheses:

H1: Tax knowledge acquired through attending taxation courses will influence taxpayers' compliance behaviour.

H2: Tax morale has an association with voluntary tax compliance.

4.8 BASIC ASSUMPTIONS FOR STATISTICAL ANALYSIS

According to theory and practice, some analysis, such as correlation and regression analyses make some assumptions, which includes outliers, normality and linearity. Pallant (2007) stated that they are pre-requisites for the application of regression analysis.

4.8.1 Treatment of outliers

Histogram and boxplot were performed according to Pallant (2007). The result/output of the histogram shows that there were no outliers in the data; thus the basic assumption had been met. The test for normality was carried out and the output showed data were normally distributed as most of the scores were at the centre or middle of the histogram, (For the figure, refer to appendix 7).

4.8.2 Testing for Linearity

By plotting the normal P-P plot, the assumption was achieved. A close view of the P-P plot shows a straight line relationship with tax compliance morale which is the dependent variable. (For the figure, refer to appendix 8).

4.9 CORRELATION ANALYSIS

In order to achieve objectives number five and six which seeks, to examine the association of tax knowledge and tax compliance of the accounting students, and to examine the association between tax morale and tax compliance of the accounting students, respectively, correlation analysis was conducted. Consistent with the hypotheses, a Pearson Correlation analysis was conducted to ascertain the correlation between tax knowledge on penalties, tax knowledge on incomes, tax morale, technical tax knowledge, knowledge of tax revenue contribution to development and tax compliance behaviour.

Table 4.14 Correlation of the variables (N=117)

	Tkin	Tkexp	Tkp	Tkr	Tkrc	Tm	Techk	Tc
Tax knowl on income(Tkin)	1							
Taxation knowl expenses((Tkexp)	.267**	1						
Tax Knowl penalties(Tkp)	.074	198*	1					
Tax knowl on relief(Tkr)	-.182*	-.184*	-.141	1				
Tax revenue contribution(Tkrc)	.027	.030	.014	-.084	1			
Tax morale(Tm)	-.026	.197*	.217**	-.048	.099	1		
Technical knowl(Techk)	.035	.159*	.976**	.077	-.004	.208*	1	
Tax compliance(Tc)	-.085	-.038	.247**	-.202*	.118	.207*	.204*	1
*. Correlation is significant at the 0.05 level (1-tailed).								

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The result as shown in Table 4.14 above indicates that there is a correlation between the variables (tax knowledge on penalties, tax knowledge on incomes, tax morale and technical knowledge) except the knowledge on tax revenue's contribution to development and the dependent variable (tax compliance). Variables : $r = .207$, $p < 0.05$; $r = .247$, $p < 0.01$, $r = .202$, $p < 0.05$; $r = .204$, $p < 0.05$ The result indicates that tax knowledge on penalties and technical knowledge on taxation laws had a similar correlation with tax compliance. Their correlation is stronger than that of tax morale with tax compliance. The Table also shows a negative correlation between tax knowledge on expenses, tax knowledge on income and tax knowledge on relief. Variables: $r = -.184$, $p < 0.05$; $r = -.182$, $p < 0.05$. Tax knowledge on income and technical tax knowledge also correlated with tax knowledge on expenses. Also noted is that knowledge on tax penalties for noncompliance had a strong correlation with the tax compliance. The result is consistent with Palil and Mustapha (2011), who found that Tax knowledge (knowledge about employment income, awareness of offences, penalties and fines, taxpayers' responsibilities and rights, child relief and rebates) significantly and positively affected tax compliance behaviour. Berhane (2011) noted that tax compliance is influenced by tax education. Also Kołodziej (2011), stated that economic education which transfers knowledge of the relationship between tax paid by citizens and socio-economic tasks undertaken by the government will create voluntary tax compliance.

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The correlation analysis indicates that there is an association between tax knowledge and tax compliance with four out of the six variables having a positive correlation with tax morale as stated in the hypotheses. Hence, it is concluded that tax knowledge acquired through taxation course is associated with tax compliance. The findings supports hypotheses one as described in paragraph above. It also supports hypotheses two which state that tax morale has an association with voluntary tax compliance. The correlation results above showed a positive relationship between tax morale and tax compliance.

4.10 MULTIPLE REGRESSION ANALYSIS

Multiple regression was also conducted in order to ascertain the relationships of the independent variables with the dependent variable. The independent variables were regressed with the dependent variables to ascertain the influence of tax knowledge on tax compliance. The variables were subjected to SPSS. The results of the multiple regression are shown below in Table 4.15

4.15: Summary result of the multiple regression analysis for the independent variables.

Variables	Rsquared	Adj Rsquared	F	Beta	t	Sig.
	.151	.104	3.255			
Tax knowledge on income				-.102	-1.103	.272
Tax knowledge on expenses				-.125	-1.317	.191
Tax knowledge on relief				-.245	-2.682	.008
Tax revenue contribution				.088	.996	.322
Tax morale				.164	1.787	.077
Technical knowledge of taxation				.213	2.335	.027

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Table 4.15b: Model summary.

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.388[a]	.151	.104	.45850	.151	3.255	6	110	.006

a. Predictors: (Constant), Mtm, Mtkin, Mtkrc, Mtkr, Mtechk, Mtkexp
b. Dependent Variable: Mtc

The result in the Table above shows that the relationship between tax knowledge acquired through tax education is statistically significant. The result at the model summary Table 4.15b, shows that tax knowledge explain only 15% of variance in tax compliance. This is an indicator that there are other factors that explain variance in tax compliance. The relationship of the individual independent variables with the dependent variable shows that only two independent variables are statistically significant. Tax knowledge on relief and technical knowledge of taxation had a relationship with tax compliance. Tax knowledge on penalties was excluded as a result collineraity of the variables, Hence, other variables were not statistically significant as shown in the Table above. The regression results also support hypotheses one which did state that tax knowledge acquired through attending taxation courses will influence taxpayers' compliance behaviour. The result showed that it was statistically significant at .006.

4.11 SUMMARY

This chapter discussed the findings of the qualitative data collected. The chapter started with the description response rate and the demographic data of the respondents. It

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further show the factor analysis results and reliability results for the variables. Lastly, this chapter gives the findings of the correlation analysis and multiple regression analysis explaining the relationship of the independent variables with the dependent variable.

CHAPTER FIVE

QUALITATIVE ANALYSIS

5.1 INTRODUCTION

The interview in this study was designed with the intention to get the opinion of the taxation instructors on the viability of the taxation courses taught to the UUM undergraduates accounting students in preparing them to comply with their tax obligations after graduation. It also sought their opinion about the inclusion of taxation in the syllabus of non-accounting students as a means of opening up their minds to taxation knowledge and ethics. Lastly, it sought their opinion on inclusion of the uses of taxation revenues by the government in the taxation syllabus as a means of creating tax morale among the students. To obtain the response from the respondents, one-on-one interview was conducted with the four taxation instructors from School of Accountancy, UUM. In order to obtain the responses, there were six main questions relating to the objectives, while other questions came up based on the response from the interviewees. The interview was recorded with the consent of the respondents and later transcribed. In order to uphold the ethics, the respondents' personal information was kept confidential.

5.2 FINDINGS FROM INTERVIEW

The findings from the interview conducted are discussed below in line with the objectives of the study. The findings follows the sequence of the questions in the interview guide

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5.2.1 The Knowledge on Income Tax Laws

All the respondents were of the opinion that all the undergraduate students who have passed the Principle of Taxation class had acquired the basic tax knowledge that can make them comply with their tax obligations. Participants stated that Principle of Taxation subject consists of information about income and expenses. They stated that the undergraduates (future taxpayers) know the consequences of noncompliance, such as the penalties if they do not comply. They know the income that is taxable and expenses that are deductible legally. To justify their knowledge, grade "A" means the students have a good knowledge, grade "B" average. It can then be assumed that higher tax knowledge leads to higher tax compliance. This is consistent with Loo, et al. (2009), who stated that stated lack of taxation knowledge on understanding chargeability of any income and deductibility of any expenses will lead to unintentional noncompliance. Also Ogundele (1994) stated that taxpayers need to have adequate tax knowledge in order to comply with tax laws.

" *In my opinion I think that the students who have taken "tax 1" will be able to comply to tax requirements and obligations, especially on personal income tax as compared to those who never had the knowledge, they will be better. They know the consequences or the penalties if they do not comply. They know what are the expenses or the income that is taxable and the expenses that can reduce the tax legally. I think they will do appropriately and comply"*

.... Participant A

"*...they have to work and get income, and only then I will say if they can comply or not. They are learning now, they have to graduate and start working, only then I can test*

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them. But now I can only know their level of knowledge based on their grade, grade A means that their tax knowledge is good, grade B means it is average but complying means usually higher tax knowledge, higher compliance. That means they are willing to pay their taxes, willing to submit their form and income accurately".

………………….Participant B

5.2.2 The Content of taxation syllabus

Taxation laws are said to be too complex to understand even by the professionals, such as lawyers and accountants. The level of complexity can turn a well-intentioned taxpayer into a noncomplier (Batrancea, et al., 2012). With respect to the complexity of tax laws, the researcher sought to find out if the contents of the "tax 1" syllabus are adequate to equip the undergraduates (future taxpayers') with the required knowledge.

Responding to the question, the respondents stated that the "tax 1" and "tax 2" syllabus are given by the Malaysian Institute of Accounting, and in this respect, it is believed to be adequate to equip the undergraduates (future taxpayers) with the basic tax knowledge to avoid unintentional noncompliance.

".….yes, the contents in "tax1" are given by the Malaysian Institute of Accounting. There is one accounting body, they have all the syllabus for "tax1" and "tax2". Tax 1 will teach the following topics, and tax 2 will teach the other topics. Combination of these two (i.e., "tax 1" and "tax 2") is enough to give them (undergraduates) the basic knowledge"

Participant B

The implication of the response above is that the contents of tax 1 and tax2 syllabus as given by the Malaysian Institute of Accounting is sufficient to impact the future taxpayers with required knowledge on taxation laws.

………..*"As a personal taxpayer, I think the content is enough"*

…………………Participant "C"

The response above indicates that the contents of the tax I syllabus is enough to give a taxpayer the required knowledge to comply with his/her tax obligations. This can be justified as the contents expose the student to all the knowledge on taxable income, and legal business expenses deduction according to personal income tax laws.

5.2.3 Instill Tax morale through tax education

Respondents' responded to the above that tax morale is difficult to instill in students because they (undergraduates) do not learn from classroom only. They also learn from their environment, may be their parents about their attitude towards tax payment. In order to achieve this, they need civic education and ethics that will motivate them to comply with their tax obligations.

……….. tax morale is something difficult to instill in students because they (students) do not learn from class room only. They do learn from the environment, may be their parents who will instill it in them, either like not to comply because it is better, they (Inland Revenue Board) may not catch you. It is difficult but we can try to, because that is an internal motivation. If they can see the benefit of tax, they will comply. I think we

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need to teach them something like ethics or civic knowledge and not tax knowledge only".

.... Participant "A"

The response above indicates that educating taxpayers about ethics and civic education can motivate them to comply with their tax obligations.

.........."Tax 1 and morale, okay; I think from my view, we emphasise more on penalties for noncompliance. We do tell them, if you do not comply, you will be given a penalty. But on morale issue, not much emphasis. That is, basically we will tell them okay, if you do not comply with your tax obligations, you will be given penalty. But like your question, even though the penalty is there, some do not still comply. They need another way, that is, something more on motivation. One of the motivation is ethics, or give them a morale cases. If you feel you love your country, you have to pay your tax. This is because sometimes the penalty is too small, especially for the rich ones. For rich people who do not pay tax, penalty is nothing to them. An instance is when they are driving, they do not mind violating the traffic rules and paying the fine because it is small. For them, they must know that if they drive their car too fast, they can be involved in an accident and lose their life and that of the family members, may be it will change their mentality........"

.... Participant "B"

The above response indicates that many factors constitute the creation of tax morale, and not just tax knowledge. The response is also consistent with the other respondents who stated that teaching the taxpayer ethics and civics can change their mentality. Given an instance of the rich who will wilfully violate traffic laws because the fines are too small for them; this can only be changed through morale education. The taxpayer must be educated about what the government is doing, or the history of the country. This will make them proud of their country; hence, it will go a long way to instill tax morale in them.

"......many factors can contribute in creating tax morale. They need good behaviour with regard to this. Knowledge alone is not enough to create morale among the taxpayers"

.... Participant C

Overall, the respondents suggested giving to the undergraduate students a morale case studies instead of information on penalties only, as well teaching them the benefit of paying taxes. These benefit can include telling them that constant electricity in their classes, air conditioning, are all made available through taxation revenue. With this in their minds, they will be likely to comply.

5.2.4 Knowledge on Contribution of Taxation Revenue to Economy

The knowledge of the impact of tax generated revenue in fostering economic development is essential on creating tax compliance behaviour. Here, the objective is to seek the opinion of taxation course instructors if the undergraduate accounting students are aware of this impact on Malaysian development.

"..........Tax 1 syllabus actually does not teach much about the uses of taxation fund by the government, unless the lecturer decides to lay more emphasis on the government financing".

.... Participant B

The above statement by the respondents indicate that Principle of Taxation course concentrates more on tax computation and penalties for not complying with tax laws. This is consistent with the response on the previous questions where respondents stated that tax 1 and tax 2 focus more on tax computation and penalties for noncompliance. Some studies showed that the knowledge on how the taxation revenue contributes to economic development does motivate taxpayers to comply with their tax obligations. Likhovski (2007) stated that the tax authority in collaboration with the government of Israel produced a movie where tax noncompliance by the citizens led to shut down of government operations. Through the movie, the citizens were motivated to comply with their tax obligations since they are beneficiaries of the government services. The researcher sought a response on how the knowledge about the contribution of taxation revenue to development can be included into personal income tax syllabus

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"…………….I don't know because people can see what the government is contributing to them. They give money to government and what the government gives back to them. They can see and feel it if the government gives to them. The environment will also contribute to this, not only education. As you made mention of previous studies, I think having such movies that showcase how tax noncompliance led to the shut-down of the government operations can motivate the citizens more about the contribution of the government to the citizens".

……………….. Participant A

This implies that even with taxation being taught to undergraduate accounting students, it may not be easy to teach them how tax revenue contributes to development; in addition, they can see for themselves whatever the government is giving back to them. However, devising a means of educating the taxpayer about the contribution will assist on conveying the message.

"……. By having a morale tax cases or a scenario case that will showcase what the government is doing. Inform them about the benefits of taxation, such as the constant electricity in their class, air-conditioning, conducive classroom, etc. All these are provided by the government, when they are aware of this, they will be motivated to pay their taxes.

…………… Participant "C"

This implies that when the taxpayers are aware that the government can only fund their day-to-day operations when the citizens are complying with their tax obligations, they will be motivated to comply. They need to understand that good roads, constant electricity, provision of water, and housing estates, funding of security personnel, etc., are possible with increasing tax compliance.

5.2.5 Inclusion of taxation course in the syllabus of non-accounting students

"………I think there is a need, people need to know more about taxation in order to become responsible citizens of Malaysia. Tax is compulsory for all Malaysians, I think it is important to do it. Secondly, it must be compulsory, else some will not like to offer the course".

………… The response from participant "A"

The above response implies that that the respondent is of the opinion that taxation should be included in the syllabus of non-accounting students since tax payment is compulsory for all Malaysians. By complying with their tax obligations, they are contributing to the development of their country. Also noted from the above is making the course compulsory for all the non-accounting students in order ensure that all acquire the knowledge.

"……..As an academician I have talked to the education people that taxation should be taught to all students not only at university level. It should be introduced at college level.

Students should be given information that any income they earn, they have to pay taxes. But coming to universities it is only accounting that is taking taxation courses. All should be taking because if government needs money, everybody must pay their taxes, and for people to pay tax, they must have a good opinion about taxation. To get the good opinion, they must be knowledgeable. People need to know why they are paying taxes and how it helps the government. If government introduces a new tax, you must be knowledgeable in order to accept it as in the case of GST announcement which many people are not happy with".

………………………….   "Participant B"

This implies that including taxation in the syllabus of non-accounting students is very important for both the government and individual. Taxation course will enable the citizens to acquire the knowledge about taxation rules, regulations and uses of the fund generated through taxation. It also implies that people can only accept any new tax that government introduces if they are knowledgeable, but if they are not knowledgeable, they will not accept it.

"………..My answer will be biased as accountant and taxation lecturer. My answer will be yes that there is the need to make it compulsory for the non-accounting students. We already opened it for all management students, though it is elective. If we make it compulsory, we have to test them and include it in their CGPA. We found out that they are afraid of taking tax courses.

Before making it compulsory, we need to consult the management and let them know our objectives. From my own point of view it will not be compulsory, but for audit courses I will agree with you. Students are afraid of accounting courses, and most of the time, they fail accounting courses".

.... Participant "A"

From the responses above, they all see it as essential to include taxation in the syllabus of non-accounting students. This will enable all the future taxpayers to have the basic knowledge of taxation which will in turn make them have good opinion about tax payment. It noted also that taxation course is open to all students, though as an elective to non-accounting students.

5.3 SUMMARY

This chapter discussed the qualitative result for the study. It explains in details the findings of the interview conducted by the researcher. It started with description of the population studied and the purpose for the qualitative result. Lastly, it described the number of participants for the study and their responses.

CHAPTER SIX

DISCUSSION AND CONCLUSION

6.1 INTRODUCTION

The objectives of the study are to examine the level of personal income tax knowledge among the UUM undergraduate accounting students, and the relationship between the level of tax knowledge and tax compliance behaviour of the accounting students. In addition, the objectives include to explore undergraduate accounting students' level of knowledge related to the contribution of taxation revenue to economic development of Malaysia, and to examine the perception of the taxation lecturers on the relevance of the taxation course contents in creating tax compliance morale. The final objective is to find out the views of taxation instructors about the inclusion of taxation in the syllabus for non-accounting students. This chapter discusses the findings obtained from the hypotheses testing and the descriptive analysis which are in line with the objectives of a similar research conducted in the field of taxation. In order to achieve the research objectives, various analyses including descriptive, correlation and regression analyses were conducted using the data collected from 122 respondents, i.e., the undergraduate accounting students of UUM who had attended taxation class.

6.2 DISCUSSION

The result obtained from the descriptive analysis tables indicates that 44% of the respondents comply with their tax obligations with respect to declaring incomes, making

legal deduction and filing their form within the stipulated period. That is to say, they on average, have a good tax compliance behaviour while the remainder of the respondents do not comply with their tax obligation. Also, the result indicates that 50% of the respondents have a high tax morale, while about 29% are said to have low tax morale. The percentage of respondents with high tax morale in relation to their tax compliance behaviour among the respondents is consistent with the correlation analysis result. The result also justifies the percentage of respondents with a tax compliance behaviour that tax morale is associated with tax compliance behaviour. This implies that when one has a high tax morale, he/she will likely comply with tax payment. From the previous studies, it is found that one's belief and understanding that by paying tax, one is contributing to the society, is what create a tax morale in a taxpayer.

The descriptive analysis with regards to the knowledge on how tax revenue contributes to the development indicates that about 74% of the students surveyed have the knowledge. Although the taxation instructors interviewed indicated that the knowledge on the uses of fund is not included in the syllabus, yet they also stated that the people can see and feel for themselves what the government is doing with tax revenue. When the percentage of those who have this knowledge is compared with their tax compliance behaviour, the finding of this study is consistent with Likhovski (2007), who stated that the knowledge of how tax revenue helps in funding the government activities creates tax compliance behaviour. The finding is also consistent with Kołodziej (2011), who found that economic education which transfers knowledge of the relationship between tax paid

by citizens and socio-economic tasks undertaken by the government will create voluntary tax compliance.

Analysis of the undergraduate accounting students general tax knowledge which can make them to comply with their tax obligations indicates that greater percentage of the respondents have the basic knowledge on income that is taxable, legal business expenses as well the technical knowledge. This finding is in line with the response from the lecturers that those who have attended taxation class should have the basic tax knowledge. This is also consistent with the previous work done by Kornhauser (2007), who stated that many people do make few unintentional mistakes with respect to taxation laws if they have acquired tax education. They also will be less frustrated when trying to comply with the taxation rules and regulations. This is also in line with Loo, et al., (2009), who defined tax knowledge as the taxpayers' ability to correctly report their income, deduct legal expenses, and claim relief; and rebates.

An in-depth analysis of the undergraduate accounting students' knowledge on penalties shows that only about 50% of the respondents have the knowledge. This may account for the low level of their compliance, below 50% because being aware of penalties also makes people comply in order not to be penalised. But when taxpayers are not aware of penalties for noncompliance, there is a tendency that they will not comply with tax payment.

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Correlation analysis indicates that the variables correlate, though some of the correlations are not too strong. The result also shows an association between tax morale, tax knowledge on penalty and technical knowledge with tax compliance behaviour. Result of the correlation shows that tax knowledge on penalty, tax morale and knowledge on income have a strong association with technical knowledge of taxation. Hence, tax knowledge has an association with tax compliance morale.

Regression analysis result shows that the tax knowledge has an influence on tax compliance behaviour, although the percentage of variance explained is just 15%. This shows that other factors explain the variance. From the previous study on tax compliance, knowledge is just a factor, but in this study, knowledge has been broken down to see its influence on compliance. From the regression result, it is shown that it is only knowledge on relief and technical knowledge of taxation that has a relationship with tax compliance.

6.3 CONCLUSION

The study examined whether the taxation education taught in UUM is preparing the undergraduates who are the future taxpayers to comply with their tax obligations. In order to achieve this objective, the study used a mixed method of data collection. Both descriptive, correlation and regression analyses were performed and the findings indicated that tax education does prepare the undergraduates to comply with their tax obligations.

The tax instructors are of the opinion that taxation course should be included in the syllabus of non-accounting students. This is to expose them to taxation laws since paying taxes is compulsory for Malaysian citizens and residents in Malaysia. In addition is to include in taxation syllabus are civics and ethics as a means of creating a good tax morale among the taxpayer, and as well information's on how tax revenue contributes to developments.

6.4 RECOMMENDATIONS

The study sample comprises only students from UUM who had attended taxation classes. Therefore, it is recommended to sample undergraduates from other universities in Malaysia with a larger population to assess the result. Secondly, only the opinion of taxation lecturers were sought as to whether there is a need to include taxation in the syllabus of non-accounting curriculum. Thus, it is recommended that the opinion of non-accounting lecturers be sought by future studies.

Lastly, since it has been identified from this study that taxation is compulsory for all residents of Malaysia with an income, and the knowledge on taxation will make them comply with their tax obligations, hence the inclusion of taxation in the syllabus of non-accounting curriculum is recommended. It is my belief that the inclusion will bring positive result.

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