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**DETERMINANTS OF INTENTION BEHAVIOUR
TO APPOINT LEGITIMATE TAX AGENTS AMONG
SOLE PROPRIETORSHIPS IN NEGERI SEMBILAN**

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**MASTER OF SCIENCE
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TAX AGENTS AMONG SOLE PROPRIETORSHIP IN NEGERI SEMBILAN

By

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Othman Yeop Abdullah Graduate School of Business,
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the Master of Science (International Accounting)



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ABSTRACT

In this study, Ajzen's (1991) Theory of Planned Behavior (TPB) is used as a theoretical framework to answer the theoretical gap and practical gap according to the Inland Revenue Board (IRBM) Media statement dated 26 November 2015 that remind all Malaysian taxpayers to only seek legitimate (approved) tax agent services to manage their tax matters. The objectives of this study are to examine the factors that determine the intention of sole proprietor taxpayers to appoint or to use legitimate tax agents and to determine also whether attitude, subjective norm, self-efficacy and tax enforcement will influence their intention to appoint legitimate tax agents. The data set of the study was obtained from the survey method using questionnaires applied to 313 sole proprietor taxpayers who visited the IRBM Seremban Branch Office during Taxpayers' Service Month (or Hasil4U) programme held on 1 March until 30 June 2016. Samples were chosen by using the random sampling technique. The result of the reliability test shows that the research instrument is in an acceptable position. The study found all the determinants of intention studied were having mean score of 3.44 which show that there is a high intention for sole proprietor taxpayers to use legitimate tax agents. Multiple regression analysis was carried out on the data collected to see the relationship between the independent and dependent variables. The result of multiple regression shows that the independent variables tested can explain 91.6% variances towards the intention to use legitimate tax agents. Consistent with the hypotheses developed, the results reveal that attitude, subjective norm and tax enforcement have significant positively related to the intention of the respondents. Nevertheless, self-efficacy has significant negative statistical effect to the intention of the respondents.

Keywords: legitimate tax agents, theory of planned behavior, self-efficacy, tax enforcement, intention.

ABSTRAK

Kajian ini menggunakan Teori Gelagat Terancang (TGT) sebagai kerangka teori untuk menjawab persoalan berkaitan dengan jurang teori dan praktikal susulan dari kenyataan media Lembaga Hasil Dalam Negeri (LHDN) bertarikh 26 November 2015 yang menyarankan agar semua pembayar cukai Malaysia menggunakan perkhidmatan ejen cukai yang sah sahaja dalam menguruskan hal-hal percukaian mereka. Objektif kajian ini adalah untuk menentukan faktor-faktor yang dapat menentukan niat pembayar cukai milikan tunggal untuk menggunakan ejen cukai yang sah dan juga menentukan sama ada sikap, norma subjektif, efikasi sendiri dan penguatkuasaan pematuhan cukai akan dapat mempengaruhi niat mereka untuk memilih ejen cukai yang sah. Sebilangan data-data yang diperolehi adalah melalui borang kajian soal selidik ke atas sebilangan 313 pembayar cukai milikan tunggal yang berkunjung ke Cawangan LHDN Seremban semasa Program Pembayar Cukai (atau Hasil4U) yang diadakan pada 1 Mac hingga 30 Jun 2016. Sampel kajian yang dipilih adalah berdasarkan ujian pemilihan secara rawak. Keputusan ujian kebolehppercayaan data menggambarkan instrumen kajian adalah berkedudukan boleh diterima. Hasil kajian mendapati semua faktor yang menentukan niat yang dikaji menghasilkan skor purata 3.44 yang menunjukkan bahawa terdapat niat yang tinggi bagi pembayar cukai milikan tunggal untuk menggunakan ejen cukai yang sah. Keputusan ujian regresi berganda menerangkan bahawa variasi sebanyak 91.6% pembolehubah tidak bersandar dapat menerangkan niat terhadap penggunaan ejen cukai yang sah. Konsisten dengan hipotesis-hipotesis yang telah dibangunkan, keputusan telah menunjukkan bahawa pembolehubah sikap, norma subjektif dan penguatkuasaan pematuhan cukai mempengaruhi niat penggunaan ejen cukai yang sah secara positif dan signifikan. Akan tetapi faktor efikasi sendiri memberi kesan statistik secara negatif tetapi signifikan dalam mempengaruhi niat terhadap penggunaan ejen cukai yang sah.

Kata kunci: ejen cukai yang sah, teori gelagat terancang, efikasi sendiri, penguatkuasaan pematuhan cukai, niat.

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LIST OF ABBREVIATIONS

CTIM	Chartered Taxation Institute of Malaysia
GST	Goods and Service Tax
HMRC	HM Revenue & Customs (UK Tax Revenue)
IRBM	Inland Revenue Board of Malaysia
ITA	Income Tax Act
KMO	Kaiser Meyer-Olkin
MAICSA	Malaysian Institute of Chartered Secretaries and Administrators
MIA	Malaysian Institute of Accountants
OAS	Official Assessment System
OECD	Organisation for Economic Co-operation and Development
PBC	Perceived Behavior Control
SAS	Self Assessment System
SN	Subjective Norm
TPB	Theory of Planned Behavior
TRA	Theory of Reasoned Action
YA	Year of Assessment

CHAPTER 1

INTRODUCTION

1.1 Background of the Study

Professionals such as accountants, lawyers and tax agents are regulated in Malaysia. This is in line with the general consensus that the public should be protected from incompetence practitioners (Thiagarajah, 2011). As tax professionals, tax agents are expected to carry out their duties to be competent (i.e possess the required skills, abilities, qualifications and experiences), trusted more and adding value while providing quality of tax services to their clients. As such, the expectations placed on the shoulders of tax agents are becoming more pressure as the burden of regulatory compliance become heavier and business transactions more complex. Tax agents in particular have a crucial role in supporting the tax administration in ensuring compliance with the tax laws and regulations as well as in educating clients and creating awareness on any potential changes in tax laws and the implications thereof.

According to the Federal Government Budget 2016 reported by the Ministry of Finance Malaysia (MoF), income tax (43.9%) remains as the main revenue source, indirect tax (21.9%) represents the second largest revenue while non-tax revenue (15.9%) is the third largest revenue source for Malaysian government. Going forward, as tax reform of country transitions to a high value-add and higher income economy, the Government has introduced Goods and Services Tax (GST) on 1 April 2015. GST implementation represents part of the government's tax reform agenda to generate a stable source of revenue by enhancing the effectiveness, capability and; tax administration and management.

With regard to the tax reforms, some discussions also highlight the importance of reforming legislation; wherever the country tax system should be implemented to be more effective in term of clarity, transparency and simplicity should be easily understood. As such, it is easy and increasing more substantial numbers of Malaysian taxpayers to comply. The mechanism to restructure the current tax system should be anticipated with a long-term tax policy with the target to broaden the tax base and enhance the revenue collection. At the same time, Malaysia tax reforms need to boost cooperation with tax agents or tax professionals as a key contributor to economic growth and development. In energising the landscape of business growth and expansion as stated in the previous Malaysian Budget 2016 which theme as *'Prospering the 'Rakyat' (Malaysian citizens)*, certainly, our country need competent tax agents to enhance and deliver the high quality of tax services to *'rakyat'*.

Previously, Malaysian government evaluates taxpayers' tax liability in official assessment system (OAS). OAS system is whereby taxpayers need to fill up tax return form to declare their income. Taxpayers are required to submit the form to the Inland Revenue Board of Malaysia (IRBM). The IRBM would then determine the final assessment. Taxpayers will receive a notice of final assessment issued by the IRBM stating the certain amount of tax to be paid. Then, the OAS was changed to self assessment system (SAS) and was introduced in the year of assessment (YA) 2001 for companies, followed by business, partnerships, cooperatives and individuals in the YA 2004. The main objective of this SAS is to promote voluntary compliance as necessarily practice by taxpayers. An assessment is deemed to be made to taxpayer on the date of submission of the tax return form. Effective from year of assessment (YA) 2006, the tax return may be submitted by way of using e-Filing system (via the IRBM's

website). The number of taxpayers using e-Filing system has shown increased since it was introduced in 2006. As at 31 July 2015, more than 2.92 million taxpayers submitted their tax returns through e-Filing system, an increase of 5.41% over 2014. Since introducing e-Filing system, the IRBM looks like to gear up revenue collection through efficiency methods in the tax administration. Under SAS, the workload where the income tax is assessed is moved from the IRBM to the taxpayers and ultimately, taxpayers are required to calculate their income tax according to the tax laws, guidelines and ruling issued by the IRBM. Thus, more efforts are also continuously developed to enhance tax compliance and broaden the tax base through various tax enforcement such as audits, investigations, collection etc.

According to Palil (2010), the change to SAS poses taxpayers anticipate with issues related to the competency, honesty, capability and readiness of taxpayers to receive the burden of computing and assuring the correctness of tax returns. In this context, taxpayers have two options in calculating their tax liability whether they calculate their taxes themselves or to seek assistance from tax agent to solve their tax matters. When it comes to submitting tax return, managing tax matters, and having up-to-date information about business, making use of professional tax agents' services can be extremely beneficial.

In 2014, an exclusive interview was held between the past Director General of IRBM, “YBhg. Kolonel (K) Tan Sri Datuk Wira Dr. Hj. Mohd Shukor Bin Hj. Mahfar” and the representatives of “the Chartered Tax Institute of Malaysia” (CTIM). In response to the role of a tax agent, he said “I keep on emphasising that the tax agent is a “proxy” of the IRBM. To be a “proxy” you have tell the truth, and comply with the tax

legislation. It may hurt. It may not make your client very happy with you. But professionally, you have to act in that way. But if you act only as a taxpayer's agent, that may be a different role. To me, we need to engage with you in the manner of a smart partnership.” The remarks by Tan Sri is certainly to gear towards forging a long term relationship with all stakeholders based on mutual trust and win-win relationship.

In support of Malaysia becoming a highly competitive developed country as outlined under National Transformation 2050 (TN50) blueprint, the IRBM with a new management team led by the new Chief Executive Officer (the new CEO of IRBM), YBhg. Dato' Sri Sabin Samitah will move forward with enhanced ideas and strategies in executing an efficient tax enforcement and collection system in promoting tax compliance among the public. Undeniable, Dato' Sri is one of the key person that noting the importance of using professional tax agents, particularly to enforce taxpayers' compliance. Dato' Sri often involved in various dialogues and discussions especially with professional bodies.

On 26 November 2015 IRBM published a media statement to inform and advise all Malaysian taxpayers the need to obtain legitimate tax agent services to have manage their tax affairs. This is to prevent any difficulty may arise in future because of services provided by illegitimate tax agents could lead to inaccurate or unclear tax advice including managing of the income tax return form (ITRF) which does not follow with the tax law. Thus, by using legitimate tax agent, the erroneous in taxpayers' tax return calculation can be avoided. In addition, it was highlighted in the media statement that illegitimate tax agents are not eligible to represent taxpayers if audits conducted by the IRBM. More details as per Appendix A.

More importantly, based on the IRBM requirement, it is necessary that all taxpayers to react positively by engaging legitimate tax agents to assist in their taxation matters. Therefore this present research is carried out to determine the level of intention among sole proprietors to use legitimate tax agent.

1.2 Problem Statement

According to the Media statement dated 26 November, 2015 published by the IRBM, all Malaysian taxpayers are advised to seek services from legitimate tax agents approved by the Finance Minister under “Section 153(3) of the Income Tax Act 1967” (ITA 1967) to manage their tax affairs. The statement provides encouragement to all taxpayers to have the intention to use or appoint only legitimate tax agents since tax agents need to help supporting the interests of the government and the country.

The using of illegitimate tax agent among sole proprietorships could be associated with the higher intention to use illegitimate tax agent rather than the intention to use legitimate tax agents. Therefore the gap ‘intention to use legitimate tax agent or not’ exists. The gap contributes to the theoretical and practical gap which need to study the factors that influence the intention of sole proprietors to use or appoint legitimate tax agents. Furthermore, this study attempts to reduce the gap by studying the determinants of sole proprietor taxpayers’ intention towards using of legitimate tax agent.

With the aim of answering the theoretical gap, this study uses the Theory of Planned Behaviour (TPB) by Ajzen (1991). The TPB is a famous social psychology theory which is applied to explain or predict the human behaviour. The TPB suggests that the intention to perform behaviour is driven by attitude, subjective norm (others perspective) and the perceived behavioural control that an individual has to perform

that particular behaviour will determine both the intention and the actual behaviour. There were several researches conducted related to individual taxpayers, particularly upon sole proprietor taxpayers, for example, to determine the intention of sole proprietors towards tax compliance, the impact of using tax agents among sole proprietors and the relationship among the factors that influence directly to the intention of sole proprietors to use tax agent but to date there were no study conducted to determine sole proprietor taxpayers' intention to use legitimate (approved) tax agent. Hence, this study aims to expand and verify the findings from the prior study conducted by Munusamy (2015) who also investigated the attitude and intention behaviour of sole proprietors to use tax agent by using the TPB theory as well. Therefore the TPB will be used to investigate the prediction of actual behavior of sole proprietors (intention-behaviour gap) to use legitimate tax agent and observe the relationship between the three determinants of the theory model; attitude, subjective norm and perceived behavioral control towards the intention to use legitimate tax agent among sole proprietorships.

As for the practical gap between the usage of legitimate tax agents and illegitimate tax agents among sole proprietor taxpayers, previous study by Kamal (2012) found that 36.75% field audit cases resolved in IRBM Shah Alam Branch used illegitimate tax agents if compared to 31.32% used legitimate tax agents. This empirical evidence indicates that there is still low intention among sole proprietor taxpayers in Malaysia to use legitimate tax agents.

The scenario reveals that many taxpayers are still using illegitimate tax agent without tax license or without approval by the Ministry of Finance (MoF). Despite the tax license, these people have insufficient working experience and qualification.

According to tax experts, their services are related with unethical manner or practice such as tax fraud or tax evasion, fictitious items, underreporting of income etc. in their clients' tax return form.

Ayers, Jackson and Hite (1989) stressed that the professional tax agents are more educated than unprofessional tax agents because of professional certification. Without having professional certification as requirements to legally practice, illegitimate tax agents are not "truly authorised person" to provide legitimate tax advice and services. Their illegal works pose sole proprietors being more tax non-compliant. Surprisingly, in some cases, illegitimate tax agents will not responsible for taxpayers' tax affairs and might disappear when taxpayers need them.

Although some of them are generally related with unethical practice whereby they tend to commit to evade or reduce their clients' tax liability, however their tax services are still in demand and it significantly influencing the levels of uncollected tax, which is not detected by the IRBM. Therefore, to reduce of using unapproved or illegitimate tax agents, all taxpayers should demonstrate their intention to seek only legitimate tax agents (approved tax agents) to fulfil their tax obligations to the government.

1.3 Research Questions

This study is aimed to predict the sole proprietor taxpayers' intention to appoint legitimate tax agents (approved tax agents) by using the Theory of Planned Behaviour (TPB). From the theory, the five elements of the research framework: intention, attitude, subjective norm, self-efficacy and tax enforcement will be predominant throughout the study. Consequently, this research intent to verify by answering the

research questions: Do attitude, subjective norm, self-efficacy and tax enforcement will influence the intention to appoint legitimate tax agents among sole proprietor taxpayers?

1.4 Research Objectives

The objectives of this present study are divided into two categories; general and specific objective as described below:-

1.4.1 General Objective

The present study generally examines the factors that determine the intention of sole proprietor taxpayers to appoint legitimate (approved) tax agents to assist in preparing the income tax return and filing tax documents to the IRBM.

1.4.2 Specific Objective

The specific objective of study is to determine whether attitude, subjective norm, self-efficacy and tax enforcement will influence the intention to appoint legitimate tax agents among sole proprietor taxpayers.

1.5 Significance of the Study

1.5.1 Contribution to enrich the studies in taxation area

This study has significant theoretical perspective whereby the study used attitude, subjective norm, self-efficacy and tax enforcement to determine and to predict the intention to use legitimate (approved) tax agents among sole proprietor taxpayers by using the Theory of Planned Behavior (TPB). What is new is an important motivation for the increasing use of tax professionals among sole proprietor taxpayers. Thus, the study will give important and enrich the studies in the taxation area and extent the scope of study.

1.5.2 Contribution to the Policy Maker

The study has also significant practical perspective between the priority to use legitimate (approved) against the use of illegitimate (unapproved) tax agents. As the legislator for income tax, the IRBM can use the outcome of this study to observe the intention or the choice of using legitimate tax agents to see if it correspond to the recommendation to use only legitimate tax agent services. Furthermore, by studying trend and demand for legitimate tax agents as well as by understanding and recognizing the intentions of the sole proprietor taxpayers to appoint legitimate tax agents, further steps and strategies could be implemented by the IRBM.

1.6 Scope and Limitations of the Study

The scope of study was among sole proprietorships who run their business in Negeri Sembilan whom might be having intention to appoint legitimate tax agents in future. The sample of respondents for this study did not use any tax agents to assist in their tax matters. First limitation was only sole proprietors as the respondents for this study. Second limitation was the location of study conducted. Respondents were only taken from sole proprietor taxpayers who visited IRBM Seremban Branch during Taxpayers' Service Month programme (or Hasil4U programme) that was held from 1 March until to 30 June 2016. Third limitation, this preliminary study only uses one intention-based model, TPB precluding other models that might contribute to the findings of this study. As a conclusion, though the study involves sole proprietor taxpayers in Negeri Sembilan, the findings were not to be generalize to all sole proprietor taxpayers in Malaysia.

1.7 The Definition of Key Terms

1.7.1 Sole Proprietor

Basically, a sole proprietor is defined as “business wholly owned” by a single owner according to personal name as personal identification or trade name. In Malaysia, a single trader or proprietor is a type of business organisation registered under the Registration of Business Act 1956, which is under the law of Companies Commission of Malaysia (CCM). According to the Act, only a Malaysian citizen or permanent resident by the age of 18 years and above is eligible to register for a sole proprietorship. Generally, the sole proprietorships consist of small businesses with annual business turnover which the figure less than RM500,000. Furthermore, these types of businesses are generally helped by family members in which more than one family member run the business. As a person that has the power to make decision upon his/her business, the owner may fully control or own the whole assets and liable for all the debts and liabilities of the business. Furthermore, the total income generated by the business is the income of the sole proprietor. Therefore, the income of the sole proprietor is assessed based on individual income tax basis. In order to declare their tax obligations, they are keen or tend to employ a tax agent.

1.7.2 Tax Agents

For a layman, tax agents are persons who represent people who are obligated to pay taxes. They assist and act on behalf of the clients’ assessment of taxes. The engagement with a client is based on the fact that tax agents would assist them in maximising tax benefits under the current legislative provisions (Kamal, 2012). A tax agent is expected to advise his/her client regarding tax obligations according to the Income Tax Act 1967 (ITA 1967). Tax agents are responsible to advise their clients on records to

be maintained and to assist their clients in completing tax returns. Tax agents should attend any interviews, negotiations and proceedings of a field audit or investigation by the IRBM on behalf of their clients.

For the purpose of this study a broad definition of “tax agents” to include tax professionals, tax practitioners, tax preparers, tax accountants and tax adviser; and the words are used accordingly. Among them, there are two categories of tax agents: approved/legitimate tax agents (authorised persons who have the tax licence - the real tax agents according to the tax laws) and unapproved/illegitimate tax agents (unauthorised persons who do not have the tax licence). For the vast body of the research, the terms legitimate or illegitimate are used instead of approved or unapproved tax agents. In short, the intention of using whether legitimate tax agent or illegitimate tax agent are the same i.e. helping and consulting the taxpayers to fulfil their tax obligations. The varies are the level of education, tax knowledge, training and professional qualifications.

Effective 1 January 2007, a “tax agent” according to “Section 153(3) ITA 1967” is defined as any professional accountant approved by the Finance Minister; or any other person approved by the Finance Minister on the recommendation of the Director General of IRBM.

Most importantly, all members of professional bodies must apply to the Inland Revenue Board of Malaysia (the IRBM) for a tax licence under “Section 153(3)(c) of ITA 1967” before they provide tax advisory and consultancy work to clients. In principle, according to the law, the truly tax agents is interpreted as approved tax agents or legitimate tax agents but a person who do not have the tax licence is defined

as unapproved tax agents or illegitimate tax agents. They are prohibited to act as tax agent under “Section 153(1) of ITA 1967”.

1.7.3 Others Terminology Use in the Present Study

Intention – A person’s motivation in the capacity of his/her good judgement (as a rational person) to perform his/her effort towards the objects, target behaviour and favourable outcome.

Self-efficacy – The beliefs that reflect oneself’s confidence by getting the right skills, abilities, some knowledges, resources and favourable feelings to succeed the favourable outcome or the target behaviour.

Tax compliance – the wider perspective of citizens’ willingness to comply tax regulations and associated with a degree of honesty, tax knowledge, timeliness and accuracy of tax return.

Voluntary tax compliance – A system of tax compliance that supports the taxpayers’ tax obligations to declare their income freely, voluntarily practice, compute their tax liability correctly and file a tax return on time.

Tax avoidance – an action taken to lessen tax liability or using tactics to reduce tax.

Tax evasion – the failure to pay or deliberate underpayment of taxes.

Tax enforcement – an aspect of tax administration and it includes prevention and positive approaches with the aim to promote voluntary tax compliance among all the citizens.

Tax Audits and Investigation – As enforcement action taken by the IRBM to check and verify taxpayer’s business records and/or individuals records, accounts, documents etc.

Professional Bodies - Bodies which set professional and ethical standards for tax practitioners/tax professionals and act as regulators. The members will typically need to meet certain standards or pass tests to obtain qualifications before being allowed to join as the qualified members, and may impose requirements for continuing professional development.

1.8 Organization of the Study

This present study is conducted and discussed in five chapters in the aim for smoothness of discussion and for better understanding of this topic. The first chapter discusses on the purpose for this study; the importance of legitimate tax agents and the intention of sole proprietor taxpayers to use legitimate tax agents. This chapter covers the background, objectives, significance, scope and limitation of the study. Relevant literatures for the focal research context and variables are reviewed in the second chapter. The third chapter presents the research methodology, development of framework and hypotheses, the research design, operational definitions, instruments of measurement, sample, population, questionnaire and data collection. Meanwhile, the fourth chapter illustrates the findings collected from the data collection. The demographic profile of the respondents, interpretation of analysis, and hypothesis testing results are also included in this chapter. The chapter ends with the summary of the results. The fifth chapter which is the last chapter of the study represents summaries of the research findings, some discussions about the research objective, relationship among the variables (methodology) and correlation with the previous study. Finally, the last section of the chapter ends with conclusions of the study, implication on theory, practical implication including suggestions to the policy maker and recommendations for future research.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

In this chapter, the first part is about a review of existing literature on the critical role of tax agents towards tax compliance, the concepts of professionalism, the IRBM Code of ethics for tax agents, the responsibilities of legitimate tax agents, tax consultancy services and the development of tax practitioners according to TASA 2009 (Australian Tax Agents Service Act). The second part is about the compliance characteristics that highlights the role and the need to use tax agents; and the intention or motivations to use tax agents. On the last part of this chapter, researcher reviewed the Theory of Reasoned Action (TRA) and Theory of Planned Behavior (TPB) that were explained to support the present study. The TPB theory served as the core theory in this study. As an important of this chapter, an exploration of relevant literatures were reviewed for better understanding on the development of the theory.

The five elements of the theory; intention, attitude, subjective norm, self-efficacy and tax enforcement were discussed in detailed. Some previous literatures that observed the relationship of these elements towards intention are thoroughly reviewed.

2.2 The Implementation of Self Assessment System

The implementation of the self assessment system (SAS) in Malaysia that has been introduced in year of assessment 2004 to all individual taxpayers, poses challenges to this group of taxpayers particularly to individuals businesses. In order to be tax compliant, they need to be tax literate. Previous studies on individual business' tax

compliance by Veerinderjeet and Renuka (2002); and Chow (2004) mentioned that due to lack of tax and accounting knowledge of the taxpayer as the main reason for tax non-compliance. At least, they need to have some basic knowledge of personal taxation, as for to calculate their income, deductibility of expenses, privileges, reliefs, rebates, tax refunds and exemptions as well as the knowledge to differentiate income from business and non-business sources. Furthermore, for daily business operations, they have to pay more attention to record all business transactions (i.e book-keeping, accounts etc.) and should maintain it for several years. Under SAS, taxpayers are required to retain documentation to support their income tax return declaration which could be subject to a tax audit by the IRBM. Lack of accounting and taxation knowledge affects, of course, the layman, the sole proprietors. To overcome these problems, they use tax agents to assist their business with its tax affairs in some way.

After the implementation of SAS, the question must be asked whether the exercise of introducing SAS has been a success or failure. The issues of using illegitimate tax agents/unapproved tax agents has always been discussed by many scholars and tax experts. From previous studies, there are three main reasons why small business firms prefer and still using unapproved tax agents; first, small business taxpayers cannot identify which are approved tax preparers and which are unapproved tax preparers. They prefer to select the type of tax agents based on recommendation from professional contacts and/or family and friends. Second, unapproved tax preparers' fees are cheaper if compared to the fees of approved tax preparers and third, unapproved tax preparers are likely offering tax planning (tax avoidance) schemes (see Plamondon, 1996, Liew, 2004 and; Oh and Lim, 2011). Furthermore, their primary loyalties lies with the client. As a result, conflict of interest exists between loyalty to the tax authority and loyalty to their clients. If they participate in aggressive

tax planning, their role can make effect to taxpayers' non-compliance decision. The tax agents must of course respect all legal obligations and tax laws, and do not generally permitted, for example, to participate in fraud or to lie the government.

From an administrative point of view, unethical tax agent is seemed to be another external risks to the IRBM due to their unethically practice. It is believed that the tax return from the taxpayers who are using tax agents are reported and anticipated with noncompliance issues if compared to the taxpayers who do not use tax agents (see Erard, 1993; Kamal, 2012).

Under SAS, all taxpayers are encouraged by the IRBM to use e-Filing system to lodge their tax returns without supplying supporting documents. The ultimate reason that taxpayers to lodge their income tax return via e-Filing system rely on the useful of the system for their tax return form preparation and submission. Sivamoorthy (2013) emphasized that the success of SAS has been mainly due to the following factors:-

- 1) The SAS with the underlying voluntary compliance programme supported by a strong audit environment.
- 2) The extensive legislative provision granted by the government supported by Public Rulings gives almost unlimited powers to the IRBM to enforce tax laws.
- 3) Computerisation and automation coupled with Tax education programmes.
- 4) Cooperation between IRBM and the professional bodies representing the accountants and tax practitioners.

The implementation of SAS, together with improvements in tax enforcement functions, are among the recent tax reforms undertaken in Malaysia. As part of the tax

enforcement activities, the increased probability of audit detection will be further reinforced by the IRBM and become higher priority for the upcoming year. For that reason, all taxpayers are urged to have manage their tax affairs effectively and should seek the assistance of professional tax agents.

2.3 Some Issues in respect of Tax Agents-Taxpayers Relationships

To date, many researchers addresses some issues regarding taxpayers and tax agents in complying the tax laws such as:-

- Although e-filing system has been set up to facilitate all taxpayers to lodge their tax return, in fact, many taxpayers are mostly preferred to use tax agents' services to finish up their annual tax return.
- The level of professionalism among tax practitioners/tax agents always have been criticised including unethical issues, incompetence, lack of tax knowledge, noncompliance behaviour etc.
- Some researchers and tax experts including tax authority (IRBM) urge the tax professionals to enhance their competency behaviour such as technical knowledge and other general practice responsibilities that the tax agents must adhere to in dealing with clients.
- There are some researches address the issues of incompetent tax agents. Some mistakes were found while submitting their clients' accounts and annual tax return. For example, receipts from fictitious purchases or false debits for expenses in business books.
- The unethical tax practitioners will utilize the "loopholes" or "grey area" in the tax law to minimize their clients' tax liability.
- The issues of unethical tax agents have been reported and contribute to another problem or risk to the IRBM.

- The incompetent tax agents results in low confidence and perception by their clients.
- Tax agents were found helping taxpayers to evade more taxes compared to those who did not have tax agents.
- They were also found provide aggressive tax planning schemes that are formulated primarily to avoid payment of taxes.
- Tax agents know or have a reasonable suspicion that the taxpayer is misstating facts but willing to follow taxpayer preference and overlook noncompliance in which a strong suspicion is present.
- Taxpayers and tax agents do not cooperate in settling disputes and closing cases.
- It is difficult for taxpayers to differentiate or identify between high competence and low competence tax preparers/tax agents.

To overcome all the above issues, some researchers suggest the IRBM should think of the way on how to supervise, guidance and enforce the tax agents to act as “proxy” to the tax authority, trusted partner in tax area and continuously support the interest of the government. They must not to participate whether intentionally or unintentionly to satisfy their clients’ need to minimize tax liability. It is time to be assertive and take action.

2.4 The IRBM Procedures for Tax agents’ Developments Towards Legitimate Tax Agents Services

From time to time, the IRBM is demonstrating a partnership approach with both taxpayers and tax agents by developing a series of initiatives by enforcing rules and regulations, ensuring it is fair to the taxpayer and at the same time observes the rules of professionalism and impartially in carrying out its duties and responsibilities. These initiatives and efforts are outlined and discussed as followings.

2.4.1 The Need To obtain Legitimate Tax Agent Services

In order to protect all taxpayers from incompetent tax agents, the IRBM has issued a media statement dated 26 November 2015 to inform and advise all taxpayers to only seek services from legitimate tax agents (authorised person in law) to manage their tax matters. The media statement also highlighted the disadvantages of using services from illegitimate tax agents, the prosecution that shall be taken against any person who offer illegitimate tax agents services, the reminder to not simply act as legitimate tax agents and the list of legitimate tax agents as per listed in the IRBM's website (refer Appendix A for the details). Legitimate tax agents services are very important in order to:-

1. Ensure taxpayers' compliance.
2. Facilitate interfacing between tax officer and the taxpayer.
3. Increase efficiency and effectiveness of revenue collection.
4. Expected to be law and do their duty professionally to enhance the collection of tax revenue.
5. To ensure that taxpayers are given the due respect and provided effective services so that tax compliance is enhanced.
6. To narrow the "*trust gap*" between the taxpayers and the IRBM.
7. To build a tax system that more efficient, equitable, business-friendly and transparent.
8. Smart partnership. The responsible role of tax agent could contribute to accurate application of the law in accordance with the tax status of their clients.

In the long run, all the objectives outlined above need to be monitored regularly so that there is balance between taxpayer rights and the powers granted to the IRBM in enforcing the tax law.

2.4.2 The Code of Conduct/Ethics for Tax Agents

The IRBM has issued a code of conduct/ethics for tax agents on 4 July 2012. This code of ethics is regarded as IRBM requirements to instil legal tax practice by way of ensuring a high standard of tax compliance and regulation so as to achieve the following objectives:-

- (a) To nurture the spirit of professionalism among tax agents so as to ensure that all scope of work performed is objective, impartial, effective, efficient and comprehensive.
- (b) To instil the spirit of accountability in line with legal tax practices that are to comply in provision with existing tax legislations/regulations.
- (c) To uphold the spirit of social responsibility consistent with public morality.

Certainly, the IRBM could re-analyse the current regulation as provided in the code of ethics. From time to time, the IRBM will review the current guideline and practice for application or renewal of tax agent's license which aims;

- i) to determine applicant is adequately qualified,
- ii) to safeguard the interest of taxpayers who engage the tax agents, and
- iii) to ensure that all parties involved in taxation are truly competent and professional.

All tax agents are also expected to provide high quality services and must be highly skillful while delivering their tax services to their clients. As such, this code of ethics would ensure that tax agents capable to advocate their clients with the highest integrity while providing professional tax services as required in the tax agents' code of conduct/ethics.

2.4.3 Taxpayer/Client Charter

The taxpayer/client charter describes the type of working relationship of IRBM with all taxpayers and tax agents, and communicate what they can expect from IRBM. The charter lists and explains taxpayers' legal rights and more obligations, list and explains other standards that taxpayers can expect to be observed and sets out IRBM's standard for delivering IRBM's day-to-day operations. It also helps to reinforce community confidence in the IRBM's operations. According to the taxpayer/client charter of IRBM, all Malaysian taxpayers have rights to engage a representative or "qualified tax adviser" under provision of "Section 153 of the ITA 1967" to present the taxpayer before the tax agencies. The Charter is stated⁶⁸ on the IRBM's website.

2.4.4 Tax Audit and Investigation Framework

Essentially, IRBM's enforcement activities are likely to increase in growth and taxpayers will have to manage their tax affairs effectively. Recognizing the importance of the role played by tax agents in representing taxpayers, IRBM has issued and produced the Revised Tax Audit Framework and the Tax Investigation Framework (the Frameworks). The main areas covered in the frameworks are as follows:-

- a. Criteria for audit and investigation selection
- b. Tax audit and investigation methodology
- c. Rights and responsibilities of taxpayers and tax agents, audit and investigation officers,
- d. Settlement upon completion of an audit or investigation; and
- e. Offences and penalties.

The Frameworks are formulated to govern the competency behaviour and the conduct of tax agents. As to instil their professionalism, the frameworks is believed to give public assurance of integrity and to enhance public confidence in the tax administration. The tax investigation framework is effective from 1 October 2013,

whilst the Revised Tax Audit Framework (the amendment) is effective from 1 May 2017 and replaces the previous 2015 Tax Audit Framework that was effective on 1 February 2015. Importantly, the frameworks provide that all taxpayers have the right to appoint or hire legitimate tax agents (professional tax agents/qualified tax advisers) at any time on the conditions that a written authorisation letter must be submitted to the IRBM on taxpayer's behalf. However, the taxpayers are prohibited from appointing illegitimate (unqualified or unapproved) tax agent. The frameworks also provide that if there is any unprofessional conduct on the part of the taxpayer or the IRBM, either party has the right to make a complaint to the relevant body.

2.4.5 The IRBM-Tax Agents Relationship

Tax agents continue to make valuable contributions to the development of new legislation through IRBM's tax policy. IRBM management at both a national and regional level have regular contact with tax agent representatives. The "working together" initiative was intended to improve the relationship and, in particular the communications flow, between the IRBM and the professional bodies with the aim of resolving issues and enhancing the efficiency of the tax agents services. For that reason, a few years ago, in order to improve the efficiency of tax agents services, IRBM has introduced a new system for facilitating tax agents to file their clients' income tax return form via TAef (Tax Agents e-filing).

Hence, in 2014, IRBM issued the revised guideline or procedure to process an application that who want to be a registered tax agent via on-line. By developing strong relationship with tax agents, hopefully this will also give a strong impact and influence taxpayer compliance behaviour. As at 31 October 2017, there was approximately 2,339 registered tax agents recorded with Inland Revenue Board (IRBM). Additionally, as at 30 April 2017, the Chartered Tax Institute of Malaysia (CTIM) has

3,435 members (2016 annual report of CTIM). The registered tax agents in particular have a crucial role in supporting the tax administration through the education and advice they provide to taxpayers on their rights and obligations.

Obviously, they play an important role within the Malaysian tax system in such, they can influence the compliance behaviour. Hence, they are bound by the commercial relationship they have with their clients, and are effectively an ‘intermediary’ between their client and the IRBM. Within this relationship, tax agents and the IRBM have a number of common objectives such as:-

- i. Assist the IRBM in ensuring full compliance of the tax laws
- ii. Play their role and fulfil their responsibilities
- iii. Deliver services as professional
- iv. Fulfil their social obligation in the interest of the public and the nation
- v. Act as Role Model

2.5 Role of Tax Agents

According to various tax literatures, in practice the term “tax practitioner” can be interpreted as “a diverse group of individuals, business structures and professional groups who provide a range of tax services for their clients”. They also can be identified as “self employed and in-house accountants, tax advisers and registered tax agents, tax agents franchises and legal practitioners” in the tax area.

Tax agents play a critical role in the tax compliance behaviour of taxpayers. “In response to complex social rules and obligations, taxpayers often find it advantageous to seek assistance from tax agents” (Erard, 1993). In fact, tax agents play a significant role in raising the level and standard of tax compliance and significantly influence the compliance process (e.g Andreoni et al., 1998 and; Suhaila, 2013)

The critical issues in underlying to acknowledge the role of tax agent, Nienaber (2013) mentioned that “the tax agents do have the good knowledge and experience to exploit the ‘grey areas’ of tax laws, a number of studies have examined whether professionally prepared returns are more non-compliant in nature than self prepared returns”. Also, Erard (1993) and Kamal (2012) found that paid tax preparers’ duties were reported and expected to participate with many noncompliance issues. Thus the potential loss of tax revenue due to non-compliant reporting poses a serious problem for the Tax Authorities.

It must be said, professional tax agents should act as “intermediary” whereby their duties lie between satisfying their clients and the tax authority. The services of a professional tax agent have a significant influence on taxpayers’ compliance as well as minimize compliance and administrative costs.

2.6 Professionalism of Tax Agents

To instil professionalism as well as to give public assurance of integrity, competency and obtaining professional advice, IRBM tax agents’ code of ethics underlying the standard code of ethics (or the standards of conducts) whereby a tax agent shall always adhere when discharging his or her duties (refer Appendix B).

As tax professionals, tax agents must act honestly, transparently and deliver all benefits of tax services including professional advice in all their dealing with a taxpayer (see Devos, 2012; Nienaber, 2013). According to TPB (Tax Practitioners Board of Australia, Circular 230 (c) Advising clients on potential penalties).

(1) A practitioner must inform a client of any penalties that are reasonably likely to apply to the client with respect to a tax return and any document, affidavit or other paper submitted to the Internal Revenue Service.

(2) The practitioner also must inform the client of any opportunity to avoid any such penalties by disclosure, if relevant, and of the requirements for adequate disclosure.

As cited by Gupta (2015; in Tan, 2013), the researcher suggest that qualities of good tax practitioners as perceived by taxpayers are competency, honesty, trustworthiness, good communication skills and acting in the interest of the clients. Why should tax agents maintain their professional competence? Professional tax agents must offer an effective and high quality service to maintain the trust and confidence. They have an ethical obligation to clients, tax authority and other stakeholders to undertake their work with due care and diligence.

Due diligence

In America, according to Circular 230 Ethics And Responsibilities of Tax Professional, professional tax agents must exercise due diligence;

- (1) In preparing or assisting in the preparation of, approving, and filing tax returns, documents, affidavits, and other papers relating to Internal Revenue Services matters;
- (2) In determining the correctness of oral or written representations made by the tax agent to the Internal Revenue Services; and
- (3) In determining the correctness of oral or written representations made by the tax agents to clients with reference to any matter administered by the Internal Revenue Services.

Reasonable Care

According to Sivamoorthy (2013), under the SAS, assistance or advice is treated as given with reasonable care if it is done on the basis of:-

- a) A proper interpretation of the Income Tax Act 1967 (as amended).
- b) A decision of any case law.
- c) Any ruling issued by the IRBM.
- d) An interpretation which reasonable.
- e) The person has acted in good faith.
- f) Has taken all necessary action expected of a reasonable person.

2.7 The Role and Responsibilities of Legitimate Tax Agents

“The term ‘*legitimate*’ was used instead of ‘compliant’ as it has a similar evaluate meaning” (Wurth, 2012, p.118). The conduct of a tax agent is governed by the Code of Ethics for Tax Agents issued by the IRBM which is based on principles of integrity, accountability, transparency and efficiency and as prescribed under “Section 153 of the ITA 1967”.

International Australian Tax Agents Services Act (TASA) 2009 defined a real tax agents as a professional who assists taxpayers comply their obligations under tax law, usually by using the information they are provided with in order to complete the annual income tax return. They also represent taxpayers in their dealings with the revenue authority. As highlighted in the paper of Tax administration in OECD and selected Non-OECD countries (OECD 2010) – “Tax agents/professionals play a significant role in the operation of the tax system of many countries, carrying out a range of task integral to the smooth functioning of the tax system (e.g preparing tax return,

providing advice to taxpayers on the application of the tax laws, and representing them in dealing with the revenue body)".

2.7.1 Legitimate Tax Agents Services

In Malaysia context, the term of tax services are not defined in "Section 153 of ITA 1967"; yet no interpretation under the "Sub-section 153(1)". However, in accordance with the By-Laws on Professional Conduct and Practice (By-Laws) of the Malaysian Institute of Accountants (MIA), taxation services comprises a broad range of services, including:-

- (a) Tax return preparation
- (b) Tax calculations for the purpose of preparing the accounting entries
- (c) Tax planning and other tax advisory; and
- (d) Assistance in the resolution of tax disputes

In the study of Frecknall-Hughes and Moizer (2014), they reported the issues that relevant in term of relationship between tax authorities and tax practitioners, are more looking at the importance of the quality of tax work as discussed in the study published by the Organisation for Economic Co-operation and Development (OECD, 2008) on tax intermediaries and HM Revenue & Customs' (HMRC, 2009) (consultation paper on tax agent) and the wider issue of quality in terms of services provided by tax authorities.

2.7.2 The Characteristic of Legitimate Tax Agents

Generally, at minimum set of standard, characteristics of legitimate tax agents can be described as:-

- Complying with professional ethics.
- Be able in complying with relevant laws and regulations.

- Be able to demonstrate professional responsibilities including ethical behaviour such as act honestly with integrity, trust and professional behaviour.
- Ability to provide technical explanations on complicated tax issues and to resolve any tax problems that may arise.
- Up-to-date in tax knowledge.
- Ability to apply general knowledge of applicable information technology to meet work needs.
- Ability to interpret tax ambiguities, skills in tax minimisation, and the ability to warn clients against illegal tax-planning schemes.

2.7.3 The Responsibilities of Legitimate Tax Agents

According to MAICSA Tax Agent's code of conduct, under the rule of the responsibilities, a tax agent is required to follow the rule which also stated under "Section 153 of ITA 1967" such as :- (1) Advising their clients on records to be maintained and their obligations to pay their dues as required by the law, (2) Assisting in completing clients' tax returns, (3) Attending the audit and investigation at clients' premises if they are being audited or investigated as well as participating in tax audit and investigation interviews, negotiations and proceedings on behalf of their clients, and (4) Filing appeals as well as attending court hearings and any further appeals.

In Australia, under the *Tax Agent Services Act (TASA 2009)*, only registered taxation agents may provide a 'tax agent service'. Section 90-5 defines a 'tax agent service' as one that relates to:-

- i. ascertaining liabilities, obligations or entitlements of an entity that arise, or could arise, under a taxation law; or
- ii. advising an entity about liabilities, obligations or entitlements of an entity that arise, or could arise, under a taxation law; or
- iii. representing an entity in their dealings with the Commissioner.

The service must also be provided in circumstances where the entity can reasonably be expected to rely on the service for either or both of the following purposes:-

- i. to satisfy liabilities, obligations that arise, or could arise, under a tax law
- ii. to claim entitlements that arise or could arise, under a tax law.

With regards to the audit and investigation procedures as provided in the Tax Audit and Tax Investigation Framework of IRBM, a tax agent is required to carry out his/her duties in the following manner:-

1. Professional, be fully conversant with tax laws and practices and with integrity;
2. Be honest, trustworthy, transparent and give fullest co-operation when dealing with the taxpayer and IRBM such as informing IRBM on ceasing to be the tax agent of a taxpayer and adhere to rules and guidelines laid down by IRBM;
3. Refrain from misusing information acquired or abusing his position as a tax agent for his own personal advantage;
4. Always give complete and accurate feedback relating to the progress of an audit and advise the taxpayer accurately based on the true facts of the audit case; and
5. Safeguard the confidentiality of all information and ensure that the information is not disclosed to any unauthorized party (subsection 138 (5) of the ITA 1967).

The tax agent is prohibited from:-

1. Giving wrong advice to taxpayers and collaborating with taxpayers to avoid paying the correct amount of taxes;

2. Delaying the work of a tax audit or acting irresponsibly towards his entrusted duties; and
3. Offering any form of gifts to the audit officers.

2.8 The Reasons and Motivations of Taxpayers to Hire or Use Professional Tax Agents

In the HMRC Research Report 373, Factors Affecting Choice of Tax Agent TNS2015, there are many reasons and motivations of taxpayers to hire or use tax agents as below:-

1. Price, location and recommendations.
2. Professional Qualification
3. Member of Professional Bodies
4. Offered digital services
5. Full range of services
6. More specialist in business and tax advice

In Nienaber's (2013) study, the main reasons of taxpayers to use and choose a professional tax agent are summarized as shown in table 2.1.

Table 2.1

The main reasons for using a professional tax agent or advisor

Main Reasons	Literatures
Tax return accuracy and To avoid serious tax penalties.	<p>- The international literature suggests that people's primary motivation for using a tax professional is that it provides certainty that their tax return is correct (Tan 1999; 2008).</p> <p>- Tan (1999, p. 439) has found that – "taxpayers engage with tax practitioners mainly in order to file an accurate tax return and to avoid serious tax penalties".</p>

Table 2.1 (Continued)

Main Reasons	Literatures
To obtain professional tax advice, to save time and to explore “grey areas”/(loopholes) in tax law.	<ul style="list-style-type: none"> - Sakurai and Braithwaite (2001) have shown that – “taxpayers obtain professional tax advice to decrease perceptions of complexity and legal uncertainty surrounding taxation, to save time and to explore “grey areas” in legislation which may result in lower tax liabilities”. - “Simply not having enough time to complete their own return” (Nienaber 2013). - “Taxpayers outsource because they lack the time required to manage tax functions” (Sakurai and Braithwaite, 2001). - “One of the norms (perspective) of business taxpayers includes save time” (Tan 2008).
Lack of Tax Knowledge and Self-confidence (self-efficacy)	<ul style="list-style-type: none"> - “Not having the knowledge to complete a complex return” (Nienaber, 2013). - “They are likely to feel more certain if they use a tax professional than if they attempt to do it themselves”. (see Tan 1999)
Tax Planning	“Wanting to minimize the tax they are required to pay” (Nienaber, 2013).
To negotiate on their behalf	“Taxpayers want tax practitioners to represent them and negotiate on their behalf in proceedings with both revenue authorities and policy-maker” (Nienaber, 2013).
Quality of services	<ul style="list-style-type: none"> - “Thus, there is little external validation of the quality of a tax preparer’s services; the client must rely on trust and other cues such as lack of audit, professional designation and price to proxy for quality” (Nienaber, 2013). - Essentially, Gupta (2012) found that – “in the accounting and tax literature in New Zealand and overseas, few studies have considered the relationship between tax practitioners’ communication skills, technical experience, competency and clients’ satisfaction with services”.

Source: Nienaber (2013)

In the Australian study by Devos (2012), some reasons why taxpayers employ tax professionals to represent them were: to lodge accurate tax return mainly due to their lack of tax knowledge, to minimize the tax they are required to pay, their fear of making mistake and being penalised; and lack of time to complete their own return. Wurth (2012) mentioned that “taxpayers tend to state that they have a preference for honest preparation with the goal of an accurate tax return and; with time-saving and tax minimisation”.

Some findings from South African study which focus more to understand the reason why small businesses outsource their tax functions, revealed that: “these small businesses largely outsourced their tax responsibilities because of a lack of skilled tax personnel and insufficient time required to manage tax functions” (Lubbe & Nienaber, 2012). The researchers also addressed that the main reasons the small-business taxpayers to use a tax practitioner were accurate tax return, reduce SARS investigation, minimize tax liability, lack of knowledge and lack of time.

Also, in South Africa, a study conducted by Venter and De Clercq (2007, p. 146) showed that – “small businesses tend to outsource their tax functions because these businesses lack skills and time”. The researchers found that during 2004, SARS determined that about 95% of small businesses preferred to hire or use tax practitioners to outsource some of their tax functions. For the purpose of tax audit and negotiation with tax authority, Gupta (2015) reported that “US study revealed that clients are desirous of having their tax practitioner be their advocate in a manner that shields them from the revenue authorities”.

Jonathan Mendel and John Bevacqua, (2010) cited Hite P.A., et. al., (1992), they concluded that “a survey of small business organisations show that taxpayers’

motivation to seek the assistance of tax agents come to: have their tax return prepared correctly, avoid serious penalties, pay the tax required, and reduce the chances of being audited”. Other survey of the study indicates that the accuracy of the return is the most important reason taxpayer use tax agents. The tax literature also shows that tax agents assist the tax authority to enforce law when it is unambiguous, but assist taxpayers to exploit tax law when it is ambiguous. They also further explained that prior studies indicate that there are a number of reasons for tax agents engagement which includes to educate taxpayers on their rights and responsibilities of relevant tax laws, to update them on regular basis, and to guide taxpayers whenever they face problems with their taxation.

Furthermore, the researchers mentioned that some taxpayers may hire tax preparation services to shield themselves from direct interaction with the IRS in case of audit (Dubin, Graetz, Udell, and Wilde 1992; Nichols and Price 2004) or to provide insurance against penalties and other sanctions (Scotchmer 1989; Hite and Hasseldine 2003; Nichols and Price 2004).

Stephenson (2015) concluded that the motivations of taxpayers to hire tax preparers have been categorized into accuracy, audit avoidance, money savings, tax minimization, time saving, and having a professional to stand between the taxpayer and the IRS (Internal Revenue Services). “Accuracy is the best term to define the motivation of taxpayers to hire a tax preparer” (Yankelovich 1984; Collins, Milliron, Toy 1992; Stephenson 2006). “Audit avoidance means preparing a tax return in such a way as to minimize the likelihood of audit. This implies ambiguities are to be resolved in a conservative manner” (Stephenson, 2006).

As noted by Nor Suriana, Nor Suhaily and Shuhaimi (2014), the previous studies (e.g Hite et. al., 1992; Tan, 1999; Ahmed & Sakurai, 2001; Sakurai & Braithwaite, 2002; and Savage, 2004), also outlined that majority of sole traders were highly relying on tax practitioners in order to help them to comply their tax responsibilities and to avoid any penalties imposed by IRBM as well as errors and misstatements. As cited by Suhaila (2013; in Dubin et al., 1992 and; Blumenthal and Christian, 2004), “suggest that the increase in audit enforcement results in more taxpayers seeking the advice of tax agents”.

In term to determine the client satisfaction with their tax practitioners’ services, Gupta (2015) referred to various studies (e.g Tan and Hite and McGill, 1992; and Chand and Bird’s, 1993), the researcher mentioned that their findings such as actual tax and time savings, accuracy in tax return, ease and quick accessibility of services; and prefer to select a tax adviser who gives them the confidence in helping their tax matters and tax minimisation (tax planning) were the main factors in selection of tax practitioner. In the recent tax literature by Yonas (2016), the researcher stressed that “when taxpayers are confronting with complex tax situation such as, when tax law is ambiguous, more taxpayers, who are fear of penalties, are turning to tax practitioners for help”. That is why majority of businesses owners prefer professionals to prepare their tax returns.

2.9 Theory of Reasoned Action And Theory of Planned Behavior

Conceptually, the Theory of Reasoned Action (TRA) (Fishbein & Ajzen 1975; Ajzen & Fisbein 1980) and its successor, the theory of planned behaviour (TPB) (Ajzen, 1991) are theories of social behaviour that have been used successfully in the tax compliance literature to explain overall tax compliance in the United States (Hanno and Violette 1996; Bobek and Hatfield 2003). TRA is mainly explained about two

determinants variables; attitude and subjective norm. In addition to TRA's variables, TPB included another important variable; behavioral control variable as another determinant in predicting individual's behavioural intention (intention-behaviour). The main ideas of TRA and TPB theories are the individual behaviour as guided by his/her intention. The TPB theory states that "attitude towards behaviour", "subjective norm", and "perceived behaviour control" (namely as the TPB variables), altogether shape an individual's intention and behaviours.

Therefore the both theories focus on the intention as "precursor" or "proxy" to the actual behaviour. It represents an individual's motivation in the sense of his/her conscious plan or decision to execute certain behaviour. The illustration (figure 2.1 & 2.2) show the theoretical relationship between the various elements of the TRA and TPB Model.

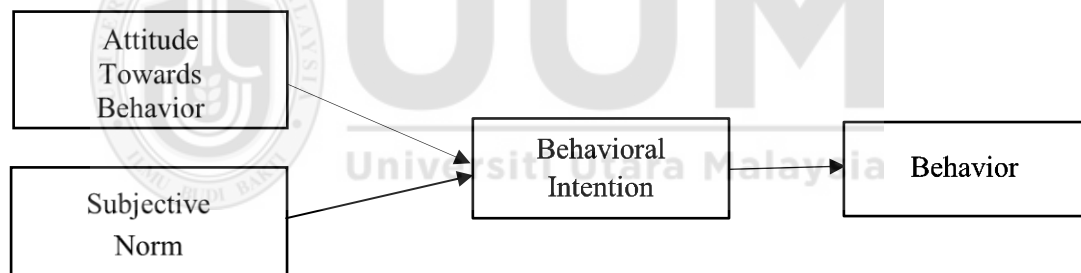


Figure 2.1

Theory of Reasoned Action (TRA)

Source: Understanding attitude and predicting social behavior, by Ajzen, I and Fishbien, M. 1980, Englewood Cliffs, NJ: Prentice Hall, pg 8.

However, the limitation identified in this TRA is, when people face difficulties and have little power or no control in performing the behavior. Because of these, Ajzen developed TPB to include another variable in the original theory which is perceived behavioral control as shown in figure 2.2.

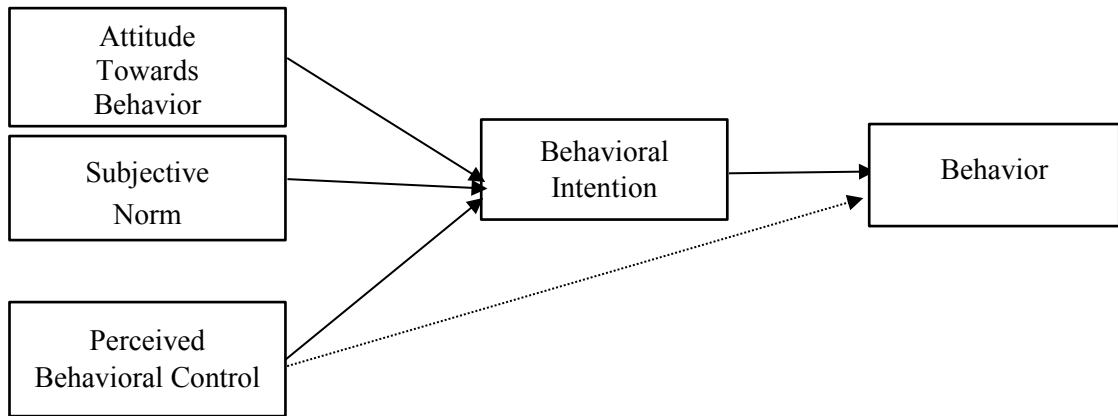


Figure 2.2

Theory of Planned Behavior (TPB)

Source: The Theory of Planned Behavior, by Ajzen, I, 1991, Organizational Behavior and Human Decision Process, 50, pg 182.

According to the theory of planned behaviour (TPB) (Figure 2.2), actual behaviour is influenced by behavioral intentions (intentions to perform or not to perform the behaviour) where the role of behavioural intention is determined based on individual's attitude towards the behaviour, subjective norm, and perceived behavioural control (Ajzen, 1991). The framework of TPB shows that the TPB variables has certain influence towards intention. Perceived behavioural control (PBC) is modelled as capable of influencing behaviour directly as well as through its effect on intentions. The indirect link represents the motivational influence of control on behaviour whereas the direct link from PBC to behaviour represents the actual control an individual has over behavioral performance.

Ajzen and Fishbein (2010), suggest that "PBC can serve as a proxy for actual control and be used to improve prediction of behavior. This possibility is shown by the dotted arrows that connect actual control to perceived control and perceived control to the intention-behavior link". Also, the researchers mentioned that "the TPB variables although conceptually independent, can correlate with each other because they may

capture the same information”. For example, if a behavior is expected to produce favourable health outcomes, some people may form a positive attitude towards the behaviour, and they may also immediately influence their peers i.e friends, family members, spouses or other relevant referents that would want them (their peers) to perform also the actual behaviour. Ajzen (2005) developed the TPB variables based on the behavioural belief (individual’s positive or negative belief), normative belief (beliefs that underlie subjective norm) and control beliefs (beliefs about the level of control over behaviour). As for control beliefs, people who believe that they lack of skills required to perform the actual behavior may anticipate failure. Thus, they may develop a negative attitude towards the behaviour.

2.9.1 Attitudes Towards Behavior

Attitudes towards behavior is the degree of which an individual has positive or negative evaluations or feelings on that behavior (Ajzen, 1991). The outcomes resulting from the behavior is based on the expectations and beliefs on the personal impact that arise. Ajzen (1991) also stated that attitude reflects the evaluations of that behavior and its outcome. Hence it is also referred to behavioral belief. Fishbein and Ajzen (1975) argued that attitudes are derived from the belief that people hold based on the object of the attitude. It means that individual’s belief has connection/relationship with certain objects, attributes or outcomes. Most theorists agree that attitudes can put in view as an evaluative mediating effect or response. It will strongly affect individual behavior through their origin intentions if it is positively reinforced.

Various studies have been carried out by applying decomposition approach. Lau (2002) categorized attitude into five concepts which are perceived usefulness, perceive

ease of use, perceived benefit, compatibility and observability. Shimp and Kavas (1984) also found that attitude could be classified into three parts, which are inconvenience, encumbrances and rewards.

2.9.2 Subjective Norm

Ajzen (1991) describes subjective norm (SN) as the influence of third party on others. SN as a person's beliefs about whether specific individuals or peer groups tend to motivate or not regarding individual performing a specific behaviour (Bobek & Hatfield, 2003). SN is supported by social learning theory that focuses on the environmental factors (Bandura, 1977). The theory explains that human decision is shaped by personal and environmental factors.

However, the most important factor that makes a person comply with a behaviour is derived from peers or any other social influences. For example, person "A" asks for an opinion from his or her peers about "X" product. When his or her friends tell him that it is not a good product, the person "A" will not buy the product. This theory is based on one's observation on the other individual (Bandura, 1977). Therefore, the strength in performing the behaviour will be influenced by the important persons in one's life in executing the behaviour (Ajzen, 1991). Besides that, behaviour also will be influenced by social belief. Aronson, Wilson, and Akert (1999), they found that societal belief depends on what is right, accepted and can be done by the people.

2.9.3 Decomposition of Perceived Behavioral Control

PBC variable is placed after the variable of attitude and subjective norm by extending the model of the TRA, and is the third determinant of intention in the TPB (Fishbein & Ajzen, 1975). PBC was added to explain behaviors that are not under full volitional control, and refers to the perceived ease or difficulty involved in performing the

behavior of interest (Ajzen & Madden, 1986; Ajzen 1991; and Beck & Ajzen, 1991). This may include the availability of resources, skills, confidence and the ease or difficulty of performing or refraining from the behaviour and anticipated obstacles. This refers to the individual's perception of the extent to which performance of the behaviour is easy or difficult (Ajzen, 1991). It increases when individuals perceived they have more resources and confidence (Ajzen, 1985).

Previous researchers (e.g. Fang & Shih, 2004; Ingram, Cope, Harju, & Wuench, 2000) found that PBC has significantly effect on intention. For example, if an individual has intention that should ascertain to comply with tax compliance but does not know how to comply but after added another sub-variable such as knowledge to comply, the prediction towards the intention to tax comply will be more valuable. In recent studies, control factors were proposed to consider both (internal and external) factors. Generally, the internal factors are based on human matrix of a person (human behavior) whereas the external factors are based on non-human matrix of a person (non-human behaviour).

The PBC considers personal (internal factors) and environmental factors (external factors). The internal factors are such things as skills, abilities, information, emotions such as stress, self-confidence, self-efficacy, self-esteem etc. meanwhile the external factors include such things as situation, opportunity, tax knowledge, tax laws, dependence on others etc. to engage in a particular behaviour (Ajzen, 2005, Fishbein & Ajzen, 2010). Thus, the TPB assumes that the control component will predict behavioral intention, and in situations where the amount of actual control an individual has over the behaviour can correctly predicted, it will also predict behaviour directly.

2.9.3.1 Self-Efficacy

As important variable, the latest sum of studies take into account the concept of self-efficacy which Ajzen adopted Bandura's self-efficacy for his PBC variable in the TPB. Eccles and Wigfield (2002) analysed that: "the self-efficacy construct has been applied to behavior in many domains including school, health, sports, therapy, and even snake phobia" (see Bandura 1997). They researchers said, "by and large, the evidence is very supportive of the theoretical predictions". For example, in predicting high personal academic achievement, course enrolment, and choice of occupational aspirations (see Bandura 1997, Bandura et al. 2001). To clarify the role of PBC, Ajzen and Fishbein, (1991) explained that – "an individual may have total control when there are no constraints of any type to adopting a reticular behavior". This argument, of course, related to the individual's capability, self-confidence, knowledge and competency which those have similar meaning as self-efficacy.

In addition, Ajzen and Fishbein (2010), stressed that there were significant number of studies whereby many researchers adopted Bandura's (1977) self-efficacy, and self-efficacy is found becoming a good predictor of behavior (e.g., Garcia & King, 1991; Longo, Lent, & Brown, 1992; Sadri & Robertson, 1993). Further, measures of perceived behavioral control or self-efficacy are often found to improve prediction over and above intention (Armitage & Conner, 2001; Cheung & Chan, 2000) and this finding is believing come true when the behavior is not under complete volitional control (Madden, Ellen, & Ajzen, 1992). Thus, it is opined that the concept of PBC and the concept of self-efficacy have similar equivalent whereby both are concerned with perceived ability to perform a behavior (or sequence of behavior) (Ajzen, 2002).

Also as further explained about the role of PBC and self-efficacy as well as the compatible between the both variables, the other researchers (e.g. Schwarzer & Luszczynska, 2005), opined that “Self-efficacy and perceived behavioral control are seen as almost synonymous constructs. However, self-efficacy is more precisely related to one’s competence and to future behaviour”.

According to Bandura and Locke (2003), self-efficacy theory adopts a conditional view regarding negative effect of an elevated sense of personal efficacy. In preparing for challenging endeavors, some self-doubts about one’s performance efficacy provides incentives to acquire the knowledge and skill needed to master the challenges. It may be said, those with high levels of self-efficacy focus on the opportunities worth pursuing, whereas the less self-efficacious tend to avoid uncertainty circumstances or any risks (Krueger & Dickson, 1993, 1994; Bandura & Locke, 2003).

People who believe that they have the skills and other resources needed to perform the behavior or overcome barriers are likely to develop a strong sense of self-efficacy or perceived behavioral control, whereas people who believe that they lack some of the requisite resources are likely to have a much weaker sense of personal agency. In other words, at the opposite extreme, there may be a total lack of control if adoption of a given behaviour requires opportunities such as resources or skills which may be lacking. Lack of requisite skills and abilities, or presence of environmental constraints, can prevent people from acting on their intentions (Fishbein & Ajzen, 2010). According to Sheeran (2002), “Self-efficacy influences the challenges that people take on as well as how high they set their goals (e.g. “I intend to reduce my smoking” or “I intend to quit smoking altogether”)”.

Munusamy (2015), found that self-efficacy significantly influenced the intention of sole proprietors to use tax agent. As following to confirm the findings, this present study also suggests self-efficacy is an important variable to be considered as PBC (internal factor) to examine the relationship between intention and behaviour of sole proprietor taxpayers towards using legitimate tax agents. Their self-efficacy would be assessed according to the capability to handle their tax matters, confident to compute tax themselves and having tax knowledge.

2.9.3.2 Tax Enforcement

Apparently, there are numerous factors that can impact on the extent that sole proprietor taxpayers comply with their tax obligations. In terms of using professional tax agents, factors such as the accuracy of tax return (declare income without mistake), the probability of audit or other enforcement activity and the severity of penalties may all play a role. “In an era of increased penalty enforcement, more taxpayers turn to tax practitioners for assistance” (Mazur & Nagin 1987; Collins et. al. 1990; Suhaila, 2013). The extant study of Mckerchar (2005) found that since implementation of SAS, tax practitioners in Australia are having bigger roles to play in tax compliance, tax audits and tax enforcement processes (Choong & Ling, 2008). More important, Devos (2012) noted that: “tax law enforcement was a factor upon the taxpayers’ compliance behaviour”. In essence, in fear of tax penalties, many taxpayers seek professional tax agent services for tax filing and to represent them for tax audits and other tax enforcements.

According to Munusamy (2015), tax laws significantly influenced the intention of sole proprietor to use tax agent. As similar, this study suggests that tax enforcement is an important variable to be considered as for PBC (external factor). The important

decision that could be considered by a taxpayer is possibility of an audit directly to him or her.

2.9.4 Intention

The TPB suggests that intention is influenced by the attitude, subjective norm and perceived behavioural control variables. This is a proxy measure for behaviour. It represents a person's motivation in the sense of her or his conscious plan or decision to perform certain behaviour (Conner & Armitage, 1998). Actual behaviour is again derived largely from intention, but is mediated to some degree by perceived behavioural control (Ajzen, 2006). Generally the stronger the intention is, the more likely the behaviour will be performed (Fishbein & Ajzen, 2010). The importance of intention in predicting the behaviour was researched by many scholars. It was found that the stronger the intention to perform the behaviour, the more likely the behaviour will be performed. However, the relationship between intention and behaviour is essential based on the theoretical premise that intention may not necessarily result in action as shown in previous study (e.g. McKecher et. al., 2011). According to Sheeran (2002), "Behavioural intention encompasses both the direction (to do X vs not to do X) and the intensity (e.g. how much time and effort the person is prepared to expend in order to do X) of a decision". Generally, typical responses to the intention are; "I intend to do X", "I plan to do X", or "I will do X".

Suhaila (2013) noted that the meta-analysis by Armitage and Conner (2001) also revealed that one of the strengths of the TPB is its power to predict behaviour in various fields of studies. Based on the prior studies, the TPB showed the results with a significant proportion of the variance in intention and behaviour. "The TPB is also arguably one of the dominant models of attitude-behaviour relations" (Armitage &

Christian, 2004). Therefore, this study is conducted to determine and measure the intention of sole proprietor taxpayers to use legitimate tax agents.

2.10 Relationship between Attitude and Intention

The first independent variable (IV), attitude has an effective influence towards the intention. It is also about an individual has positive or negative feelings of the behaviour of interest. It will consider the outcomes of performing the behaviour. Attitude is also referred to an individual's belief of the favourable or unfavourable of the actual behavior, and the evaluation of the outcomes or appraisal of the behavior in question (Fishbein & Ajzen, 1975; 2010). The relationship between attitude and intention has attracted significant numbers of researchers in various fields of studies such as leisure choice, psychology and hospitality management; and committing traffic violence (e.g Ajzen & Driver, 1992; Cheng, Lam & Hsu, 2005; Poulter, Chapman, Bibby, Clarke & Crundall, 2008). According to Poulter et. al. (2008), people develop bad attitudes towards truck driving behavior because it is based on the intention to commit violations.

Based on the empirical studies, among the relationships between the three elements of the TPB theory; attitude, SN and PBC with intention; attitude towards the behavior is a major influencer or predictor on an individual's intention. Suhaila (2013) noted, "interestingly attitude towards behaviour remain the strongest predictor of intention". "Smith and Kinsey found that peoples' social networks and associations help shape their perceptions, norms and attitudes which then influence their responses to perceived and actual sanctions" (Devos, 2012). Specifically, the relationship between attitude and intention is found having significant positively relationship for a lot of

researchers. They have presented a positive relationship between attitude and intention. Some of them are shown in table 2.2.

Table 2.2

The relationship between attitude and intention according to the researchers' study.

The researcher(s)	The Purpose of The Study	The effect of attitude (positively/negatively)
Puvaneswari (2015)	To become tax agent	Positively
Soon Yau & Choo Hong (2015)	Current knowledge enhancement intention	Positively
McCarthy, De Boer, O'Reilly & Cotter (2013)	To determine the factors influencing intention to consume beef	Positively
Ahmed, Kamal, Nik Suryani & Tunku Badariah (2011)	To use social software	Positively
Hassanoust, Logeswaran & Kazerouni (2011)	To share knowledge on-line	Positively
McDowall & Jackling (2010)	To share knowledge on-line	Positively
Hung, Chang & Yu (2006)	Intention to use online tax filing	Positively
Bobek (1997)	Attitude towards paying tax	Positively

Source: Puvaneswari (2015)

In line with the previous researches, for the purpose of this study, attitude will be used as an independent variable to determine the intention towards using legitimate tax agents among sole proprietor taxpayers.

2.11 Relationship between Subjective Norm and Intention

The second independent variable (IV), subjective norm is referred to the senses or beliefs about whether the expectation of others (peers) think he/she will perform the

behaviour. Peers usually include friends, relatives, families and co-workers. Palil (2010) mentioned that:-

The influence of referent groups tends to be important in SAS, as taxpayers are keen to refer their tax matters to their immediate family members or friends rather than tax experts, in order to minimise their compliance costs. If a taxpayer refers to a compliant taxpayer, then the tendency to commit tax evasion is lower, but if a taxpayer refers to a non-compliant taxpayer, they might become a non-compliant taxpayer as well.

There were several studies that showed a significant positively relationship between subjective norm and intention as shown in table 2.3.

Table 2.3

The relationship between subjective norm (SN) and intention according to the researchers' study.

The researcher(s)	The Purpose of The Study	The effect of SN (positively/negatively)
Puvaneswari (2015)	To become tax agent	Positively
Yang & Einstein (2014)	To decide child's sex	Positively
Alam & Sayuti (2011)	To purchase halal food	Positively
Iakovleva, Kolvereid & Stephan (2011)	entrepreneurial intentions	Positively
Lu, Huang & Lo (2010)	To use on-line tax filing	Positively
Han & Kim (2010)	To use green hotel	Positively
Bobek, Hatfield & Wentzel (2007)	To apply for a tax refund of overpaid tax.	Positively

Table 2.3 (Continued)

The researcher(s)	The Purpose of The Study	The effect of SN (positively/negatively)
Trivedi, Shehata & Mestelman (2005)	To comply with tax	Positively
Bobek & Hatfield (2003)	To comply with tax	Positively

Source: Puvaneswari (2015)

In line with the previous researches, for the purpose of this study, subjective norm is used as an independent variable to determine the intention of sole proprietor taxpayers to use or appoint legitimate tax agents.

2.12 Relationship between Perceived Behavioral Control and Intention

TPB has suggested that internal and external factor can be made for PBC. The internal factors are derived from the human matrix of individual. In various of the tax literatures, it includes education, tradition, norms, perception, motivational factors, emotional state, level of confidence, professional training, access to information, self-efficacy etc. whereas the external factor (that derived from non-human matrix of individual) includes legislative norms, excessive regulation, enforcement, economic stability, social policy, access to resources, the extent of income achieved, tax control policy etc. In brief, taxpayers' intention are related to the internal and external factors depend on their needs or resources towards the certain behaviour.

As similar to PBC, self-efficacy can determine the relationship between the belief in one's abilities altogether with one's self-confidence to execute a task or range of actions (Bandura & Locke, 2003). There were several studies that have had a significant positively relationship between self-efficacy and intention as summarized in table 2.4.

Table 2.4

The relationship between self-efficacy and intention according to the researchers' study.

The researcher(s)	The Purpose of The Study	The effect of Self-efficacy (positively/negatively)
Puvaneswari (2015)	Self-efficacy to become tax agent	Positively
Anuar & Othman (2012)	Self-efficacy on performing tax payments transactions through E-Bayaran system.	Positively
Carter, Christian, Hobbs & Campbell (2011)	Self-efficacy to use the e-service	Positively
Amin, Baba & Muhammad (2007)	Self-efficacy in determining mobile banking acceptance	Positively
Ramayah & Aafaqi (2004)	Self-efficacy in e-library usage	Positively

Source: Puvaneswari (2015)

Terry and O'Leary (1995) claimed that self-efficacy has significant positively relationship towards intention of an individual. However, a study by Munusamy (2015) found that self-efficacy towards using tax agents was significant but negatively influenced the intention of the respondents. With regard to tax enforcement, there were several studies that showed a significant positively relationship between tax enforcement and intention as summarized in table 2.5.

Table 2.5

The relationship between tax enforcement and intention according to the researchers' study.

The researcher(s)	The Purpose of The Study	The effect of tax enforcement (positively/negatively)
Munusamy (2015)	The effect of tax law towards the intention to use tax agent.	Positively
Smart (2012)	The relationship between the tax laws towards tax compliance	Positively

Table 2.5 (continued)

The researcher(s)	The Purpose of The Study	The effect of tax enforcement (positively/negatively)
Rutenberg (1978)	The effect of tax enforcement upon tax compliance behavior	Positively

Source: Munusamy (2015)

In line with the previous researches, for the purpose of this study, self-efficacy and tax enforcement are used to determine the intention of sole proprietor taxpayers to use or appoint legitimate tax agents.

2.13 Conclusion

This chapter has reviewed all the relevant theoretical literature used in studying the meaning of legitimate tax agents' services, the characteristic of legitimate tax agents including their role and responsibilities; and the reasons or intentions of taxpayers to hire or use professional tax agents. Regardless of the intention to use legitimate tax agents, the relevant theory to understand the taxpayers' intention behaviour is the Theory of Planned Behavior which is an extension of Theory of Reasoned Action. According to the previous studies, the TPB has been used to explain different circumstances affecting the behavior. In studying the intention, researcher taking into account all the four elements: attitude, subjective norm and perceived behavioral control (internal and external factor) involved that will affect the intention towards behavior. This chapter has also discussed all the variables in the TPB theory by using supporting literature reviews. Importantly, the relationship between the independent variables and the dependent variable were discussed based on literature reviews.

CHAPTER 3

RESEARCH METHODOLOGY

3.1 Introduction

This chapter discusses the research methodology on the study of intention to use or appoint legitimate tax agents among sole proprietorships by using the Theory of Planned Behavior (TPB) as a research foundation. The research framework were developed from the TPB theory in order to determine their intention towards using legitimate tax agents. There were several hypotheses developed from this model as well. From the research model that was constructed, each variables was explained. The formation of instruments to measure each variables in the research model were also explained. A detailed discussion is carried out on research design and data collection. Then followed by a discussion on data analyses methods.

3.2 Research Framework

The research framework was developed based on the TPB to illustrate the intention to use legitimate tax agents among sole proprietorships. It was also to prove the model of the research by describing the relationship between the independent and dependent variables. A sole proprietor taxpayer needs to have an intention to use a legitimate tax agent in order to perform a behavior by which the intention is expected will be influenced by the attitude, subjective norm, self-efficacy and tax enforcement.

Hence, the TPB is adapted as a research framework in this study to explain the position of intention towards behavior for sole proprietor taxpayers to use legitimate tax agents. The research framework in figure 2.1 illustrates the theoretical relationship of the four independent variables: attitude, subjective norm, self-efficacy and IRBM's tax

enforcement towards the dependent variable; the intention of sole proprietor taxpayers to use legitimate tax agents.

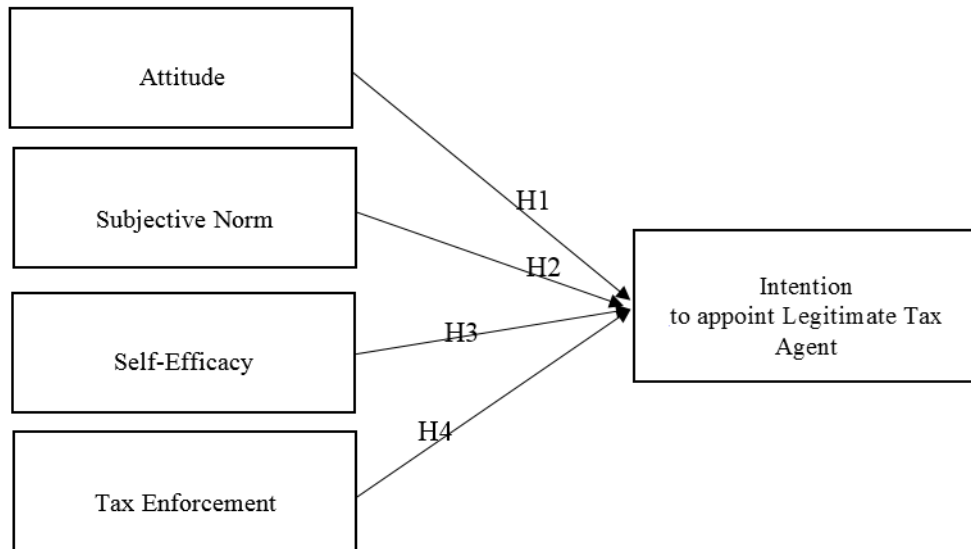


Figure 3.1
Research Framework: Framework on Intention to appoint Legitimate Tax agent

This study adapted the TPB theory which was developed by Ajzen (1991). Thus, the study constructed the research framework in order to understand the relationship between attitude, subjective norm, self-efficacy and tax enforcement towards the intention of sole proprietor taxpayers to appoint legitimate tax agents.

3.3 Hypotheses Development

Using The Theory of Planned Behavior (TPB) as a conceptual framework (model of the research), this study aims to determine whether the sole proprietor taxpayers have the intention to appoint legitimate tax agents or not. Firstly, the study determines the sole proprietor taxpayers' attitudes towards the intention to appoint legitimate tax agents. The attitudes is referring to the degree to which the sole proprietor taxpayers have positive or negative attitude towards the intention to use legitimate tax agents. Secondly, the study determines the next predictor of intention; subjective norm of sole

proprietor taxpayers towards the intention to appoint legitimate tax agents. Subjective norm is a social influence and it refers to the perceived social pressure of sole proprietor taxpayers to perform or not to perform the behavior that leads to the intention to use legitimate tax agents. Lastly, the study determines the last predictor of intention; perceived behavioral control of sole proprietor taxpayers towards the intention to use legitimate tax agents which is split into two important components or dimensions; internal and external factors as predictor of intention. Perceived behavioral control is defined as the extent to which the sole proprietor taxpayers have control over the internal and external factors that facilitate the behavior that affects the intention of sole proprietor taxpayers to use legitimate tax agents.

3.3.1 Attitude towards the Intention To appoint Legitimate Tax Agents

Attitude towards behavior is the belief assessment of positive or negative emotional state of an individual when performing a behavior. The TPB claimed that the more favourable the attitude with reference to the behavior, the stronger will an individual's intention be to perform the behavior in question (Ajzen, 1991). Attitude is a psychological propensity that is expressed by assessing an individual's degree of favour or disfavour (Ajzen & Fishbein, 1980). Puvaneswari (2015) cited Krueger, Reilly and Carsrud (2000), the researcher mentioned that "there was a significant influence of the attitude towards the behavior on intention when the researchers tested the attitude-intentions of students". In a study by Aiedah, Sharifah and Hairunnisa (2015), they found that – "positive attitude towards halal food is the most important determinant of behavioural intention in consuming halal food among young muslims". A recent study by Munusamy (2015), found that attitude has a strong influence to the intentions of respondents to use tax agents.

Based on the above discussions there is a prior prediction that the sole proprietor taxpayers with positive view are more likely to have positive attitudes towards the intention to appoint legitimate tax agents. Therefore, it is hypothesized that:

H1: Attitude is positively related to the intention to appoint legitimate tax agents among sole proprietor taxpayers.

3.3.2 Subjective Norm towards the Intention To appoint Legitimate Tax Agents

Subjective norm (SN) is the perceived social pressure to perform or not to perform the behavior. The other persons who are important to the respondent, believe the respondent should perform or not to perform the behavior in question (Ajzen, 1991). These pressures can be exerted by parents, family members, spouse, friends, peers and etc. The TPB could predict effectively that the intention of the individual will be stronger when the individual perceives that people around them suggest that the individual should or should not engage in the behavior (Randall & Gibson, 1991). “Subjective norm was found to have significant effect in influencing the intention of young consumers to purchase on-line using the social media websites” (Sin, Md Nor & Al-Agaga, 2012).

A recent study cited by Puvaneswari (2015; in Alqasa, Mohd Isa, Othman and Zolait 2014), found that “subjective norm is a powerful predictive for students’ intention towards using banking services”. According to Munusamy (2015), SN has significant positively related to the intention of respondents to use tax agents.

Based on the empirical studies, there is a prior prediction that the SN of sole proprietor taxpayers are more likely to have high influence on their intention towards the intention to appoint legitimate tax agents. Therefore, it is hypothesized that:

H2: Subjective norm is positively related to the intention to appoint legitimate tax agents among sole proprietor taxpayers.

3.3.3 Perceived Behavioral Control towards the Intention To appoint Legitimate Tax Agents

Perceived behavioral control (PBC) means to recognize the perceived ability in and out of an individual to perform a particular behavior (Ajzen, 1991). It specifies the difficulty level of performance displayed by an individual. Perceived behavioral control also refers to the perception of the ease or difficulty as well as the influence of other factors for an individual to successfully execute the behavior in question (Bobek, Robin & John, 2007). In other words, PBC is defined as to the extent an individual has control over the internal and external factors that is able to obstruct or aid the performance of the behavior in question. As mentioned earlier, PBC could be separated into two important components or dimensions namely internal factor and external factor. The latest sum of studies take into account the concept of self-efficacy as internal factor which Ajzen adopted Bandura's self-efficacy for his PBC variable in the TPB. For the external factor, number of tax literatures suggest general tax awareness, tax law enforcement, tax fairness, tax moral and tax knowledge.

In line with the prior studies, this present study divides the PBC into two important dimension. The first dimension namely Self-efficacy and the second dimension namely as Tax enforcement.

3.3.3.1 Self-Efficacy towards the Intention to appoint Legitimate Tax Agents

“Self-efficacy, which refers to the belief in one's ability to succeed in a given task (Bandura, 1997), leads individuals to prefer more challenging tasks and making effective decision according to their capabilities, confidence level and resources while

getting the correct information, knowledge or skills”. Self-efficacy beliefs may influence the choices people make and the courses of action they pursue. Individuals tends to select tasks and activities in which they feel competent and confident and avoid those in which they do not (Sniehotta, Scholz & Schwarzer 2004). The higher the levels of efficacy, the greater the effort, persistence, and resilience; and *vice versa*. As Ajzen and Fishbein (1980) adopted the Bandura’s self-efficacy, it plays an important element that influences the intention of an individual. Sniehotta, Scholz and Schwarzer (2004), Garcia and Mann (2003) and Dzewaltowski, Noble and Shaw (1990) found that self-efficacy is the powerful predictor of intention. “A rule of thumb is to use the following semantic structure “I am certain that I can do xx, even if yy (barrier)” (Schwarzer & Luszczynska, 2005).

In this study, Self-efficacy refers to the level of tax knowledge and tax calculation (tax accuracy) of sole proprietor taxpayers (the ability of sole proprietor taxpayers in preparing their tax return to submit to the IRBM). If taxpayers are relatively knowledgeable about the process of lodging a tax return and confident about the outcome, they could be said having high levels of self-efficacy. Based on the self-efficacy theory, high self-efficacious sole proprietor taxpayers may influence their intention to use legitimate tax agent but in negative effects. Those with high levels of self-efficacy are more likely to prepare the tax return on their own rather than to use legitimate tax agents and *vice versa*. This study also suggests that self-efficacy for tax knowledge may include the willingness of the sole proprietor taxpayers to use e-Filing system. Some of them are confident and capable in using the internet to fill their on-line tax return via IRBM’s website. As such they could be said having a good self-efficacy because they are willing to adapt to using digital services. In other words, the

higher sole proprietor taxpayers perceived their self-efficacy to use e-Filing system, the lower their intention to use legitimate tax agents.

From the above discussions, self-efficacy could be positively or negatively relationship to the intention to use legitimate tax agent. To determine the relationship self-efficacy and the intention of sole proprietor taxpayers towards using legitimate tax agents, there is a preceding anticipation that the sole proprietor taxpayers with high levels of self-efficacy are expected have low intention to appoint legitimate tax agents and *vice versa*. Therefore, it is hypothesized that:

H3: Self-efficacy is negatively related to the intention to appoint legitimate tax agents among sole proprietor taxpayers.

3.3.3.2 Tax Enforcement towards the Intention to appoint Legitimate Tax Agents

In general, there is a positive association between the desire of sole proprietor taxpayers to gain protection from the IRBM's enforcement, audit and investigation specifically; and the demand for professional tax agent services. With regard to the tax enforcement activities, the IRBM is substantially increasing the number of enquiries into the tax returns of persons who have previously reported a turnover of just below unacceptable figure. If the IRBM find that a tax return is incorrect, the IRBM will impose fine and tax penalties. Since there are taxpayers who are truly honest and consistently comply with the tax law, and there are also dishonest taxpayers who are always tend to cheat, so the presence of fine and penalties are expected to influence the taxpayers' intention not to commit tax evasion and improve tax compliance.

According to the various tax literatures as discussed in chapter 2, many taxpayers were using tax agents for accuracy of tax returns, the issue of the probability of detection (being audited) and to avoid serious tax penalties. The stronger the implementation of enforcement policy, the more likely that an individual would comply to tax laws and it can affect to their intention whether to use legitimate tax agents or not. Munusamy (2015) found that tax laws was significantly influenced the intention of respondents to use tax agent.

For the purpose of this present study, in order to determine the intention of sole proprietor taxpayers to appoint legitimate tax agents, the element of tax enforcement will be taken as key external factor. There is a prior prediction that tax enforcement will influence on the intention of sole proprietor taxpayers towards using legitimate tax agents. Thus, the following hypothesis is formulated.

H4: Tax enforcement is positively related to the intention to appoint legitimate tax agents among sole proprietor taxpayers.

3.4 Research Design

The purpose of this study is to examine the relationship between attitude, subjective norm and perceived behavioral control towards the intention among sole proprietor taxpayers in Negeri Sembilan. This research meant to ascertain on the determinants towards their intention to appoint legitimate tax agents. The research was designed by using a survey approach. Quantitative research design applies in the present study by distributing the questionnaires to the respondents.

3.5 Operational Definition

3.5.1 Sole Proprietor Taxpayers

For the purpose of this study, sole proprietor taxpayers is described as a group of individual sole proprietor own personal number of tax return file and they normally submit their files via e-Filing system. In this study they were chosen as the unit of analysis.

3.5.2 Legitimate (Approved) Tax Agents and illegitimate (Unapproved) Tax Agents

For the purpose of this study, legitimate (approved) tax agents refer to those who are possess tax licence under “Section 153(3)(c) of ITA 1967” to provide tax advisory and consultancy work to clients. Contrary to the legitimate tax agents, illegitimate (unapproved) tax agents refer to those who do not have the tax licence to practice legally. They are prohibited to act as tax agent under “Section 153(1) of ITA 1967”. Generally, legitimate tax agents involve in the process of preparing income tax returns for taxpayers.

3.5.3 Self-efficacy

For the purpose of this study, self-efficacy is acting as independent variable. Bandura (1986) claims that self-efficacy is defined by the belief, an individual has on self-confidence in order to achieve the desired goals. It is also an important factor in observing changes in the behavior of an individual. An individual with high levels of self-efficacy will possess a high motivation in performing the behavior. Ajzen and Fishbien (1980); and Ajzen (1975) states that the variable; self-efficacy in the TPB theory influences the intention of an individual in performing the behavior.

Under SAS, taxpayers are given the responsibility to compute their own tax liability voluntarily. Taxpayers need to work out their own income taxes and submitting their tax return form via e-Filing system. Therefore the role of self-efficacy is related to the ability of sole proprietor taxpayers to use e-Filing system without seeking tax assistance.

This study demonstrates that the elements of self-efficacy are associated with availability of internal tax knowledge, internal confident and; capable to handle tax matters (including to compute tax) and using e-Filing system to lodge on-line tax return. As for this study, the researcher suggests that the ability towards the intention of sole proprietor taxpayers to use legitimate tax agents will change as a result of their self-efficacy to be self-preparer rather than to use professional tax agents.

3.5.4 Tax Enforcement

For the purpose of this study, tax enforcement is acting as independent variable. This study considers the aspects of tax enforcement such as fine and penalties, the probability of detection and audit activities. It requires an individual to be honest to declare his or her actual income to the tax authority. In SAS, tax field audit has become a primary and routine activity. In fact, tax audit and investigation are taken by IRBM against who are committing in illegal tax planning, submitting incorrect tax return and evade tax. Action is also taken on those who fail to submit their tax return. In most cases, in fear of tax penalties, many taxpayers seek professional tax agents services to file their tax return and to represent them for tax audits. Choong and Ling (2008) mentioned that extant study of Mckerchar (2005) found that “since implementation of SAS, tax practitioners in Australia are having bigger roles to play in tax compliance, tax audits and tax enforcement processes”.

3.5.5 Intention to appoint

For the purpose of this study, the term “*intention to appoint*” is acting as dependent variable. The term has similar meaning as intention to use, intention to employ, intention to choose, intention to engage, intention to hire and it is referring to the sole proprietor taxpayers to use legitimate tax agent.

3.6 Measurement of Variables

Based on TPB, there are two types of variables, the dependent variable and independent variables. In this study, the dependent variable is the intention of sole proprietor taxpayers towards using legitimate tax agents. This study suggests four independent variables that were used to analyze their influences on the dependent variable. In order to construct the research model, the independent variables consists of attitude, subjective norm, self-efficacy and tax enforcement. In most cases a five (5) point Likert scale was used with scale ranging from strongly disagree (1) to strongly agree (5) and moderate score found “in between the-two-extremes”. To test the influence of the independent variables towards the dependent variable, a measurement of 4 (four) items for each variables were made giving a total of 20 items for 5 (five) variables and a 5-point Likert scale were used to measure the items which is measured by “strongly disagree” (1) to “strongly agree” (5). Respondents whom answered all the 20 items as “strongly disagree” will obtain a total score of 20 (20 items x 1 point), which indicates as low score. Respondents whom answered all the 20 items as “strongly agree” will obtain a total score of 100 (20 items x 5 point), which indicates as high score.

Based on the theoretical framework and hypotheses as discussed earlier, the 7 (seven) elements of respondents’ intention behavior are studied included intention, attitude for

the priority or beneficially of using legitimate tax agents to handle tax matters, the influence of their peers group, the perceptions about tax agents' expertise, the confident level to use legitimate tax agent and the effect of PBC's internal and external factor on the intention to use legitimate tax agents. To answer all the items, the respondents have to indicate their preference by using (5) point Likert scale with scale ranging from strongly disagree (1) to strongly agree (5).

3.7 Data Collection

A mail-out version of the survey was conducted from a random selection of sole proprietor taxpayers based on their personal details (e.g names and addresses) in their application form to lodge their tax return via e-Filing system when they visited the IRBM Seremban Branch. Then, the respondents have to post the answered questionnaires to the IRBM Seremban Branch by using postal-paid reply envelope. This self-administered questionnaire was suitable approach for data collection since researcher was able to collect data from the respondents within a short period of time. The data collection was conducted from 15 October until 31 December, 2016.

3.7.1 Sample and Population

The survey questionnaires for this present study is based on the relationship between independence variables (IV) and dependence variables (DV). The population for the purpose of the research include all sole proprietors who run their businesses in Negeri Sembilan state, their registered files at the IRBM Seremban Branch and not yet appoint any tax agent to handle their tax matters. As at 31 December 2016 there were a total number of 23,720 sole proprietor taxpayers who registered their files at the IRBM Seremban and lodged their tax return via e-Filing system. The total number of sole proprietor taxpayers who register their files and lodged their tax return throughout Malaysia as at 31 December 2016 were 650,271 (Tax Operation Department of

IRBM). From the population, the targeted respondents for the purpose of the research were randomly selected sole proprietor taxpayers who visited the IRBM Seremban Branch to lodge their tax return via e-Filing system during the campaign of Hasil4U Programme (Taxpayers' Service Month Programme) held from 1 March until 30 June 2016.

3.7.2 Sampling Size

This study employed simple random sampling from the daily visitor list of all taxpayers who visited IRBM Seremban Branch during Hasil4u programme held from 1 March until 30 June 2016. Based on the prior study by Munusamy (2015) who also examined the factors that will influence the intention of sole proprietor to use tax agent, the researcher used sample size of 300 as targeted respondents from each city of five (5) states; Georgetown, Kuala Lumpur, Johor Bahru, Kuantan and Kuching. As similar with the study, researcher used the same sample size to determine the appropriate sample size of targeted respondent for this study. Sekaran (2003) states that sample size larger than 30 and less than 500 are appropriate for most research. Roscoe (1975) also stated that there should be 10 samples for each variables.

According to the visitor list, there were 2,086 names of sole proprietor taxpayers. From the list there were 1,252 names who did not use any tax agent to handle their tax matters. The researcher decided to select only one-fourth of the names as targeted respondents. They were selected by using simple random sampling whereby every fourth name on list was selected. Therefore, the total sample size for this study was 313 sole proprietor taxpayers who do not use any tax agent at all. Consequently, the 313 sample size that have been chosen is adequate for this study as suggested by Sekaran (2003) and Roscoe (1975).

3.7.3 Instrumentation

This section describes the sample and population, survey questionnaire, measures used in the analysis and the summary of demographic data. As for the purpose of this study is to investigate or to determine the relationships between the variables “that have been previously identified and measured” rather than searching “what variables are involved”, quantitative methodology is more suitable compared to qualitative methodology. The survey was designed to get information about the sole proprietor taxpayers’ intention and perceptions with respect to their intention to appoint legitimate tax agent in Negeri Sembilan. The instruments was established by the researcher based on the Theory of Planned Behavior (TPB) which basically consists of 3 (three) independent variables; attitude, subjective norm and perceived behavioral control; and 1 (one) dependent variable: behavioural intention. To construct the questionnaires, the researcher discussed with supervisor who contributed some suggestions and then altogether constructed all the items. All the sample items are appropriate, suitable and effective to be used to develop the instrument.

In this study, all the questionnaires (Appendix C-II) comprising of 5 (five) main parts; which were printed in English and translated to Bahasa Malaysia as listed below:-

Part 1: General Information

Part 2: Intention to appoint approved tax agents

Part 3: Attitude towards the intention to appoint approved tax agents

Part 4: Subjective norm

Part 5: Self-efficacy and Tax Enforcement

The first part encompassed demographic profile of the respondents such as age, level of education, number of years running the business and type of the product produced

(the classification of business). The Part 2 consisted of 4 (four) items on the intention in choosing legitimate/approved tax agent as following:-

- 1) I intend to use approved tax agent services to file my return next year.
- 2) I proposed to use approved tax agent services to file my tax return.
- 3) I would use approved tax agent services to manage my taxation matters.
- 4) I would hire approved tax agent to file my income tax every year.

The Part 3 was about the attitude of the respondents that was measured by 5 (five) items of the favourable and non-favourable behaviour towards using legitimate (approved) tax agent and respondents' perspective related to the professional tax agent services as below;

- 1) Approved tax agent services are important for me.
- 2) I prefer to appoint approved tax agent compared to unapproved tax agent.
- 3) Approved tax agent will deliver good professional advice and quality of services compared to unapproved tax agent.
- 4) The fee that will be charged by approved tax agent is expected reasonable.
- 5) It is easy to find approved tax agent in Negeri Sembilan.

The Part 4 was about the subjective norm. The part was separated into 2 (two) groups of subjective norm; respondents' friends and family members. The measurement of subjective norm (friends) consisted of 5 (five) items as below:-

- 1) My friends who are important to me are choosing approved tax agent rather than unapproved tax agent.
- 2) My friends can influence me to choose approved tax agent.
- 3) My friends prefer approved tax agent rather than unapproved tax agent.
- 4) My friends think that I should choose approved tax agent.
- 5) My friends impose on me the importance of choosing approved tax agent.

The measurement of subjective norm (family members) also consisted of 5 (five) items as followings:-

- 1) My family members who are important to me are choosing approved tax agent rather than unapproved tax agent.
- 2) My family members can influence me to choose approved tax agent.
- 3) My family members prefer approved tax agent rather than unapproved tax agent.
- 4) My family members think that I should choose approved tax agent.
- 5) My family members impose on me the importance of choosing approved tax agent.

The Part 5 related to the perceived behavioral control variable that comprising 2 (two) components: internal factor (self-efficacy) and external factor (tax enforcement). The measurement of self-efficacy consisted of 4 (four) items as below:-

- 1) I'm capable to handle my income tax matters.
- 2) I'm confident to compute my income tax without any assistant.
- 3) I can compute my income tax every year.
- 4) With my current tax knowledge, I can compute my income tax.

The measurement of tax enforcement also consisted of 4 (four) items as below:-

- 1) IRBM always check those who have not paid tax.
- 2) IRBM always able to detect those who do not pay tax.
- 3) Fine and penalty are being imposed by IRBM for those who do not pay tax and submitting incorrect tax return.
- 4) IRBM always conduct audit on taxpayers.

3.8 Data Analysis Techniques

The data which was collected through the answered questionnaire from the respondents was sorted and tested by using a software called "Statistical Package for Social Sciences (SPSS) Version 23" for data analysis. The analysis was done using SPSS with the purpose to examine the relationship among attitude, subjective norm, self-efficacy and tax enforcement towards the intention to appoint legitimate tax

agents. Hence, the study applied few methods of analyses and the data will be analyzed in detailed in chapter four. There were three kinds of analyses done for this study. First analyses, the descriptive analyses was conducted on the demographics of the respondents and variables used in the study with means and standard deviation. Second analyses, the reliability analyses was conducted in this study to validate on accuracy of respondents answers in the questionnaire and also to observe the interrelation among the items in the questionnaire according to the variables in order to determine the reliability of the measurement done. The reliability analyses verifies how strong does each items in the constructs relates to each other (Churchil, 1979; Sekaran, 2003).

Besides that, hypotheses testing was analyzed by using the multiple regression and the $p\text{-value} < 0.05$ accepted as being significant. Multiple regression is known to be an appropriate statistical tests that can be used when there is an attempt to identify the relationship between independent and dependent variables. According to Kerlinger and Lee (2000), the multiple regression analyses is a method that is practical, realistic and powerful in researching the science of behaviors.

3.9 Conclusion

Chapter three has focused on discussing on the methodology used in conducting this research. Following that, this chapter also discusses about the research design, operational definition, instrumentation, data collection and techniques used for data analysis. The detailed output of the data analysis will be discussed further in the next chapter; chapter four.

CHAPTER FOUR

RESULTS

4.1 Introduction

This chapter discusses in detailed on the results and findings of the data collected. Firstly, selected respondents profile were described. Secondly, the reliability analyses were discussed in order to analyses the instruments used in this study, then followed by validity analyses. Thirdly, the descriptive analyses for each variables in this study are reported. Fourthly, the multiple regression analyses were discussed for the hypotheses developed in this study. Finally the result of each hypotheses developed were presented.

4.2 Sample Profile

A total of 313 questionnaires were distributed by postal mail to the selected respondents as per discussed in the data collection method in chapter 3. A total of 103 questionnaires were returned by respondents within two months. All the questionnaires returned were found useable and gave a sample size of 103 with the valid response rate of 34%. The response rate of 34% was sufficient to conduct the main analysis for this present study. Therefore, the sample size of 103 with the valid response rate of 34% is a valid and appropriate response rate for cross-sectional study as it is above 30% (Sekaran, 2003).

4.3 Respondents' Profile

A total of 103 sole proprietor taxpayers responded in this study. Table 4.1 shows the profile of respondents.

Table 4.1

Respondents' Profile (n=103)

	Frequency	Percentage
Age		
Less than 26 years	8	7.8
26 to 35 years	38	36.9
36 to 45 years	33	32.0
More than 45 years	24	23.3
Academic Qualifications		
Secondary School	38	36.9
Certificate/Diploma	22	21.4
Degree (Bachelor)	41	39.8
Master/PhD	2	1.9
Years of Running Business		
Below 3 years	13	12.6
3 to 6 years	38	36.9
7 to 10 years	28	27.2
11 to 15 years	11	10.7
Above 15 years	13	12.6

According to Table 4.1, as for age, majority of the respondents (36.9%) were 26 to 35 years old, 32% were 36 to 45 years old, 23.3% were more than 45 years old, and only 7.8% were 25 years old and below. In terms of the level of education, it was found that majority of the respondents (39.8%) obtained bachelor degree and followed by secondary school (36.9%), certificate or diploma degree (21.4%) and master or doctorate degree of 1.9%. In term of years running business, it was found that the majority of the respondents (36.9%) had been running their business around 3 to 6 years, followed by 7 to 10 years (27.2%), below 3 years and above 15 years (12.6%) respectively, and the remaining 11 to 15 years representing 10.7%.

Table 4.2

Number and percentage of respondents according to the classification of business (type of product produced) (n=103)

No.	Type of product	Number of respondents	Percentage
1.	Electronic/Electrical equipment and components	20	19.4
2.	Food and beverage product	18	17.5
3.	Personal, health care and cosmetics product	14	13.6
4.	Machinery/computer equipment and components	8	7.7
5.	Paper and rubber products	5	4.9
6.	Agricultural by-product	2	1.9
7.	Others	36	35.0
Total		103	100.0

Table 4.2 shows the number of respondents according to the classification of business or type of product produced. Respondents who produced electronic/electrical equipment and components representing 19.4% or 20 respondents, followed by food and beverage product (17.5%) or 18 respondents; personal, health care and cosmetics product (13.6%) or 14 respondents; machinery/computer equipment and components (7.7%) or 8 respondents; paper and rubber products (4.9%) or 5 respondents and agricultural by-product (1.9%) or 2 respondents. From the overall respondents, (35%) or 36 respondents produced others product which representing the highest percentage.

4.4 Reliability Analyses

In order to analyse the internal consistency of the reliabilities of the variables used in this study, Table 4.3 shows the cronbach's alpha results. It was analysed that the cronbach's alpha coefficient for all the five variables used in this study were of the range between 0.906 and 0.991 which is above the minimum acceptable value of 0.70 as advised by Nunnally (1978). From the Table 4.2, it was observed that independent variable; self-efficacy has the highest cronbach's alpha of 0.955 and the independent variable; tax enforcement has the lowest cronbach's alpha of 0.906.

Table 4.3

Reliability Analyses (n = 103)

Variable	Number of Items	Cronbach's Alpha
Intention	4	0.991
Attitude	5	0.925
Subjective Norm	10	0.915
Self-efficacy	4	0.955
Tax Enforcement	4	0.906

4.5 Validity Analyses

Factor analyses technique was used on all construct in order to obtain validity of each variables used in this study. Each construct passed the matrix identity test with Bartlett's Test of Sphericity and found significant ($p = 0.000$). Validity analyses is done to determine the adequacy of sample based on Kaiser-Meyer-Olkin (KMO). Table 4.4 shows the factor analyses results for all the research construct. The KMO value for all the construct was in the ranged of 0.713 to 0.873 and with single factor. It was found that all the construct has a KMO value above 0.70 and based on Hair, Anderson, Tatham and Black (1998) these constructs are acceptable for further analyses.

Table 4.4

Validity Analyses (n = 103)

Variable	Number of Items	Number of Factors	KMO Value	Variance Explained	Bartlett's Test of Sphericity
Intention	4	1	0.873	97.514	0.000*
Attitude	5	1	0.837	77.230	0.000*
Subjective Norm	10	2	0.743	78.276	0.000*
Self-efficacy	4	1	0.786	88.212	0.000*
Tax Enforcement	4	1	0.713	78.626	0.000*

Note: KMO = Kaiser-Meyer-Olkin

* Significant on $p = 0.000$

4.6 Descriptive Analyses

From the framework that was developed in this study, there were 4 (four) independent variables; attitudes; subjective norm, self-efficacy and tax enforcement and 1 (one) dependent variable; intention to appoint or use legitimate tax agent among sole proprietorships. A descriptive analysis were conducted on all variables by analysing the mean and standard deviation.

4.6.1 Intention

Table 4.5 shows an average score mean for 4 (four) items which was used to measure the dependent variable; intention. The average score mean measured for intention were 3.44 shows that there is a high intention for sole proprietor taxpayers to use legitimate tax agents. Item that indicated intention to use legitimate tax agent services to file tax return next year has the highest mean score of 3.5146, followed by the item of use legitimate tax agent services to manage taxation matters with mean score of 3.4563. The item proposed to use legitimate tax agent services to file tax return has the lowest mean score of 3.3883. As for the standard deviation between the items for the dependent variable of intention, there were no significant differences and it was in a range of 1.40889 to 1.45430. As a whole, sole proprietor taxpayers have a high intention to use or appoint legitimate tax agents.

Table 4.5

Mean and Standard Deviation Score for Intention (n=103)

No. Items (Intention)	Mean	Std. deviation	Min	Max
1. Intend to use approved tax agent services to file tax return next year	3.5146	1.45430	1	5
2. Proposed to use approved tax agent services to file tax return	3.3883	1.40889	1	5
3. Use approved tax agent services to manage tax matters	3.4563	1.44016	1	5
4. Hire an approved tax agent to file income tax every year	3.3981	1.45076	1	5
Average Mean Score	3.44			

4.6.2 Attitude

Table 4.6 shows an average score mean for 4 (four) items which was used to measure the independent variable; attitude. The average score mean measured for attitude were 3.37 shows that there is a positive attitude in sole proprietor taxpayers to use legitimate tax agents. All the items in attitude has a mean score of 3.00 and above. Item that indicated that approved tax agent will deliver good professional advice and quality of services compared to unapproved tax agent services has the highest mean score compare to the other 4 items. The item the fee that will be charged by approved tax agent is expected reasonable has the lowest mean score of 3.17. As for the standard deviation between the items for the independent variable of attitude, there were no significant differences and it was in a range of 1.01764 to 1.39633. As a whole, sole proprietor taxpayers have a positive attitude to use legitimate/approved tax agents.

Table 4.6

Mean and Standard Deviation Score for Attitude (n=103)

No. Items (Attitude)	Mean	Std. deviation	Min	Max
1. Approved tax agent services are important	3.4660	1.01764	1	5
2. Prefer to appoint approved tax agent rather than unapproved tax agent	3.4078	1.39633	1	5
3. Approved tax agent will deliver good professional advice and quality of services compared to unapproved tax agent	3.5049	1.26703	1	5
4. The fee that will be charged by approved tax agent is expected reasonable	3.1748	1.26357	1	5
5. It is easy to find approved tax agents in Negeri Sembilan	3.2913	1.23377	1	5
Average Mean Score		3.37		

4.6.3 Subjective Norm

Table 4.7 shows an average score mean for 10 items which was used to measure the independent variable; subjective norm. The average score mean measured for subjective norm were 3.45 shows that subjective norm plays an important role in affecting sole proprietor taxpayers to use approved tax agents. Item that indicated that family members influence to choose approved tax agent has the highest mean score of 3.79, followed by the item family members prefer approved tax agent rather than unapproved tax agent with a mean score of 3.78. The item friends encourage to choose approved tax agent has the lowest mean score of 3.11. As for the standard deviation between the items for the independent variable of subjective norm, there were no significant differences and it was in a range of 0.89 to 1.23. As a whole, majority of sole proprietor taxpayers get influence and opinion from the subjective norm to use legitimate/approved tax agents.

Table 4.7

Mean and Standard Deviation Score for Subjective Norm (n=103)

No.	Items (Subjective Norm)	Mean	Std. deviation	Min	Max
1.	Friends choose approved tax agent rather than unapproved tax agent	3.2620	1.21236	1	5
2.	Family members choose approved tax agent rather than unapproved tax agent	3.7184	0.93324	1	5
3.	Friends influence to choose approved tax agent	3.2330	1.23831	1	5
4.	Family members influence to choose approved tax agent	3.7961	0.94308	1	5
5.	Friends prefer approved tax agent rather than unapproved tax agent	3.3495	1.21032	1	5
6.	Family members prefer approved tax agent rather than unapproved tax agent	3.7864	0.89279	1	5
7.	Friends' opinion to choose approved tax agent	3.3398	1.16782	1	5
8.	Family members' opinion to choose approved tax agent	3.3786	1.14717	1	5
9.	Friends encourage to choose approved tax agent	3.1165	1.16569	1	5
10.	Family members encourage to choose approved tax agent	3.4369	0.91469	1	5
Average Mean Score		3.45			

4.6.4 Self-efficacy

Table 4.8 shows an average score mean for 4 (four) items which was used to measure the independent variable of self-efficacy. The average score mean measured for self-efficacy were 3.08 shows that there is high self-efficacy in sole proprietor taxpayers to handle their tax matters themselves. Item that indicated that sole proprietor taxpayers have ability to handle income tax matters has the highest mean score of 3.30, followed by the item with current tax knowledge, sole proprietor taxpayers can compute income tax with a mean score of 3.10. Item confident to compute income tax without any assistant (2.99) and last item capable to compute income tax every year with a mean score 2.97. As for the standard deviation between the items for the independent variable of self-efficacy, there were no significant differences and it was in a range of

1.24301 to 1.35397. As a whole, sole proprietor taxpayers have high level of self-efficacy to handle their tax matters without appointing tax agents.

Table 4.8

Mean and Standard Deviation Score for self-efficacy (n=103)

No. Items (Self-efficacy)	Mean	Std. deviation	Min	Max
1. Capable to handle income tax matters	3.3010	1.27445	1	5
2. Confident to compute income tax without any assistant	2.9903	1.35397	1	5
3. Capable to compute income tax every year	2.9709	1.24301	1	5
4. With current tax knowledge, can compute income tax	3.1068	1.24391	1	5
Average Mean Score	3.08			

4.6.5 Tax Enforcement

Table 4.9 shows an average score mean for 4 (four) items which was used to measure the independent variable of tax enforcement. The average score mean measured for tax enforcement were 4.08 shows that the sole proprietor taxpayers aware about the IRBM enforcement that needed for them to use legitimate tax agents to protect themselves especially in audit and investigation action. Item that measures fine and penalty are being imposed by IRB for those who do not pay tax and submitting incorrect tax return has mean score; 4.19 which is the highest mean score. The item IRB always check who have not pay tax has the lowest mean score of 3.90. As for the standard deviation between the items for the independent variable of tax enforcement, there were no significant differences and it was in a range of 0.75 to 0.96. As a whole, that the sole proprietor taxpayers have a good awareness about the IRBM enforcement that needed for them to use legitimate/approved tax agents.

Table 4.9

Mean and Standard Deviation Score for Tax Enforcement (n=103)

No. Items (Tax Enforcement)	Mean	Std. deviation	Min	Max
1. IRB always check those who have not paid tax	3.9029	0.96522	1	5
2. IRB always able to detect those who do not pay tax	4.0971	0.84615	1	5
3. Fine and penalty are being imposed by IRB for those who do not pay tax and submitting incorrect tax return	4.1942	0.75483	1	5
4. IRB always conduct audit on taxpayers	4.1070	0.82740	1	5
Average Mean Score	4.08			

4.7 Multiple Regression Analyses

Table 4.10 shows the results of multiple regression analyses for the intention of sole proprietor taxpayers to use legitimate tax agents. The results shows that the data used in this study has a compatibility matching of 91.6% variance (R square) and significant ($p < 0.00$). This reveals that the intention to use legitimate tax agent among sole proprietor taxpayers can be explained by variables; attitude, subjective norm, self-efficacy and tax enforcement variables. Hence, it is proven that the research model is suitable as it is able to predict the dependent variable; intention to use legitimate/approved tax agent among sole proprietorships.

Table 4.10

Multiple Regression Analyses for Intention Model (n=103)

R	R Square	Adjusted R Square	Std. Error of the Estimate	F Change	Sig. F Change
0.957	0.916	0.913	1.67790	267.909	0.000

The coefficient analyses in Table 4.11 shows that only three (3) variables; attitude, subjective norm and tax enforcement are significant and positively related to intention to use legitimate tax agent among sole proprietor taxpayers.

Table 4.11

Coefficient Analyses for Intention Model (n=103)

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	4.347	1.136		3.826	0.000
Attitude	0.693	0.042	0.664	16.629	0.000*
Subjective Norm	0.048	0.024	0.069	1.981	0.050**
Self-efficacy	-0.490	0.049	-0.414	-10.035	0.000*
Tax Enforcement	0.132	0.064	0.070	2.074	0.041**

Note: * p < 0.01 ** p < 0.05

4.8 Hypotheses Testing

This section will reveal the results obtained from each of the hypothesis that was developed in this study. Each of the hypotheses was tested using the multiple regression analyses to identify the significant level in order to determine if the hypothesis that were developed are supported or not supported.

4.8.1 Attitude is positively related with Intention to appoint Legitimate Tax Agent (H1)

Attitude towards using legitimate tax agent is expected to be positively related with the intention of sole proprietor taxpayers to appoint legitimate tax agent. The result of the study shows that attitude has a positive and a significant relationship towards the intention to appoint legitimate tax agent at a confidence level of 99%, (beta = 0.664, p < 0.00). Hence the results resembles that there is an effect of 0.664 for every one unit

of attitude towards the intention to appoint legitimate tax agent. Therefore, H1 is supported.

4.8.2 Subjective Norm is positively related with Intention to appoint Legitimate Tax Agent (H2)

Subjective norm towards using legitimate tax agent is expected to be positively related with the intention of sole proprietor taxpayers to appoint legitimate tax agent. The result of the study shows that subjective norm has a positive and a significant relationship towards the intention to appoint legitimate/approved tax agent at a confidence level of 95%, ($\beta = 0.069$, $p < 0.05$). Hence the results resembles that there is an effect of 0.069 for every one unit of subjective norm towards the intention to appoint legitimate tax agent. Therefore, H2 is supported.

4.8.3 Self-efficacy is negatively related with Intention to appoint Legitimate Tax Agent (H3)

Self-efficacy towards using legitimate tax agent is expected to be negatively related with the intention of sole proprietor taxpayers to appoint legitimate tax agents. The result of the study shows that self-efficacy has a negative and a significant relationship towards the intention to appoint legitimate tax agent at a confidence level of 99%, ($\beta = -.414$, $p < 0.01$). Hence the results resembles that there is an effect of -.414 for every unit of self-efficacy towards the intention to appoint legitimate tax agent. Therefore, H3 is supported.

4.8.4 Tax Enforcement is positively related with Intention to appoint Legitimate Tax Agent (H4)

Tax enforcement towards using legitimate tax agent is expected to be positively related with the intention of sole proprietor taxpayers to appoint legitimate tax agents. The

result of the study shows that tax enforcement variable has a positive and a significant relationship towards the intention to appoint legitimate/approved tax agent at a confidence level of 95%, ($\beta = 0.070$, $p < 0.05$). Hence the results resembles that there is an effect of 0.07 for every one unit of the variable towards the intention to appoint legitimate/approved tax agent. Therefore, H4 is supported.

4.9 Summary of Hypotheses Testing

Four (4) hypotheses have been developed by which all four (4) are supported in testing the relationship between the dependent variable and independent variables. The three (3) independent variables; attitude, subjective norm and tax enforcement have positive and significant relationship with intention to use legitimate tax agent whereas one (1) independent variable; self-efficacy has negative and significant relationship with intention to use legitimate tax agent among sole proprietor taxpayers. To conclude, a summary of the hypotheses testing results is being illustrated in Table 4.12.

Table 4.12

Summary of Hypotheses Testing

Hypotheses	Variables	Findings
H1	Attitude toward the intention	Supported
H2	Subjective norm towards the intention	Supported
H3	Self-efficacy towards the intention	Supported
H4	Tax Enforcement towards the intention	Supported

4.10 Conclusion

Chapter four has focused on discussing on the results retrieved from SPSS version 23 on four types of analyses done; descriptive analyses, reliability analyses, validity analyses and multiple regression analyses in order to test the hypotheses that have been developed in this study. Hence, it was found that all four (4) independent variables have significant relationship with the intention to appoint legitimate tax agent. The next chapter; chapter 5 will be on conclusion and recommendation of the study.



CHAPTER FIVE

DISCUSSION AND CONCLUSION

5.1 Introduction

This chapter is distributed to five main sections. The first section discusses a summary of the study covering the background, objectives, methodology and research findings. The second section covers review of the study. The third section discusses the impact of the study on the theory of planned behaviour and the relevance of this study with previous studies. The fourth section discusses the impact to the IRBM as policy maker and this study highlighted some suggestions and strategies that can be implemented to encourage the sole proprietor taxpayers to appoint legitimate tax agents. The final section suggests some future research proposals and recommendations of this study.

5.2 Discussion on the study

The main focus of this study is to investigate the relationships between attitude, subjective norm, self-efficacy and tax enforcement towards the intention to use or appoint legitimate tax agents among sole proprietor taxpayers in Negeri Sembilan. The TPB theory developed by Ajzen (1991) was used to determine the intention of sole proprietor taxpayers to use or appoint legitimate tax agents. As adapted by some studies, the TPB theory is well-known as an effective theoretical framework to determine or predict the factors that influence the intention for the behavior to be performed.

In respect to the specific research objective to determine whether attitude, subjective norm, self-efficacy and tax enforcement will influence the intention to appoint legitimate tax agents among sole proprietor taxpayers, there are four (4) objectives between all the variables related to the intention. The first objective is to determine

whether attitude influences the intention to appoint legitimate tax agents among sole proprietor taxpayers. The second objective is to determine whether subjective norm influences their intention to appoint legitimate tax agents. The third objective is to determine whether self-efficacy influences their intention to appoint legitimate tax agents. The fourth objective is to determine whether tax enforcement influences their intention towards using legitimate tax agents. Data was collected using the survey approach from respondents who visited the IRBM Seremban Branch during Taxpayers' Service Month (Hasil4U) Programme held from 1 March until 30 June 2016. Sample was chosen from 313 sole proprietor taxpayers by using the simple random sampling technique by which 313 survey forms was distributed and only 103 survey forms were usable for analyses purpose.

Data that was collected were then used to conduct four (4) different analyses through the SPSS software version 23; descriptive analyses, validity analyses, reliability analyses and multiple regression analyses to test the relationship between the dependent variable and independent variables of the study. From the results of the analyses, two main aspect are determined; whether all the objectives were achieved and whether the hypotheses that has been developed is supported or not supported. The result revealed that all the four (4) objectives were achieved and all four (4) hypotheses that were developed; H1, H2, H3 and H4 were supported.

Among the four (4) independent variables, attitude emerged to be the most important factor in influencing sole proprietor taxpayers' intention to appoint legitimate tax agents. This is supported with the highest beta value of 0.644 by the attitude variable. self-efficacy emerged as the second important influence (beta= -.414) followed by tax

enforcement ($\beta=0.070$) and subjective norm ($\beta=0.069$) towards the intention to appoint legitimate tax agents.

5.3 Results and Research Objectives

This section will discuss the results obtained according to the research objectives. In addition, illustration on the real scenario and detailed explanation is made regarding recommended research questions, research objectives and hypotheses.

5.3.1 Determine whether Attitude Influences the Intention

According to the TPB, attitude is defined as an individual's perception towards performing a behavior whether it is favorable or unfavorable (Ajzen, 1991). The past literature reveals that the variable; attitude influences the intention of an individual directly or indirectly. As for this study, it is found that attitude emerged to be the most important factor in determining the intention of sole proprietor taxpayers to appoint legitimate tax agents. The findings of this study is found consistently with the previous literature on determining the influences of attitude towards intention (e.g. Hinson & Amidu, 2006; Noor, 2003; Roe & Broos, 2005; Mokhtar & Zainuddin, 2011, Munusamy, 2015). Consequently, the findings of this study is correlated with the theory of planned behavior that proves that variable attitude influence the intention of an individual. Therefore, the objective has been achieved and it is proved that there is a significant positively relationship between attitude and intention to appoint legitimate tax agents among sole proprietor taxpayers.

5.3.2 Determine whether Subjective norm Influences the Intention

In the TPB theory, subjective norm is defined as the perceived social pressure of an individual on whether to perform or not to perform the behavior (Ajzen, 1991). The formation of attitude and behavior of an individual is influenced by subjective norm

(Moore, Raymond, Mittelstaedt & Tanner, 2002; Bush, Smith & Martin, 1999). As for this study, family members and friends were used as subjective norm in order to determine their influence on the sole proprietor taxpayers' intention to appoint legitimate tax agents. It is found that subjective norm emerged to be an important factor in determining the intention of sole proprietor taxpayers towards using legitimate tax agents. The findings of this study is found consistently with the previous literature on determining the influences of subjective norm towards intention (e.g. Souitaris, Zerbinati & Al-Laham, 2007; Wu & Wu, 2008; Gird & Bagraim, 2008; Munusamy, 2015). Most importantly, the findings of this study is parallel with the theory of planned behavior that proves the variable subjective norm influence the intention of an individual. Therefore, the objective has been achieved and it is proved that there is a significant positively relationship between subjective norm and the intention to appoint legitimate tax agents among sole proprietor taxpayers.

5.3.3 Determine whether Perceived Behavioral Control Influences the Intention

Ajzen (1985), defines perceived behavioral control as an individual's perception towards restraint of internal and external factors in order to perform the behavior. Trafimow, Sheeran, Conner and Finlay (2002) states that even though the intention is strong, an individual might fail to execute the behavior in question due to restraint of several factors. In more recent studies, perceived behavioral control (PBC) was separated into two important components or elements. First, the internal factor and second the external factor. Munusamy (2015), Puvaneswary (2015) and Zainol (2008) illustrated perceived behavioral control into several components with specific dimension so that the variable can be explained in detailed. For the purpose of this

study, researcher constructs the PBC variable into two important components, namely self-efficacy and tax enforcement.

5.3.3.1 Self-efficacy

From the survey, the average score mean measured for self-efficacy were 3.08 shows that there is high self-efficacy in sole proprietor taxpayers to handle their tax matters on their own efforts. As such, they could be said having positive self-efficacy to use their capabilities and confidently to be self-preparer to compute their tax obligations without making mistakes. As contrary with the many prior researchers who also adopted the term of self-efficacy to predict certain behaviour (intention-behavior), the findings of the survey showed that there was negative relationship between self-efficacy and the intention to use legitimate tax agents. However, the findings of this study is found consistent with the prior study, Munusamy (2015) on determining the effect of self-efficacy towards the intention to use a tax agent. The term of self-efficacy could be said within higher and lower of individual capabilities. It means that an individual with high levels of self-efficacy is more likely to prepare the income tax return by him/herself and an individual with low levels of self-efficacy may using a legitimate tax agent. It is found that the effect of self-efficacy from this study and the researcher's study are correlated with the theory of planned behavior by Ajzen and Fishbien (1980) & Ajzen (1975) that proves that level of self-efficacy (low-high level) significantly influence the intention of an individual. The measurement of self-efficacy varied from extremely likely to extremely unlikely.

With respect to the research objectives, as a conclusion, it is found that the variable of self-efficacy with high self-efficacy among sole proprietor taxpayers has significantly reduce their intention to use legitimate tax agents.

Theoretically, the effect of self-efficacy could be (positive, negative or null effect) on intention. Based on the multiple regression of self-efficacy showed the result with the beta value of (-.414). It means that the self-efficacy was negative effect to the intention of sole proprietor taxpayers towards using legitimate tax agents. Therefore, in order to determine the relationship between self-efficacy and the intention, the objective has been achieved and it is proved that there is a significant relationship but negatively related between self-efficacy and the intention to appoint legitimate tax agents among sole proprietor taxpayers.

5.3.3.2 Tax Enforcement

From the survey, it is found that tax enforcement support the objective of the research in determining the intention of sole proprietor taxpayers towards using legitimate tax agents. The findings of the survey showed that the majority of the respondents indicating positive awareness that fine and penalty will be imposed by IRBM for those who do not pay tax and submitting incorrect tax return. The findings of this study is found to be consistent with the previous study on determining the influences of tax laws towards the intention of an individual (e.g. Munusamy, 2015; Suhaila, 2013). Hence, the findings of this study support the hypotheses that variable tax enforcement influence or positively related to the intention of sole proprietor taxpayers. Therefore, the objective has been achieved and it is confirmed that there is significant positively relationship between tax enforcement and the intention to appoint legitimate tax agents among sole proprietor taxpayers.

5.4 Implication on Theory

Past literatures on TPB focuses on different areas in order to test the intention of individuals. There were also several researches conducted such as to determine the

intention of sole proprietor taxpayers to use tax agents or taxpayers behaviour towards tax compliance/non-compliance including tax enforcement, but there is no research done on determining sole proprietor taxpayers' intention to use legitimate tax agents. As such this study is conducted in order to determine their intention to use legitimate tax agents by using the TPB theory. The independent variables used in the study were attitude, subjective norm, self-efficacy and tax enforcement that gave a value of R^2 of 0.916. This value explains that the independent variables gives 91.6% variance towards dependent variable; intention to appoint legitimate tax agents. The results also showed that the independent variables; attitude, subjective norm, self-efficacy and tax enforcement have significant relationship towards using legitimate tax agents among sole proprietor taxpayers. Therefore the research model that was developed on the intention to appoint legitimate tax agents among sole proprietor taxpayers is found suitable and acceptable.

5.5 Practical Implication

The results of the study shows that all variables; attitude, subjective norm, self-efficacy and tax enforcement are significant towards the intention to use legitimate tax agents. Since the sole proprietor taxpayers indicate that they are having strong intention to use legitimate tax agents, researcher hereby make recommendations that may guide programme, policy formulation and implementation of government to increase the demand for legitimate tax agent as follows:-

- (i) An effective action needs to be taken or executed to encourage more sole proprietor taxpayers to seek only legitimate tax agents rather than illegitimate tax agents. The IRBM or professional bodies can wider use of the mass media to publicize the benefits of using legitimate tax agents services.

- (ii) Hopefully, the sole proprietor taxpayers can joint organized conferences, seminars and workshops in order to awaken the awareness of seeking only legitimate tax agents. By doing so, the knowledge on tax matters as well as IRBM tax enforcement activities could be exposed to them.
- (iii) It is very important to educate all businessman (who are blur about the role of tax agents) in order not to create wrong perceptions with regard to the image of tax agents profession. Therefore, there is need to create an environment for tax knowledge through Taxpayers' Service Month (Hasil4U) programme. The overall effort should involve IRBM and professional bodies in order to come up with an effective tax education programme.
- (iv) The IRBM should therefore maintain close relationship with all the professional bodies and working together to formulate successful tax compliance strategies to bring more taxpayers more fully understand taxation issues, changes in the law, filing obligations and so on.
- (v) Tax agents should be exposed to adequate and continuous training; both at regional and abroad, for a better understanding of recent domestic and international tax issues, which should be continuously maintain and expand their professional competencies.
- (vi) As for enhancing the competency of tax agents; government or private can collaborate with the professional bodies such as Association of Chartered Certified Accountants (ACCA), Association of Certified Public Accountants (CPA) and Malaysian Institute of Accountants (MIA) to organize trainings, workshop focusing on professional competency and best practice for the tax agents so that they can deliver to their clients with the high quality of services.

- (vii) As for government sectors; Malaysian Association of Tax Accountants (MATA), Chartered Tax Institute of Malaysia (CTIM), Malaysian Institute of Accountants (MIA) and other professional bodies can be assured the number of legitimate tax agents will increase yearly.

5.6 Recommendation for Future Research

Several concern regarding the intention to appoint legitimate/approved tax agents among sole proprietor taxpayers were countered in this study. Nevertheless, there is still a need for associated studies to be done relating to this field of study. Stated below are some of the suggestions for future research:

1. Future researchers could use this study to increase consistency of research findings and also to look into other perceived behavioral control elements affecting the intentions of sole proprietor taxpayers to appoint legitimate tax agents in order to develop the insight on this topic.
2. It is recommended that in the future, a more inclusive study should be carried out for other states in Malaysia to have a full coverage of all sole proprietor taxpayers.

5.7 Conclusion

The study found that the intention level of sole proprietor taxpayers to appoint legitimate tax agents (approved tax agents) is at a significant level of 91.6%. This study was conducted to determine the factors that influence the intention of the sole proprietor taxpayers to appoint legitimate tax agents by using the TPB. This study has also achieved all the four research objectives as stated earlier, whereby the overall purpose of the study to determine the factors that influence intention. It was found that all four variables; attitude, subjective norm, self-efficacy and tax enforcement have

significant relationship with intention. As conclusion, the theoretical research framework (model) used to conduct this study is suitable and acceptable. Detailed explanation on the appropriateness of using the TPB theory in order to conduct the study was also discussed in this chapter. A discussion on practical implication was also done so that the respective bodies that are involved are able to take effective actions so that a higher intention degree can be achieved among sole proprietor taxpayers to appoint legitimate tax agents. Finally, recommendations were also made for future research with the hope that this current study can be expanded by the future researchers by looking at it from different angles, views, perspective or dimensions.



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MEDIA RELEASE

THE NEED TO OBTAIN LEGITIMATE TAX AGENT SERVICES

Cyberjaya, November 26th - Inland Revenue Board of Malaysia (IRBM) would like to advise taxpayers to only seek services from legitimate and entitled tax agents in law to manage their tax matters. This is to avoid any problems occurred in the future.

Among the disadvantages in seeking services of illegitimate tax agents are as follows:

- i) Illegitimate tax agents may cause taxpayers to receive inaccurate or unclear tax advises in respect of provisions of the law of taxation including the preparation of Income Tax Return Form (ITRF) which does not comply with the provisions of tax law;
- ii) Illegitimate tax agents will not be responsible on taxpayers in the event of legal actions are taken against them on any offences or penalties imposed;
- iii) Illegitimate tax agents shall not represent taxpayers if audit or investigation is conducted by IRBM; and
- iv) Illegitimate tax agents shall not represent taxpayers in dispute resolution in front of the Special Commissioners of Income Tax.

IRBM would like to remind all parties not to simply act as an legitimate tax agents. Only legitimate tax agents should be granted approval by the Finance Minister under section 153(3), Income Tax Act (ITA) 1967. In this regard, any party who outlaw the regulation is against the provision of section 153(1) under ITA 1967. Prosecution shall be imposed in accordance with the provision of subsection 120(1)(d) of the same act, and upon conviction, be liable to a fine of not less than RM200 and not more than RM2000 or to imprisonment for a term not exceeding 6 months or to both.

In addition, prosecution under the provision of subsection 114(1A), an offence of any person who assists in, or advises with respect to the preparation of any return where the return results in an understatement of the liability for tax of another person and if convicted, one shall be liable to a fine of not less than RM2000 and not more than RM20000, or to imprisonment for a term not exceeding 3 years, or both.

Therefore, taxpayers must be cautious and get confirmation from IRBM if necessary pertaining to seek legitimate tax agent services. Taxpayers may check the list of legitimate tax agents and information such as the agent's name, firms/companies, address as well as tax agent's phone number and validity of approval by the Finance Minister at IRBM's official portal www.hasil.gov.my or the following url <http://www.hasil.gov.my/cagenindex.php?neg=1&abj=ALL&kump=5&skum=4&posi=1>.

As of record, there are more than 1,902 legitimate tax agents and have granted approval by the Finance Minister to serve.

#

THANK YOU



Issued by:

Masrun Bin Maslim | Public Relations Officer (Media)

Corporate Communications & Multimedia Division | Corporate Services Department

Inland Revenue Board of Malaysia

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Date : November 26th, 2015



UUM
Universiti Utara Malaysia

Appendix B

IRBM Tax Agents' Code of Conduct/Ethics

According to the IRBM tax agents' code of conduct/ethics, a tax agent shall always adhere to the following ethical behaviour when discharging his or her duties:

Integrity

- i. An agent shall be well mannered, honest, sincere and truthful in his work and always give full cooperation when dealing with the IRBM. In handling the case of his client, he shall furnish only information which, to the best of his knowledge and belief, is correct.
- ii. An agent shall refrain from using information acquired in the course of his work for his own advantage or that of his family. Such information is classified material and shall be dealt with as confidential. It shall not be disclosed to any other party without specific authority. "Classified material" means returns or documents or information that is acquired by a classified person as defined in Section 138(5), ITA 1967. A "classified person" means any person or his employee who has access to classified material when representing a client in taxation matters.
- iii. An agent shall accurately inform and advise his client on the progress of his case.
- iv. An agent shall not misuse any monies entrusted by his client for purposes of payment of tax. Proof of payment of tax shall be given to his client for purposes of record.
- v. An agent shall not enter into any arrangement with an unqualified person to endorse the work of that unqualified person.

Competency

- i. An agent shall always strive for professional competency and exhibit a high degree of skill in discharging his duties. A tax agent must therefore be conversant with the tax laws and practices, and constantly ensure that his technical knowledge is up-to-date. In addition he is also expected to keep abreast with the requirements of the IRBM, which may be announced from time to time.
- ii. Staff members of a tax agent must also be well trained in relevant aspects of tax laws and regulations so as to ensure that work performed by them also meet the required standard.

iii. An agent shall, to the best of his ability, ensure that all returns and tax computations submitted are properly completed with the required supporting statements and schedules, and such submissions are in compliance with the guidelines issued by the IRBM.

iv. An agent shall only undertake cases that are within his experience and capability. This is to avoid any sub-standard work being performed and undue delay in the finalisation of the cases.

v. When making appeals against any assessment, proper care shall be taken to ensure that such appeals are based on valid grounds.

vi. An agent is expected to give prompt and complete replies to enquiries from the IRBM.

Professional Advice

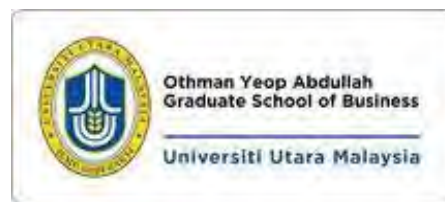
i. In giving professional advice to his clients, the tax agent shall always have regard to the prevailing tax laws.

ii. An agent shall impress upon his clients the various obligations and duties as taxpayers under the tax laws and educate the clients on the importance of maintaining proper records of all transactions especially in business cases.

iii. An agent shall also advise his clients of the necessity to make sufficient provisions for payment of tax as well as the importance of keeping to the instalment plans for payment of tax so as to avoid late payment penalties.

Appendix C-I Cover Letter for Research Questionnaire

Othman Yeop Abdullah
Graduate School of Business
Universiti Utara Malaysia
06010 UUM Sintok
Kedah Darul Aman, Malaysia
Tel: (+604) 928 7121 | Fax: (+604) 9287160
Email: oyagsb@uum.edu.my
Date : 15 Oct 2016



Dear Mr / Mrs / Ms

ACADEMIC RESEARCH QUESTIONNAIRE

Warm greetings from the researcher, Che Mohd Zaradi Ibrahim and the research enumerators. I am a Master candidate of Universiti Utara Malaysia under UUM-LHDN jointly programme. I am doing a research on **“The Intention Of Taxpayers To Appoint Approved Tax Agents Towards Legitimate Tax Agents Services (The Person Who Has Been Approved by Minister of Finance-MoF) In Negeri Sembilan”**. The survey uses a fixed-response format so that you will be able to complete it easily and quickly (within 15 – 20 minutes) only.

As a participant in this survey you face no risks; your name and identity information will not be collected, so your responses cannot be associated with you. Furthermore, survey data will only be available to the researcher in aggregate and will be used mainly for academic purposes.

The format of the questionnaire that given to you is in English and Bahasa Malaysia. After answering the questionnaire, could you please put it in the free postage envelope and post it to the address which already stated at the envelope. This research programme will due within two (2) months from the date that stated above.

If you require additional information or have questions, please contact me at the details listed below.

Yours sincerely,

Che Mohd Zaradi Bin Ibrahim
H/phone no.:
E-mail: chemohdzaradi@hasil.gov.my

Appendix C-II Research Questionnaire

Part (ONE): General Information – Please tick (✓) in the appropriate box.
(Bahagian (SATU): Maklumat Am – Sila tandakan (✓) dalam kotak berkenaan)

1. Your Age (*Umur Anda*)

- | | |
|---|---|
| 1. <input type="checkbox"/> Less than 26 years
(<i>Kurang dari 26 tahun</i>) | 2. <input type="checkbox"/> 26 – 35 years
(<i>26 – 35 tahun</i>) |
| 3. <input type="checkbox"/> 36 – 45 years
(<i>36 – 45 tahun</i>) | 4. <input type="checkbox"/> Above 45 years
(<i>45 tahun ke atas</i>) |

2. What is the highest level of education you have completed?
(*Peringkat tertinggi taraf pendidikan yang dimiliki?*)

- | | |
|---|---|
| 1. <input type="checkbox"/> Secondary School
(<i>Sekolah Menengah</i>) | 2. <input type="checkbox"/> Certificate/Diploma
(<i>Sijil/Diploma</i>) |
| 3. <input type="checkbox"/> Bachelor Degree
(<i>Ijazah Sarjana Muda</i>) | 4. <input type="checkbox"/> Masters, PhD
(<i>Masters, PhD</i>) |

3. Number of Years running your business?
(*Sudah berapa tahunkah anda telah menjalankan perniagaan?*)

- | | | |
|---|---|---|
| 1. <input type="checkbox"/> Below 3 years
(<i>Kurang dari 3 tahun</i>) | 2. <input type="checkbox"/> 3 - 6 years
(<i>3 – 6 tahun</i>) | |
| 3. <input type="checkbox"/> 7 -10 years
(<i>7 – 10 tahun</i>) | 4. <input type="checkbox"/> 11-15 years
(<i>11 – 15 tahun</i>) | 5. <input type="checkbox"/> Above 15 years
(<i>15 tahun ke atas</i>) |

4. Which of the classification best describe your business?
(*Yang manakah menerangkan klasifikasi perniagaan anda?*)

1. ☐ Food and Beverage Products
(*Produk Makanan dan Minuman*)
2. ☐ Machinery/Computer Equipment and Components
(*Produk Mesin/Komputer dan komponen berkaitan*)
3. ☐ Electronic/Electrical Equipment and Components
(*Produk Alatan dan Komponen Elektronik/Elektrik*)
4. ☐ Agricultural by-products
(*Produk berasaskan pertanian*)
5. ☐ Personal, Health Care and Cosmetics Products
(*Produk Penjagaan, Kesihatan Diri dan Kosmetik*)
6. ☐ Paper & Rubber Products
(*Produk Kertas dan Getah*)

7. Other: _____
(*Please state the type of your business or the product/services*)

Lain-lain: (*Sila nyatakan jenis perniagaan anda atau produk/servis*)

Part (TWO): Intention To Use/Appoint/Hire Approved Tax Agents (Legitimate Tax Agents)
(Bahagian (DUA): Kajian Tentang Niat Untuk Melantik Ejen Cukai Yang Sah)

For each item identified below, please tick (✓) to indicate the number that most closely describes your intention to appoint an approved tax agent (legitimate tax agent). Use the scale below to select the appropriate number. *(Untuk setiap item yang disenaraikan di bawah, sila tandakan (✓) untuk menunjukkan kecenderungan niat anda untuk melantik ejen cukai yang sah. Gunakan skala bernombor (1 hingga 5) yang diberikan sebagai panduan untuk menjawab).*

Strongly Disagree (Sangat Tidak Bersetuju)	Disagree (Tidak Bersetuju)	Neutral (Berkecuali)	Agree (Setuju)	Strongly Agree (Sangat Bersetuju)
1	2	3	4	5

No.	Item	1	2	3	4	5
1.	I intend to use approved tax agent services to file my tax return next year. <i>(Saya mempunyai niat untuk menggunakan perkhidmatan ejen cukai untuk memfailkan borang cukai saya pada tahun hadapan).</i>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
2.	I proposed to use approved tax agent services to file my tax return. <i>(Saya bercadang untuk menggunakan perkhidmatan ejen cukai untuk memfailkan borang cukai saya).</i>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
3.	I would use approved tax agent services to manage my taxation matters. <i>(Saya akan menggunakan perkhidmatan ejen cukai untuk mengendalikan urusan percukaian saya).</i>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
4.	I would hire an approved tax agent to file my income tax every year. <i>(Saya akan menggunakan perkhidmatan ejen cukai untuk memfailkan borang cukai saya pada setiap tahun).</i>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Part (THREE): Attitude Towards Intention To Appoint An Approved Tax Agent (Legitimate Tax Agent).
(Bahagian (TIGA): Kajian Tentang Sikap Terhadap Niat Untuk Melantik Ejen Cukai Yang Sah)

For each item identified below, please tick (✓) to indicate the number that most closely describes your attitude towards intention to appoint an approved tax agent. Use the scale below to select the appropriate number.

(Untuk setiap item yang disenaraikan di bawah, sila tandakan (✓) untuk menunjukkan sikap anda terhadap niat untuk melantik ejen cukai yang sah. Gunakan skala bernombor (1 hingga 5) yang diberikan sebagai panduan untuk menjawab).

Strongly Disagree (Sangat Tidak Bersetuju)	Disagree (Tidak Bersetuju)	Neutral (Berkecuali)	Agree (Setuju)	Strongly Agree (Sangat Bersetuju)
1	2	3	4	5

No.	Item	1	2	3	4	5
1.	Approved tax agent services are important for me. (<i>Perkhidmatan ejen cukai yang sah adalah mustahak bagi saya</i>).	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
2.	I prefer to appoint approved tax agent compared to unapproved tax agent. (<i>Saya lebih berminat untuk melantik ejen cukai yang sah berbanding dengan ejen cukai yang tidak sah</i>).	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
3.	Approved tax agent will deliver good professional advice and quality of services compared to unapproved tax agent. (<i>Ejen cukai yang sah akan memberikan nasihat cukai secara profesional dan perkhidmatan berkualiti berbanding dengan perkhidmatan dari ejen cukai yang tidak sah</i>).	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
4.	The fee that will be charged by approved tax agent is expected reasonable. (<i>Yuran perkhidmatan cukai yang dikenakan oleh ejen cukai yang sah dijangkakan amat berpatutan dan munasabah</i>).	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
5.	It is easy to find approved tax agent in Negeri Sembilan. (<i>Untuk mendapatkan ejen cukai yang sah di Negeri Sembilan adalah mudah</i>).	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Part (FOUR): Peers Influences

(Bahagian (EMPAT): Pengaruh Rakan Dan Keluarga)

This part of the questionnaire is to describe the influences of your friend and family as you have the intention to appoint an approved tax agent. Please tick (✓) all items on the answer sheet. Judge how frequently each statement fits the person you are rating. Use the following scale:-

(Bahagian soal selidik ini menggambarkan pengaruh rakan dan keluarga anda yang boleh mempengaruhi niat anda untuk melantik ejen cukai yang sah. Sila tandakan (✓) bagi setiap item yang disenaraikan. Gunakan skala bernombor (1 hingga 5) yang diberikan sebagai panduan untuk menjawab).

Strongly Disagree (Sangat Tidak Bersetuju)	Disagree (Tidak Bersetuju)	Neutral (Berkecuali)	Agree (Setuju)	Strongly Agree (Sangat Bersetuju)
1	2	3	4	5

No.	Item	1	2	3	4	5
1.	My friends who are important to me are choosing approved tax agent rather than unapproved tax agent. (<i>Rakan/kawan-kawan saya yang terdekat dan rapat telah memilih ejen cukai yang sah berbanding ejen cukai yang tidak sah</i>).	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

2.	My family members who are important to me are choosing approved tax agent rather than unapproved tax agent. (Ahli keluarga saya yang terdekat dan rapat telah memilih ejen cukai yang sah berbanding ejen cukai yang tidak sah).	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
3.	My friends can influence me to choose approved tax agent. (Rakan/kawan-kawan saya boleh mempengaruhi saya untuk memilih ejen cukai yang sah).	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
4.	My family members can influence me to choose approved tax agent. (Ahli keluarga saya boleh mempengaruhi saya untuk memilih ejen cukai yang sah).	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
5.	My friends prefer approved tax agent rather than unapproved tax agent. (Rakan/kawan-kawan saya lebih berminat untuk melantik ejen cukai yang sah berbanding ejen cukai yang tidak sah).	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
6.	My family members prefer approved tax agent rather than unapproved tax agent. (Ahli keluarga saya lebih berminat untuk melantik ejen cukai yang sah berbanding ejen cukai yang tidak sah).	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
7.	My friends think that I should choose approved tax agent. (Rakan/kawan-kawan saya berfikir bahawa saya patut memilih untuk melantik ejen cukai yang sah).	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
8.	My family members think that I should choose approved tax agent. (Ahli keluarga saya berfikir bahawa saya patut memilih untuk melantik ejen cukai yang sah).	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
9.	My friends impose on me the importance of choosing approved tax agent. (Rakan/kawan-kawan saya menerangkan/menjelaskan kepentingan/keutamaan untuk memilih ejen cukai yang sah).	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
10.	My family members impose on me the importance of choosing approved tax agent. (Ahli keluarga saya menerangkan/menjelaskan kepentingan/keutamaan untuk memilih ejen cukai yang sah).	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Part (FIVE): The Internal Factor & External Factor To Appoint An Approved Tax Agent
(Bahagian (LIMA): Kajian Pengaruh Faktor Dalaman & Luaran Untuk Melantik Ejen Cukai Yang Sah)

This part is intended to know whether the internal factor or external factor would reflects to your intention including yourself confident level to appoint an approved tax agent. Please tick (✓) all items on this answer sheet. Use the following scale:-

Strongly Disagree (Sangat Tidak Bersetuju)	Disagree (Tidak Bersetuju)	Neutral (Berkecuali)	Agree (Setuju)	Strongly Agree (Sangat Bersetuju)
1	2	3	4	5

No.	Item	1	2	3	4	5
1.	I'm capable to handle my income tax matters. <i>(Saya berkebolehan untuk mengendalikan urusan percukaian saya).</i>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
2.	I'm confident to compute my income tax without any assistant. <i>(Saya berkeyakinan untuk membuat pengiraan cukai saya tanpa bantuan sesiapa).</i>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
3.	I can compute my income tax every year. <i>(Saya mampu membuat pengiraan cukai saya pada setiap tahun).</i>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
4.	With my current tax knowledge, I can compute my income tax. <i>(Berdasarkan kepada pengetahuan semasa saya, saya mampu membuat pengiraan cukai saya).</i>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
5.	IRB always checked those who have not paid tax. <i>(LHDN sentiasa membuat semakan ke atas mereka yang tidak membayar cukai).</i>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
6.	IRB always able to detect those who do not pay tax. <i>(LHDN berkebolehan mengesan mereka yang tidak membayar cukai).</i>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
7.	Fine and penalty are being imposed by IRB for those who do not pay tax and submitting incorrect tax return. <i>(LHDN mengenakan denda dan penalti ke atas mereka yang tidak membayar cukai dan mengemukakan borang cukai yang tidak tepat).</i>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
8.	IRB always conduct audit on taxpayers. <i>(LHDN sentiasa membuat semakan audit ke atas pembayar cukai).</i>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Thank you for your participation.

Terima kasih kerana menyertai kaji selidik ini.

Appendix D Reliability Analyses

1. Reliability Test – Attitude towards the Intention To Use Legitimate Tax Agent

Item-Total Statistics

	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Squared Multiple Correlation	Cronbach's Alpha if Item Deleted
Att1	13.3786	21.767	0.720	0.650	0.925
Att2	13.4369	17.150	0.912	0.858	0.886
Att3	13.3398	18.344	0.893	0.815	0.890
Att4	13.6699	19.929	0.719	0.542	0.924
Att5	13.5534	19.446	0.797	0.741	0.909

Reliability Coefficient

Number N = 103 Number of items = 5

Alpha = 0.925

Note :

1. Att1 = Approved tax agent services are important
2. Att2 = Prefer to appoint approved tax agent rather than unapproved tax agent
3. Att3 = Approved tax agent will deliver good professional advice and quality of services compared to unapproved tax agent
4. Att4 = The fee that will be charged by approved tax agent is expected reasonable
5. Att5 = It easy to find approved tax agents in Negeri Sembilan

2. Reliability Test – Subjective Norm towards the Intention To Use Legitimate Tax Agent

Item-Total Statistics

	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Squared Multiple Correlation	Cronbach's Alpha if Item Deleted
SNF1	31.1553	53.682	0.761	0.927	0.906
SNFM2	30.6990	59.193	0.600	0.878	0.915
SNF3	31.1845	53.662	0.743	0.787	0.908
SNFM4	30.6214	63.865	0.260	0.709	0.931
SNF5	31.0680	51.887	0.879	0.914	0.899
SNFM6	30.6311	58.980	0.649	0.750	0.913
SNF7	31.0777	53.053	0.838	0.927	0.902
SNFM8	31.0388	53.900	0.799	0.887	0.904
SNF9	31.3010	53.114	0.836	0.938	0.902
SNFM10	30.9806	59.980	0.555	0.789	0.917

Reliability Coefficient

Number N = 103 Number of items = 10

Alpha = 0.919

Note:

1. SNF1 = Friends choose approved tax agent rather than unapproved tax agent
2. SNFM2 = Family members choose approved tax agent rather than unapproved tax agent
3. SNF3 = Friends influence to choose approved tax agent
4. SNFM4 = Family members influence to choose approved tax agent
5. SNF5 = Friends prefer approved tax agent rather than unapproved tax agent
6. SNFM6 = Family members prefer approved tax agent rather than unapproved tax agent
7. SNF7 = Friends' opinion to choose approved tax agent
8. SNFM8 = Family members' opinion to choose approved tax agent
9. SNF9 = Friends encourage to choose approved tax agent
10. SNFM10 = Family members encourage to choose approved tax agent

3. Reliability Test – Self-efficacy towards the Intention To Use Legitimate Tax Agent

Item-Total Statistics

	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Squared Multiple Correlation	Cronbach's Alpha if Item Deleted
PBC_Self1	9.0680	13.221	0.884	0.788	0.942
PBC_Self2	9.3786	12.767	0.872	0.818	0.947
PBC_Self3	9.3981	13.085	0.938	0.901	0.926
PBC_Self4	9.2621	13.548	0.867	0.837	0.947

Reliability Coefficient

Number N = 103 Number of items = 4

Alpha = 0.955

- Note:*
1. PBC_Self1 = Capable to handle income tax matters
 2. PBC_Self2 = Confident to compute income tax without any assistant
 3. PBC_Self3 = Capable to compute income tax every year
 4. PBC_Self4 = With current tax knowledge, can compute income tax

4. Reliability Test – Tax Enforcement towards the Intention To Use Legitimate Tax Agent

Item-Total Statistics

	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Squared Multiple Correlation	Cronbach's Alpha if Item Deleted
PBC_Enforce5	12.3981	4.869	0.741	0.807	0.893
PBC_Enforce6	12.2039	4.772	0.939	0.914	0.813
PBC_Enforce7	12.1068	5.332	0.877	0.820	0.844
PBC_Enforce8	12.1942	5.844	0.607	0.538	0.931

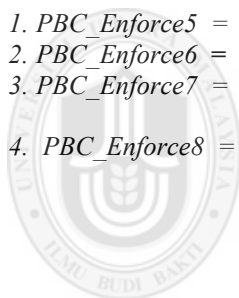
Reliability Coefficient

Number N = 103 Number of items = 4

Alpha = 0.901

Note:

1. *PBC_Enforce5 = IRB always check those who have not paid tax*
2. *PBC_Enforce6 = IRB always able to detect those who do not pay tax*
3. *PBC_Enforce7 = Fine and penalty are being imposed by IRB for those who do not pay tax and submitting incorrect tax return*
4. *PBC_Enforce8 = IRB always conduct audit on taxpayers.*



Universiti Utara Malaysia

Appendix E Factor Analyses

1. Attitude towards the intention to appoint legitimate tax agent

KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.837
Bartlett's Test of Sphericity	Approx. Chi-Square	445.285
	df	10
	Sig.	.000

Total Variance Explained

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	3.862	77.230	77.230	3.862	77.230	77.230
2	0.474	9.488	86.719			
3	0.417	8.337	95.056			
4	0.143	2.854	97.910			
5	0.104	2.090	100.000			

Extraction Method: Principal Component Analysis.

Component Matrix^a

	Component
	1
Att1	0.814
Att2	0.951
Att3	0.936
Att4	0.813
Att5	0.871

Extraction Method: Principal Component Analysis.

a. 1 components extracted.

Note :

1. Att1 = Approved tax agent services are important
2. Att2 = Prefer to appoint approved tax agent rather than unapproved tax agent
3. Att3 = Approved tax agent will deliver good professional advice and quality of services compared to unapproved tax agent
4. Att4 = The fee that will be charged by approved tax agent is expected reasonable
5. Att5 = It easy to find approved tax agents in Negeri Sembilan

2. Subjective norm towards the intention to appoint legitimate tax agent

KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.			.743
Bartlett's Test of Sphericity	Approx. Chi-Square		1205.065
	df		45
	Sig.		.000

Total Variance Explained

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	5.901	59.014	59.014	5.901	59.014	59.014	5.018	50.179	50.179
2	1.926	19.263	78.276	1.926	19.263	78.276	2.810	28.097	78.276
3	.746	7.459	85.736						
4	.658	6.575	92.311						
5	.263	2.631	94.942						
6	.183	1.834	96.777						
7	.178	1.782	98.558						
8	.064	.642	99.201						
9	.052	.520	99.721						
10	.028	.279	100.000						

Extraction Method: Principal Component Analysis.

Component Matrix^a

	Component	
	1	2
SNF5	.923	-.208
SNF7	.897	-.313
SNF9	.883	-.125
SNFM8	.863	-.262
SNF1	.842	-.276
SNF3	.813	-.298
SNFM6	.688	.538
SNFM2	.656	.454
SNFM4	.305	.812
SNFM10	.596	.617

Extraction Method: Principal Component Analysis.

a. 2 components extracted.

Note:

1. SNF1 = Friends choose approved tax agent rather than unapproved tax agent
2. SNFM2 = Family members choose approved tax agent rather than unapproved tax agent
3. SNF3 = Friends influence to choose approved tax agent
4. SNFM4 = Family members influence to choose approved tax agent
5. SNF5 = Friends prefer approved tax agent rather than unapproved tax agent
6. SNFM6 = Family members prefer approved tax agent rather than unapproved tax agent
7. SNF7 = Friends' opinion to choose approved tax agent
8. SNFM8 = Family members' opinion to choose approved tax agent
9. SNF9 = Friends encourage to choose approved tax agent
10. SNFM10 = Family members encourage to choose approved tax agent

3. Self-efficacy towards the Intention To Use Legitimate Tax Agent

KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.	.786
Bartlett's Test of Sphericity	Approx. Chi-Square
	471.974
	df
	6
	Sig.
	.000

Total Variance Explained

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	3.528	88.212	88.212	3.528	88.212	88.212
2	.248	6.211	94.422			
3	.160	4.001	98.423			
4	.063	1.577	100.000			

Extraction Method: Principal Component Analysis.

Component Matrix^a

	Component
	1
PBC_Self3	.967
PBC_Self1	.935
PBC_Self2	.928
PBC_Self4	.927

Extraction Method: Principal Component Analysis.

a. 1 components extracted.

- Note:
1. PBC_Self1 = Capable to handle income tax matters
 2. PBC_Self2 = Confident to compute income tax without any assistant
 3. PBC_Self3 = Capable to compute income tax every year
 4. PBC_Self4 = With current tax knowledge, can compute income tax

4. Tax Enforcement towards the Intention To Use Legitimate Tax Agent

KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.	.713
Bartlett's Test of Sphericity	Approx. Chi-Square
	387.019
	df
	6
	Sig.
	.000

Total Variance Explained

Component	Initial Eigenvalues			Extraction Sums of Squared		
				Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	3.145	78.626	78.626	3.145	78.626	78.626
2	.611	15.266	93.892			
3	.186	4.662	98.554			
4	.058	1.446	100.000			

Extraction Method: Principal Component Analysis.

Component Matrix^a

	Component
	1
PBC_Enforce6	.970
PBC_Enforce7	.939
PBC_Enforce5	.862
PBC_Enforce8	.761

Extraction Method: Principal

Component Analysis.

a. 1 components extracted.

Note:

1. *PBC_Enforce5 = IRB always check those who have not paid tax*
2. *PBC_Enforce6 = IRB always able to detect those who do not pay tax*
3. *PBC_Enforce7 = Fine and penalty are being imposed by IRB for those who do not pay tax and submitting incorrect tax return*
4. *PBC_Enforce8 = IRB always conduct audit on taxpayers.*