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**FACTORS AFFECTING WITHHOLDING TAX COMPLIANCE
AMONG PAYERS IN JOHOR BAHRU**



**MASTER OF SCIENCE
(INTERNATIONAL ACCOUNTING)
UNIVERSITI UTARA MALAYSIA
MAY 2025**

**FACTORS AFFECTING WITHHOLDING TAX COMPLIANCE AMONG
PAYERS IN JOHOR BAHRU**



**A Thesis submitted to
Tunku Puteri Intan Safinaz School of Accountancy (TISSA-UUM)
Universiti Utara Malaysia
in Partial Fulfilment of the Requirement for the Master of Science
(International Accounting)**



Kolej Perniagaan
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Universiti Utara Malaysia

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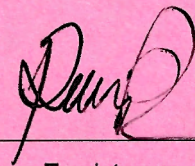
Tarikh: **29 MEI 2025**
(Date)

Nama Pelajar
(Name of Student) : **LOO FONG PENG (831988)**

Tajuk Tesis / Disertasi
(Title of the Thesis / Dissertation) : **FACTORS AFFECTING WITHHOLDING TAX COMPLIANCE AMONG
PAYERS IN JOHOR BAHRU**

Program Pengajian
(Programme of Study) : **M20D – MASTER OF SCIENCE (INTERNATIONAL ACCOUNTING)**

Nama Penyelia/Penyelia-penyelia
(Name of Supervisor/Supervisors) : **DR. RUSNIZA ABDUL RAHMAN**



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Kedah Darul Aman

Abstract

Withholding tax (WHT) compliance is a crucial yet often overlooked aspect of tax administration. Despite existing regulations, non-compliance among payers remains a challenge. Using the Theory of Planned Behaviour (TPB), this study examines the key factors influencing WHT compliance behaviour among payers in Johor Bahru, Malaysia. Specifically, it explores the influence of attitude, subjective norms, and perceived behavioural control (PBC), which includes tax complexity, tax knowledge, probability of audit and penalties on compliance behaviour. A survey was conducted, with a total of 326 questionnaires distributed and 178 returned, making up of 54.60% response rate. The data were analysed using Exploratory Factor Analysis (EFA), correlation and multiple regression. The results reveal that subjective norms, and tax knowledge significantly drive WHT compliance, while attitude, tax complexity, probability of audit and penalties do not show any significant relationship. The result does not fully support TPB's core premise that individual behaviour is driven by intention, which is shaped by personal attitudes, subjective norms and the PBC. This study contributes to the tax compliance research by refining TPB in a WHT-specific context by demonstrating that subjective norms play a more dominant role in WHT compliance. Payers may comply due to other external pressures, law requirements rather than personal attitudes. These findings also challenge the common assumption that enforcement measures alone can ensure compliance behaviour. Instead, the result highlights the importance of trust in tax authorities, perceived fairness, and clear tax guidance in shaping taxpayer behaviour. Trust enhances the influence of subjective norms and tax knowledge on compliance behaviour. When individuals trust tax authorities and perceive the tax system as fair, they are more inclined to follow the behaviour of their peers and are better equipped to understand and fulfilling their tax obligations. Policymakers should focus on simplifying WHT mechanisms, reducing administrative challenges, enhancing taxpayer knowledge, leveraging social influence, and fostering voluntary compliance through trust-building initiatives rather than relying solely on penalties and audits. To promote a more equitable WHT compliance model, shifting certain responsibilities to non-resident recipients can be effective, such as mandatory registration and tax reporting by non-resident which is similarly to Service Tax model on digital services in Malaysia. Future research could explore hybrid compliance models, integrating insights from the Slippery Slope Framework and Fischer's Tax Compliance Model, to develop a more holistic approach to WHT compliance.

Keywords: Withholding Tax (WHT), Tax Compliance, Theory of Planned Behaviour (TPB), Tax Knowledge, Tax Complexity, Tax Enforcement.

Abstrak

Pematuhan cukai pegangan (WHT) adalah aspek penting namun sering diabaikan dalam pentadbiran cukai. Walaupun terdapat peraturan sedia ada, ketidakpatuhan dalam kalangan pembayar masih menjadi cabaran. Kajian ini menggunakan Teori Tingkah Laku Terancang (TPB) untuk mengkaji faktor-faktor utama yang mempengaruhi tingkah laku pematuhan WHT dalam kalangan pembayar di Johor Bahru, Malaysia. Secara khusus, kajian ini meneliti pengaruh sikap, norma subjektif, dan kawalan tingkah laku yang dirasakan (PBC), termasuk kerumitan cukai, pengetahuan cukai, kebarangkalian audit dan penalti terhadap tingkah laku pematuhan. Satu tinjauan telah dijalankan dengan mengedarkan sebanyak 326 soal selidik, dan sebanyak 178 telah dikembalikan, menjadikan kadar respons sebanyak 54.60%. Data dianalisis menggunakan Analisis Faktor Eksploratori (EFA), korelasi, dan regresi berganda. Hasil kajian menunjukkan bahawa norma subjektif dan pengetahuan cukai mempunyai pengaruh yang signifikan terhadap pematuhan WHT, manakala sikap, kerumitan cukai, kebarangkalian audit dan penalti tidak menunjukkan sebarang kesan yang signifikan. Keputusan ini tidak sepenuhnya menyokong premis utama TPB yang menyatakan bahawa tingkah laku individu didorong oleh niat, yang dibentuk oleh sikap peribadi, norma subjektif dan PBC. Kajian ini menyumbang kepada penyelidikan pematuhan cukai dengan memperhalusi TPB dalam konteks khusus WHT, menunjukkan bahawa norma subjektif memainkan peranan yang lebih dominan dalam pematuhan WHT. Pembayar mungkin mematuhi disebabkan oleh tekanan luaran atau keperluan undang-undang, bukannya sikap peribadi. Penemuan ini juga mencabar anggapan umum bahawa langkah penguatkuasaan sahaja dapat memastikan tingkah laku pematuhan. Sebaliknya, hasil kajian menekankan kepentingan kepercayaan terhadap pihak berkuasa cukai, keadilan yang dirasakan, dan panduan cukai yang jelas dalam membentuk tingkah laku pembayar cukai. Kepercayaan meningkatkan pengaruh norma subjektif dan pengetahuan cukai terhadap tingkah laku pematuhan. Apabila individu mempercayai pihak berkuasa cukai dan menganggap sistem cukai sebagai adil, mereka lebih cenderung untuk mengikuti tingkah laku rakan sebaya mereka dan lebih bersedia untuk memahami serta memenuhi kewajipan cukai mereka. Pembuat dasar harus menumpukan usaha kepada mempermudah mekanisme WHT, mengurangkan cabaran pentadbiran, meningkatkan pengetahuan pembayar cukai, memanfaatkan pengaruh sosial, serta memupuk pematuhan sukarela melalui inisiatif pembinaan kepercayaan, dan tidak hanya bergantung kepada penalti dan audit semata-mata. Untuk mempromosikan model pematuhan WHT yang lebih saksama, peralihan tanggungjawab tertentu kepada penerima bukan pemastautin boleh menjadi berkesan, seperti pendaftaran mandatori dan pelaporan cukai oleh bukan pemastautin yang serupa dengan model Cukai Perkhidmatan ke atas perkhidmatan digital di Malaysia. Penyelidikan masa depan boleh meneroka model pematuhan hibrid, mengintegrasikan pandangan daripada Slippery Slope Framework dan Model Pematuhan Cukai Fischer, untuk membangunkan pendekatan yang lebih holistik terhadap pematuhan WHT.

Kata kunci: Cukai Pegangan (WHT), Pematuhan Cukai, Teori Tingkah Laku Terancang (TPB), Pengetahuan Cukai, Kerumitan Cukai, Penguatkuasaan Cukai

Acknowledgement

This research journey has been both challenging and rewarding, and I am deeply grateful to those who have supported and guided me throughout this process.

First and foremost, I extend my heartfelt appreciation to my supervisor, Dr. Rusniza binti Abdul Rahman, for her invaluable guidance, encouragement, and constructive feedback. Her expertise and patience have been instrumental in shaping this study, and I am truly fortunate to have had her mentorship. Also, my special thanks to the research reviewer, Dr. Aryati Juliana binti Sulaiman, for her guidance, thoughtful ideas and constructive comments to complete my research project successfully.

I would also like to express my sincere gratitude to Universiti Utara Malaysia (UUM) for providing the platform and resources necessary to conduct this research. The knowledge and experiences gained during my studies have been invaluable in enhancing my academic and professional growth.

A special thank you to all the respondents who participated in my survey, for their time and insights. Their willingness to share their experiences made this study possible and provided meaningful contributions to the findings.

To my employer, colleagues and friends, thank you for your constant support, insightful discussions, and encouragement, which have made this journey more fulfilling.

Lastly, I am deeply grateful to my family for their unconditional love, patience, and support throughout my study. Their belief in me has been my greatest source of motivation, and I could not have completed this study without them.

This research is a reflection of the collective effort, support, and inspiration from many, and for that, I am truly thankful.

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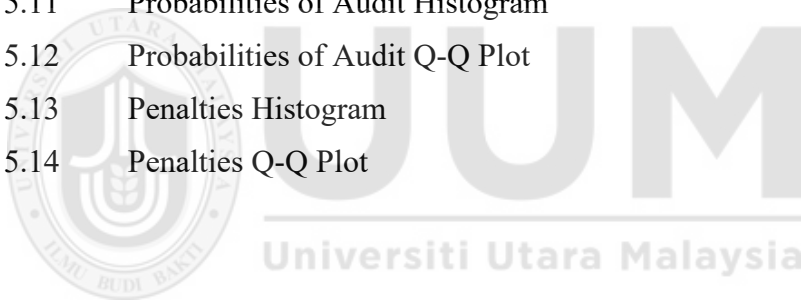
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List of Abbreviations

DTA	:	Double Taxation Agreement
IRB	:	Inland Revenue Board
ITA, 1967	:	Income Tax Act, 1967
OECD	:	The Organisation for Economic Co-operation and Development
PBC	:	Perceived Behavioural Control
PE	:	Permanent Establishment
RMCD	:	Royal Malaysian Customs Department
TPB	:	Theory of Planned Behaviour
WHT	:	Withholding Tax



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CHAPTER ONE

INTRODUCTION

1.0 Introduction

The Malaysian government has enacted various tax regulations to establish a fair and efficient tax system, aimed at collecting revenue to fund socio-economic development in the country. The federal government's tax revenue consists of direct tax and indirect tax revenue. Direct tax revenue includes income tax collected from individuals, corporate, and petroleum, as well as WHT, cooperative tax, and other direct taxes such as Real Property Gains Tax (RPGT), Labuan business activity tax, capital gains tax, stamp duty, and more. Indirect tax revenue comprises Sales Tax and Service Tax (SST), tourism tax, import duty, export duty, excise duty, and other similar taxes.

Among these regulations is the WHT, which is crucial for transactions involving non-residents, and serves as a mechanism to prevent tax evasion and ensure that foreign entities pay taxes in the country where they earn income (OECD, 2019). WHT is a tax levied on the non-resident on their income that derived or deemed derived from Malaysia (ITA, 1967). WHT covers payments made to non-resident for contract payments, interests, royalties, special classes of income, and gains or profits which is derived from Malaysia and taxed under the Income Tax Act (ITA), 1967. The typical WHT rate ranges from 10% to 15%, although rates may vary based on Double Taxation Agreements (DTAs). There is also a specific rate of 10%+3% for non-resident contractors who carry out projects and established a business presence in Malaysia, which serves as a payment in advance for their final tax liability

WHT serves as a crucial mechanism to ensure that income derived from Malaysia by non-residents is appropriately taxed. In Malaysia, the responsibility for WHT compliance lies with the payer. A payer refers to an individual or entity carrying on business in Malaysia and is

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APPENDICES



QUESTIONNAIRE

Factors Affecting Withholding Tax Compliance among Payers in Johor Bahru

Dear respondent,

I am a Master of Science (International Accounting) student and currently researching on Factors Affecting Withholding Tax (WHT) Compliance Among Payers in Johor Bahru. This study is part of the requirements for completing my Master's research project. I am pleased to invite you to participate as a respondent in this study.

This study is conducted under the guidance of academicians from the Tunku Puteri Intan Safinaz School of Accountancy (TISSA), Universiti Utara Malaysia. All responses are voluntary, and all information provided will be treated with the highest confidentiality and used exclusively for academic purposes. There are no foreseeable risks with participating in this study, and there are no right or wrong answers to the questions. By submitting your response, you confirm your voluntary agreement to participate in this study.

This questionnaire comprises two main sections with a total of 51 questions and will take approximately 10-15 minutes to complete. Your time, effort, and contribution are deeply appreciated. Thank you for your support in completing this survey.

Best regards,

Loo Fong Peng

Student (Matrix no.:831988)

Master of Science (International Accounting)

TISSA, College of Business

Universiti Utara Malaysia

fploo0837@gmail.com

Section A: RESPONDENT'S BACKGROUND

INSTRUCTION: This section refers to your demographic information. Please choose your corresponding answer from the choices provided.

Q1. Gender

- Male
- Female

Q2. Race

- Malay
- Chinese
- Indian
- Other: _____

Q3. Age

- Below 25 years old
- 25 to 34 years old
- 35 to 44 years old
- 45 to 54 years old
- 55 and above

Q4. Highest level of education

- Secondary School
- Certificate/Foundation/STPM/A-Level
- Diploma/Advanced Diploma
- Bachelor's Degree
- Professional Qualification (e.g.: ACCA, CIMA & etc.)
- Master's Degree
- PhD/Doctoral Degree
- Other: _____

Q5. Current work position

- Assistant/Clerk
- Executive/Officer
- Assistant Manager
- Manager/Senior Manager



- Director/Managing Director/Chief Officer
- Other: _____

Q6. Work experience

- Less than 1 year
- 1 to 3 years
- 4 to 6 years
- 7 to 9 years
- 10 years and above

Q7. Industry type

- Manufacturing
- Construction
- Professional services
- Services
- Trading/Wholesale/Retail
- Agriculture
- Other: _____

Q8. Organisation size (by number of employees)

- Less than 10 employees
- 10 to 49 employees
- 50 to 199 employees
- 200 to 499 employees
- 500 employees and above

Q9. Annual turnover of the organisation

- Less than RM1 million
- RM1 million to RM4.99 million
- RM5 million to RM19.99 million
- RM20 million to RM49.99 million
- RM50 million and above

Q10. Frequency of cross-border payments to non-residents

- Rarely (less than 2 times a year)
- Occasionally (2 to 5 times a year)

- Frequently (more than 5 times a year)
- Very frequently (monthly or more)

Q11. Number of times in a year you have made WHT payments for payments made to non-residents

- 0 times
- 1 to 3 times
- 4 to 6 times
- 7 to 9 times
- 10 times and above

Q12. What is your typical method for learning about WHT?

- Seminars/Webinars
- Online resources
- Professional advisors
- IRB's Hasil portal and publications
- Other: _____

Q13. Number of times in a year you have attended seminars/webinars on tax-related topics

- 0 times
- 1 to 2 times
- 3 to 4 times
- 5 to 6 times
- 7 times and above

Q14. Does your organisation regularly engage professional services for WHT compliance?

- Yes, our organisation outsources WHT compliance to external service providers.
- No, our organisation manages WHT compliance internally.
- Our organisation occasionally outsource, depending on the nature of payment.

Section B: UNDERSTANDING WITHHOLDING TAX COMPLIANCE FACTORS

INSTRUCTIONS: Please indicate your level of agreement with the following statements by ticking the appropriate box:

Variables:

B1: Tax Compliance

B2: Attitude Towards Compliance

B3: Subjective Norms

B4: Tax Complexity

B5: Tax Knowledge

B6: Probability of Audit

B7: Penalties

Scale:

1 = Strongly Disagree

2 = Disagree

3 = Neutral

4 = Agree

5 = Strongly Agree

B1: Tax Compliance

(Reverse score: Q17)

	Question	1	2	3	4	5
Q15	I submit the WHT return on time.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Q16	I withhold the correct WHT amount when make payment to my non-resident payee.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Q17	I manipulate the WHT amount.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Q18	I remit the WHT amount on time to the Tax Authority.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Q19	I always explain the WHT mechanisms to my non-resident payee.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

B2: Attitude Towards Compliance

(Reverse score: Q20, Q21, Q26 & Q27)

	Question	1	2	3	4	5
Q20	I can manipulate the figure in the WHT return if there are chances to do so.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Q21	I would not feel guilty if I excluded some of the payment to non-resident payee when completing WHT return.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Q22	The Tax Authority can be trusted to manage the tax system.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Q23	It is fair for the WHT compliance obligation to be placed on the payer rather than the non-resident payee.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Q24	I always weigh the benefits like risk avoidance, maintaining compliance and reputation before complying with WHT.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Q25	I always assess the financial impact, including the amount of WHT and potential profit or loss before deciding whether to comply with WHT.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Q26	I will prefer my non-resident payee decision whether or not to withhold the WHT.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Q27	I believe that the Tax Authority will not detect if I do not comply with WHT.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Q28	The penalty for not complying to WHT is too much.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Q29	My industry partner always encouraging me to comply with WHT.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

B3: Subjective Norms

(Reverse score: Q31, Q32 & Q33)

	Question	1	2	3	4	5
Q30	My family/friends/industry partners would think it is unethical if I do not fulfil my obligation to remit WHT.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Q31	My family/friends/industry partners agree with my decision not to remit WHT.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Q32	I will not feel guilty if I under remit the WHT if most of my family/friends/industry partners do so.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Q33	My family/friends/industry partners would think I am not being honest in remitting WHT if I am audited by the Tax Authority.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Q34	The non-resident payee always reminding me about the WHT obligation.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

B4: Tax Complexity

	Question	1	2	3	4	5
Q35	I find the WHT law complex and difficult to understand.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Q36	The examples included in the Public Rulings are not clear.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Q37	I agree that the complexity of the WHT law leads to intentional non-compliance.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Q38	I agree that the complexity of the WHT law leads to unintentional non-compliance.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

B5: Tax Knowledge

(Reverse score: Q42)

	Question	1	2	3	4	5
Q39	I able to identify payments to non-resident payee that are subject to WHT.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Q40	I understand that I am responsible for withholding and remitting the tax.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Q41	To my knowledge, I can compute and remit WHT correctly and timely.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Q42	With tax knowledge and skills, I can manipulate WHT successfully.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Q43	I know the consequences, implications, and penalties of non-compliance with WHT.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

B6: Probability of Audit

(Reverse score: Q44 & Q45)

	Question	1	2	3	4	5
Q44	I believe that the chances of being detected by the Tax Authority for non-compliance with WHT are low.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Q45	The Tax Authority has limited ability to verify WHT obligations from third parties.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Q46	An abrupt tax audit by the Tax Authority will raise awareness among payers about WHT compliance.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Q47	Payers are afraid of WHT rules because they believe there is a high chance of being caught for non-compliance.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
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B7: Penalties

(Reverse score: Q51)

	Question	1	2	3	4	5
Q48	A strict tax enforcement level on penalties can increase WHT compliance level among the payers.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Q49	The possibility of incurring penalties and disallowance for tax deduction of payment impacts my decisions and actions when it comes to complying with WHT requirements.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Q50	Higher tax penalty charged towards the payers encourage them to act compliance to WHT.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Q51	I believe that the cost savings from not complying with WHT obligations outweigh the penalties imposed for non-compliance.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Thank you for completing this questionnaire.



Factor Analysis

Factor 1: WHT compliance behaviour

KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.735
Bartlett's Test of Sphericity	Approx. Chi-Square	459.396
	df	6
	Sig.	<.001

Communalities

	Initial	Extraction
I submit the WHT return on time	1.000	.797
I withhold the correct WHT amount when make payment to my non-resident payee.	1.000	.675
I remit the WHT amount on time to the Tax Authority.	1.000	.842
I always explain the WHT mechanisms to my non-resident payee.	1.000	.578

Extraction Method: Principal Component Analysis.

Total Variance Explained

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	2.892	72.294	72.294	2.892	72.294	72.294
2	.609	15.216	87.511			
3	.396	9.897	97.408			
4	.104	2.592	100.000			

Extraction Method: Principal Component Analysis.

Component Matrix^a

	Component 1
I submit the WHT return on time	.893
I withhold the correct WHT amount when make payment to my non-resident payee.	.822

I remit the WHT amount on time to the Tax Authority.	.918
I always explain the WHT mechanisms to my non-resident payee.	.760

Extraction Method: Principal Component Analysis.^a

a. 1 components extracted.

Factor Analysis

Factor 2: Tax knowledge & awareness

KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.819
Bartlett's Test of Sphericity	Approx. Chi-Square	369.658
	df	6
	Sig.	<.001

Communalities

	Initial	Extraction
I am able to identify payments to non-resident payee that are subject to WHT.	1.000	.715
I understand that I am responsible for withholding and remitting the tax.	1.000	.678
To my knowledge, I can compute and remit WHT correctly and timely.	1.000	.789
I know the consequences, implications, and penalties of non-compliance with WHT.	1.000	.756

Extraction Method: Principal Component Analysis.

Total Variance Explained

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	2.937	73.435	73.435	2.937	73.435	73.435

2	.467	11.668	85.103			
3	.325	8.117	93.220			
4	.271	6.780	100.000			

Extraction Method: Principal Component Analysis.

Component Matrix^a

	Component 1
I am able to identify payments to non-resident payee that are subject to WHT.	.845
I understand that I am responsible for withholding and remitting the tax.	.824
To my knowledge, I can compute and remit WHT correctly and timely.	.888
I know the consequences, implications, and penalties of non-compliance with WHT.	.869

Extraction Method: Principal Component Analysis.^a

a. 1 components extracted.

Factor Analysis

Factor 3: Attitude

(Combine factor 3 manipulation and factor 9 trust)

KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.668
Bartlett's Test of Sphericity	Approx. Chi-Square	277.213
	df	21
	Sig.	<.001

Communalities

	Initial	Extraction
I manipulate the WHT amount.	1.000	.582

I can manipulate the figure in the WHT return if there are chances to do so.	1.000	.649
I would not feel guilty if I excluded some of the payment to non-resident payee when completing WHT return.	1.000	.493
I will prefer my non-resident payee decision whether or not to withhold the WHT.	1.000	.408
With tax knowledge and skills, I can manipulate WHT successfully.	1.000	.566
The Tax Authority can be trusted to manage the tax system	1.000	.659
It is fair for the WHT compliance obligation to be placed on the payer rather than the non-resident payee.	1.000	.642

Extraction Method: Principal Component Analysis.

Total Variance Explained

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	2.693	38.476	38.476	2.693	38.476	38.476
2	1.306	18.661	57.137	1.306	18.661	57.137
3	.854	12.196	69.333			
4	.745	10.638	79.971			
5	.640	9.143	89.114			
6	.439	6.274	95.388			
7	.323	4.612	100.000			

Total Variance Explained

Component	Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %
1	2.682	38.319	38.319
2	1.317	18.817	57.137
3			
4			
5			
6			

Extraction Method: Principal Component Analysis.

Component Matrix^a

	Component	
	1	2
I manipulate the WHT amount.	.756	-.104
I can manipulate the figure in the WHT return if there are chances to do so.	.802	-.082
I would not feel guilty if I excluded some of the payment to non-resident payee when completing WHT return.	.696	.095
I will prefer my non-resident payee decision whether or not to withhold the WHT.	.632	-.093
With tax knowledge and skills, I can manipulate WHT successfully.	.752	-.016
The Tax Authority can be trusted to manage the tax system	.174	.793
It is fair for the WHT compliance obligation to be placed on the payer rather than the non-resident payee.	.014	.801

Extraction Method: Principal Component Analysis.^a

a. 2 components extracted.

Rotated Component Matrix^a

	Component	
	1	2
I manipulate the WHT amount.	.762	-.037
I can manipulate the figure in the WHT return if there are chances to do so.	.806	-.011

I would not feel guilty if I excluded some of the payment to non-resident payee when completing WHT return.	.685	.156
I will prefer my non-resident payee decision whether or not to withhold the WHT.	.637	-.036
With tax knowledge and skills, I can manipulate WHT successfully.	.751	.051
The Tax Authority can be trusted to manage the tax system	.103	.805
It is fair for the WHT compliance obligation to be placed on the payer rather than the non-resident payee.	-.057	.799

Extraction Method: Principal Component Analysis.

Rotation Method: Varimax with Kaiser Normalization.^a

a. Rotation converged in 3 iterations.

Component Transformation Matrix

Component	1	2
1	.996	.089
2	-.089	.996

Extraction Method: Principal Component Analysis.

Rotation Method: Varimax with Kaiser Normalization.

Factor Analysis

Factor 4: Audit & enforcement perception

KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.661
Bartlett's Test of Sphericity	Approx. Chi-Square	114.862
	df	3
	Sig.	<.001

Communalities

	Initial	Extraction
I believe that the Tax Authority will not detect if I do not comply with WHT.	1.000	.572
I believe that the chances of being detected by the Tax Authority for non-compliance with WHT are low.	1.000	.723
The Tax Authority has limited ability to verify WHT obligations from third parties.	1.000	.656

Extraction Method: Principal Component Analysis.

Total Variance Explained

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	1.951	65.028	65.028	1.951	65.028	65.028
2	.620	20.667	85.696			
3	.429	14.304	100.000			

Extraction Method: Principal Component Analysis.

Component Matrix^a

	Component
	1
I believe that the Tax Authority will not detect if I do not comply with WHT.	.756
I believe that the chances of being detected by the Tax Authority for non-compliance with WHT are low.	.850
The Tax Authority has limited ability to verify WHT obligations from third parties.	.810

Extraction Method: Principal Component Analysis.^a

a. 1 components extracted.

Factor Analysis

Factor 5: Tax complexity & understanding issues

KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.748
Bartlett's Test of Sphericity	Approx. Chi-Square	231.071
	df	6
	Sig.	<.001

Communalities

	Initial	Extraction
I find the WHT law complex and difficult to understand.	1.000	.644
The examples included in the Public Rulings are not clear.	1.000	.775
I agree that the complexity of the WHT law leads to intentional non-compliance.	1.000	.551
I agree that the complexity of the WHT law leads to unintentional non-compliance.	1.000	.531

Extraction Method: Principal Component Analysis.

Total Variance Explained

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	2.501	62.517	62.517	2.501	62.517	62.517
2	.626	15.647	78.164			
3	.579	14.482	92.647			
4	.294	7.353	100.000			

Extraction Method: Principal Component Analysis.

Component Matrix^a

	Component
	1
I find the WHT law complex and difficult to understand.	.802

The examples included in the Public Rulings are not clear.	.880
I agree that the complexity of the WHT law leads to intentional non-compliance.	.742
I agree that the complexity of the WHT law leads to unintentional non-compliance.	.729

Extraction Method: Principal Component Analysis.^a

a. 1 components extracted.

Factor Analysis

Factor 6: Penalty & deterrence effect

KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.687
Bartlett's Test of Sphericity	Approx. Chi-Square	120.994
	df	6
	Sig.	<.001

Communalities

	Initial	Extraction
An abrupt tax audit by the Tax Authority will raise awareness among payers about WHT compliance.	1.000	.467
Payers are afraid of WHT rules because they believe there is a high chance of being caught for non-compliance.	1.000	.387
A strict tax enforcement level on penalties can increase WHT compliance level among the payers.	1.000	.638
Higher tax penalty charged towards the payers encourage them to act compliance to WHT.	1.000	.587

Extraction Method: Principal Component Analysis.

Total Variance Explained

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	2.079	51.984	51.984	2.079	51.984	51.984
2	.774	19.345	71.329			
3	.707	17.663	88.992			
4	.440	11.008	100.000			

Extraction Method: Principal Component Analysis.

Component Matrix^a

	Component 1
An abrupt tax audit by the Tax Authority will raise awareness among payers about WHT compliance.	.684
Payers are afraid of WHT rules because they believe there is a high chance of being caught for non-compliance.	.622
A strict tax enforcement level on penalties can increase WHT compliance level among the payers.	.799
Higher tax penalty charged towards the payers encourage them to act compliance to WHT.	.766

Extraction Method: Principal Component Analysis.^a

a. 1 components extracted.

Factor Analysis

Factor 7: Cost-benefit considerations

KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.502
Bartlett's Test of Sphericity	Approx. Chi-Square	39.129
	df	3
	Sig.	<.001

Communalities

	Initial	Extraction
I always weigh the benefits like risk avoidance, maintaining compliance and reputation before complying with WHT.	1.000	.719
I always assess the financial impact, including the amount of WHT and potential profit or loss before deciding whether to comply with WHT.	1.000	.707
I believe that the cost savings from not complying with WHT obligations outweigh the penalties imposed for non-compliance.	1.000	.026

Extraction Method: Principal Component Analysis.

Total Variance Explained

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	1.452	48.412	48.412	1.452	48.412	48.412
2	.993	33.105	81.517			
3	.554	18.483	100.000			

Extraction Method: Principal Component Analysis.

Component Matrix^a

	Component
	1
I always weigh the benefits like risk avoidance, maintaining compliance and reputation before complying with WHT.	.848

I always assess the financial impact, including the amount of WHT and potential profit or loss before deciding whether to comply with WHT.	.841
I believe that the cost savings from not complying with WHT obligations outweigh the penalties imposed for non-compliance.	-.162

Extraction Method: Principal Component Analysis.^a

a. 1 components extracted.

Factor Analysis

Factor 8: Social influence & ethical perception

KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.686
Bartlett's Test of Sphericity	Approx. Chi-Square	211.694
	df	6
	Sig.	<.001

Communalities

	Initial	Extraction
My family/friends/industry partners would think it is unethical if I do not fulfil my obligation to remit WHT.	1.000	.467
My family/friends/industry partners agree with my decision not to remit WHT.	1.000	.762
I will not feel guilty if I under remit the WHT if most of my family/friends/industry partners do so.	1.000	.695

My industry partner always encouraging me to comply with WHT.	1.000	.416
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Extraction Method: Principal Component Analysis.

Total Variance Explained

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	2.340	58.491	58.491	2.340	58.491	58.491
2	.738	18.461	76.952			
3	.661	16.526	93.478			
4	.261	6.522	100.000			

Extraction Method: Principal Component Analysis.

Component Matrix^a

	Component 1
My family/friends/industry partners would think it is unethical if I do not fulfil my obligation to remit WHT.	.683
My family/friends/industry partners agree with my decision not to remit WHT.	.873
I will not feel guilty if I under remit the WHT if most of my family/friends/industry partners do so.	.834
My industry partner always encouraging me to comply with WHT.	.645

Extraction Method: Principal Component Analysis.^a

a. 1 components extracted.

Rotated Component Matrix^a

a. Only one component was extracted. The solution cannot be rotated.
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Reliability

Dependent Variable: WHT Compliance Behaviour

Reliability Statistics

Cronbach's Alpha	N of Items
.865	4

Item Statistics

	Mean	Std. Deviation	N
I submit the WHT return on time	3.98	1.164	178
I withhold the correct WHT amount when make payment to my non-resident payee.	3.87	1.290	178
I remit the WHT amount on time to the Tax Authority.	4.01	1.200	178
I always explain the WHT mechanisms to my non-resident payee.	3.45	1.378	178

Item-Total Statistics

	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Cronbach's Alpha if Item Deleted
I submit the WHT return on time	11.32	10.874	.767	.810
I withhold the correct WHT amount when make payment to my non-resident payee.	11.43	10.631	.692	.838
I remit the WHT amount on time to the Tax Authority.	11.29	10.400	.811	.790
I always explain the WHT mechanisms to my non-resident payee.	11.85	10.694	.613	.874

Reliability

Independent Variable 1: Attitude (Factor 3 Manipulation + Factor 9 Trust)

Reliability Statistics

Cronbach's Alpha	N of Items
.688	7

Item Statistics

	Mean	Std. Deviation	N
The Tax Authority can be trusted to manage the tax system	3.74	.997	178
It is fair for the WHT compliance obligation to be placed on the payer rather than the non-resident payee.	3.04	1.239	178
I manipulate the WHT amount.	3.98	1.315	178
I can manipulate the figure in the WHT return if there are chances to do so.	3.82	1.337	178
I would not feel guilty if I excluded some of the payment to non-resident payee when completing WHT return.	3.70	1.309	178
I will prefer my non-resident payee decision whether or not to withhold the WHT.	3.55	1.212	178
With tax knowledge and skills, I can manipulate WHT successfully.	3.29	1.358	178

Item-Total Statistics

	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Cronbach's Alpha if Item Deleted
The Tax Authority can be trusted to manage the tax system	21.38	24.181	.185	.700

It is fair for the WHT compliance obligation to be placed on the payer rather than the non-resident payee.	22.08	24.853	.049	.740
I manipulate the WHT amount.	21.15	19.255	.521	.618
I can manipulate the figure in the WHT return if there are chances to do so.	21.30	18.518	.581	.598
I would not feel guilty if I excluded some of the payment to non-resident payee when completing WHT return.	21.42	19.579	.492	.626
I will prefer my non-resident payee decision whether or not to withhold the WHT.	21.57	21.026	.404	.652
With tax knowledge and skills, I can manipulate WHT successfully.	21.84	18.612	.558	.605

Reliability

Independent Variable 2: Subjective Norms

Reliability Statistics

Cronbach's Alpha	N of Items
.756	4

Item Statistics

	Mean	Std. Deviation	N
My industry partner always encouraging me to comply with WHT.	3.97	1.068	178
My family/friends/industry partners would think it is unethical if I do not fulfil my obligation to remit WHT.	3.37	1.139	178

My family/friends/industry partners agree with my decision not to remit WHT.	3.88	1.056	178
I will not feel guilty if I under remit the WHT if most of my family/friends/industry partners do so.	3.78	1.191	178

Item-Total Statistics

	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Cronbach's Alpha if Item Deleted
My industry partner always encouraging me to comply with WHT.	11.02	7.762	.433	.760
My family/friends/industry partners would think it is unethical if I do not fulfil my obligation to remit WHT.	11.62	7.277	.473	.743
My family/friends/industry partners agree with my decision not to remit WHT.	11.11	6.564	.703	.619
I will not feel guilty if I under remit the WHT if most of my family/friends/industry partners do so.	11.21	6.327	.623	.658

Reliability

Independent Variable 3: Tax Complexity

Reliability Statistics

Cronbach's Alpha	N of Items
.796	4

Item Statistics

	Mean	Std. Deviation	N
I find the WHT law complex and difficult to understand.	3.24	.957	178
The examples included in the Public Rulings are not clear.	3.14	.984	178
I agree that the complexity of the WHT law leads to intentional non-compliance.	3.24	1.027	178
I agree that the complexity of the WHT law leads to unintentional non-compliance.	3.43	1.030	178

Item-Total Statistics

	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Cronbach's Alpha if Item Deleted
I find the WHT law complex and difficult to understand.	9.81	6.107	.613	.743
The examples included in the Public Rulings are not clear.	9.91	5.540	.737	.679
I agree that the complexity of the WHT law leads to intentional non-compliance.	9.81	6.076	.552	.773
I agree that the complexity of the WHT law leads to unintentional non-compliance.	9.62	6.124	.537	.780

Reliability

Independent Variable 4: Tax Knowledge

Reliability Statistics

Cronbach's Alpha	N of Items
.879	4

Item Statistics

	Mean	Std. Deviation	N
I am able to identify payments to non-resident payee that are subject to WHT.	3.73	.989	178
I understand that I am responsible for withholding and remitting the tax.	4.18	.864	178
To my knowledge, I can compute and remit WHT correctly and timely.	3.84	1.024	178
I know the consequences, implications, and penalties of non-compliance with WHT.	3.93	.986	178

Item-Total Statistics

	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Cronbach's Alpha if Item Deleted
I am able to identify payments to non-resident payee that are subject to WHT.	11.95	6.387	.725	.850
I understand that I am responsible for withholding and remitting the tax.	11.50	7.065	.691	.863
To my knowledge, I can compute and remit WHT correctly and timely.	11.84	5.990	.788	.825
I know the consequences, implications, and penalties of non-compliance with WHT.	11.75	6.278	.757	.837

Reliability

Independent Variable 5: Probabilities of Audit

Reliability Statistics

Cronbach's Alpha	N of Items
.730	3

Item Statistics

	Mean	Std. Deviation	N
I believe that the Tax Authority will not detect if I do not comply with WHT.	4.01	1.087	178
I believe that the chances of being detected by the Tax Authority for non-compliance with WHT are low.	3.47	1.106	178
The Tax Authority has limited ability to verify WHT obligations from third parties.	3.34	1.084	178

Item-Total Statistics

	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Cronbach's Alpha if Item Deleted
I believe that the Tax Authority will not detect if I do not comply with WHT.	6.81	3.734	.490	.715
I believe that the chances of being detected by the Tax Authority for non-compliance with WHT are low.	7.35	3.279	.617	.563
The Tax Authority has limited ability to verify WHT obligations from third parties.	7.48	3.539	.554	.642

Reliability

Independent Variable 6: Penalties

Reliability Statistics

Cronbach's Alpha	N of Items
.689	4

Item Statistics

	Mean	Std. Deviation	N
An abrupt tax audit by the Tax Authority will raise awareness among payers about WHT compliance.	3.54	.963	178
Payers are afraid of WHT rules because they believe there is a high chance of being caught for non-compliance.	3.38	.963	178
A strict tax enforcement level on penalties can increase WHT compliance level among the payers.	3.70	.973	178
Higher tax penalty charged towards the payers encourage them to act compliance to WHT.	3.65	1.075	178

Item-Total Statistics

	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Cronbach's Alpha if Item Deleted
An abrupt tax audit by the Tax Authority will raise awareness among payers about WHT compliance.	10.73	5.328	.434	.647
Payers are afraid of WHT rules because they believe there is a high chance of being caught for non-compliance.	10.89	5.524	.384	.677

A strict tax enforcement level on penalties can increase WHT compliance level among the payers.	10.57	4.834	.562	.566
Higher tax penalty charged towards the payers encourage them to act compliance to WHT.	10.62	4.644	.516	.595

Reliability

Independent Variable 7: Cost-benefit Considerations (Dropped)

Reliability Statistics

Cronbach's Alpha	N of Items
.293	3

Item Statistics

	Mean	Std. Deviation	N
I always weigh the benefits like risk avoidance, maintaining compliance and reputation before complying with WHT.	3.56	1.212	178
I always assess the financial impact, including the amount of WHT and potential profit or loss before deciding whether to comply with WHT.	3.09	1.387	178
I believe that the cost savings from not complying with WHT obligations outweigh the penalties imposed for non-compliance.	2.93	1.267	178

Item-Total Statistics

	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Cronbach's Alpha if Item Deleted
I always weigh the benefits like risk avoidance, maintaining compliance and reputation before complying with WHT.	6.02	3.440	.290	-.051 ^a
I always assess the financial impact, including the amount of WHT and potential profit or loss before deciding whether to comply with WHT.	6.48	2.884	.298	-.131 ^a
I believe that the cost savings from not complying with WHT obligations outweigh the penalties imposed for non-compliance.	6.65	4.885	-.050	.611

a. The value is negative due to a negative average covariance among items. This violates reliability model assumptions.

