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Factors Affecting Individual Taxpayers' Compliance in Malaysian Tax Filing System

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Abstract:
The compliance behavior of the tax residents is highly correlated with the tax revenue of the government. Therefore, the prevalence of tax non-compliance remains a critical concern to the tax authorities around the world. Since tax revenue is one of the most important revenues to the Malaysian government, it is crucial to identify the factors that affect individual taxpayers' compliance in Malaysia. To test the relationship between the influencing factors and tax compliance behavior, 50 Malaysian taxpayers have been invited to participate in this study. Based on the past literatures, compliance cost, tax knowledge and tax agent reliability have been selected as the independent variables of this study. Data were collected via questionnaires created based on the research objectives. Findings suggested that compliance cost, tax knowledge and tax agent reliability have significant relationship with the tax compliance behaviors. The conclusion and recommendation to the stakeholders were also discussed.

Keywords: tax compliance, tax agents, official assessment system, self-assessment system, compliance cost.

1. Introduction

1.1. Official Assessment System (OAS)
Prior to the implementation of Self-Assessment System (SAS), most tax authorities practice Official Assessment System (OAS). Under this system, the taxpayers are only responsible to declare all the necessary particular and information relevant to income and expenses for the particular year of assessment. The taxpayer then submits it to the tax authority for computation and assessment by tax officers. Based on the information provided by taxpayers, tax officers will be responsible to compute the tax payable. Taxpayers will then be informed about the amount of tax payable through the issuance of Notice of Assessment by tax officers. Under this assessment, it is very obvious that, the responsibility of determining and assessing taxable income lies on the tax authority. Due to the shortage of staff, tax authorities had difficulty examining all income tax returns within a stipulated time frame (Isa, 2012). This caused the filing rate of tax returns and the level of compliance by taxpayers to be regarded as unsatisfactory due to delay and loss of revenue collections. Self-Assessment System (SAS) was thus introduced to overcome these undesirable outcomes (Loo, Kerchar&Hansford, 2010).

1.2. Self-Assessment System (SAS)
As a measure of modernisation and to overcome the weaknesses, the Malaysian Government has officially announced the introduction of SAS to replace OAS on 22nd November 1998. SAS was implemented in stages for different categories of taxpayers, beginning with corporate taxpayers in year assessment 2001. It was later introduced to business, partnerships and cooperatives in 2003, and salaried individuals in 2004 (Sapiei&Kasipillai, 2013). The implementation of SAS is believed to deliver a better tax administration, provide greater focus on tax authority and investigation (rather than processing and assessing tax returns) and produce reduction in collection costs and time (Isa, 2012).

1.3. Self-Assessment System for Individuals in Malaysia

Beginning from year of assessment (YA) 2004, individuals including employees, sole-proprietors carrying on business, and individual partner in partnership will be using self-assessment system. Under the SAS regime, an individual is assume to bear the primary duty to revise his tax, compute his income tax liability, and account for his tax payable in the current year as well as the final balance at the time when he submits his return form (Form B or BE) to the tax authorities in the following year (Choong, 2013).

1.4. Tax Filing Option

In keeping with the current development of technology, there is a general move towards electronic as part of SAS (Palil, 2010). The electronic filing system is launched by Inland Revenue Board of Malaysia in year 2004 (worldbank.org, 2014). It is one of the strategies to facilitate tax compliance and achieve tax administrative and compliance efficiency (Lai &Choong, 2008). This system enables the taxpayers to submit their tax return through the internet. To e-file, taxpayers first have to request a digital certificate from the IRB. Digital certificate was introduced as one of the security features of e- filing. Only taxpayers with valid digital certificate are able to access their tax return online. Once they get access to their tax return, they are able to complete and submit their tax return online (Kamarulzaman & Azmi, 2010).

Despite the convenience of using e-filing, there are still people who prefer manual submission of tax return. This inconvenience usually occurs on senior citizens who were not familiar with the information technology. In order to be fair, the Inland Revenue Board (IRB) decided to give taxpayers a choice in filing their tax returns (manually or through e-Filing). This decision has met with unanimous sigh of relief among the taxpayers (thestar.com.my, 2006).

1.5. Compliance Rate

Since the implementation of SAS, the Malaysian tax defaulters have remarkably increased almost 10 times within two years, from, 25,160 in 2003 to 239,666 in 2005. This has caused the government to have lost approximately MYR 307.7 million in year 2005 due to tax non-compliance (Krishnamoorthy, 2006). In an effort to collect the outstanding tax amount, IRBM has imposed a ban on tax defaulters from leaving the country under section 104 of the Act (Choong& Wong, 2011). However, the number of individuals banned from leaving the country has seen to be increased over the years. In 2010, the number of individuals banned from leaving the country totalled 4,443 taxpayers, with outstanding tax payments of RM 205.29 million (The IRBM, 2010). In 2011 outstanding tax payment has increased to RM 2,198.12 million (The IRBM, 2011). In the latest IRBM 2012 annual report, a total of 9,339 taxpayers were subjected to enforcement of the ban involving RM 279.82 million outstanding tax debts (The IRBM, 2012).These figures proved that the objective of Self-Assessment System has not been fully achieved despite its implementation since year 2001.

1.6. Tax Knowledge

The adoption of SAS involves a substantial shift of accountability upon taxpayers in terms of their compliance obligations (Jabbar, A& Pope, 2008a). Under the regime of SAS, taxpayers are required to understand the tax system and its procedures, to possess adequate tax knowledge, to be aware of their compliance obligations and to be prepared to comply (Loo, McKerchar&Hansford, 2010). In order to be tax compliant, taxpayers need to be tax literate. At minimum they need to possess some basic knowledge about the taxability of income, deductibility of expenses, entitlements, reliefs, rebates and exemptions. However, in the Malaysian education system, only accounting and some business management students are exposed to taxation at tertiary levels (Choong& Wong, 2011). The levels of tax knowledge possess by tax payers will affect the taxpayer's compliance. This is because the new Self-assessment system and e-filing required the taxpayers to possess certain level of knowledge in order to compute the income tax return.

1.7. Inconvenience of Tax Filing

Under the SAS regime, IRB will no longer liable to compute tax payable. Burden of computing is shifted from IRB to the taxpayers. Through this system, costs and time on collection bared by IRB can be reduced. This benefit however brings inconvenience to taxpayers. In order to fill in tax forms, taxpayers are required to understand the tax system and its procedures. There are monetary cost to an amount spent on tax professionals as well as expenses relating to taxation guides and books. There is also time and cost incurred to travel to IRB office for form submission, prepare tax details in order for them to claim all the deduction available and time spent in dealing with tax authorities (Saipei and Abdullah, 2008). Prior research by Saipei and Abdullah found that the average compliance time spent by an individual taxpayer is 70.6 hours per annum, which is relatively high as compared to 25.5 hours in US and 7.16 hours in Canada.

1.8. Research Objective

The specific objective of the study is to identify the factors affecting individual taxpayers' compliance in Malaysian Tax Filing System. There is a relationship of tax compliance with the government revenue. If the tax compliance is low, the government revenue would be equally low as well. It is important to maintain the government revenue as it is essential to be used as a fund to build facilities for the public as well to maintain the welfare of the people in the country.

2. Literature Review

2.1. Self-Assessment System for Individual Taxpayers

The implementation of SAS for individual taxpayers is based on the concept of "Pay, Self-Assess and File" (IRB, 2006). In a SAS regime, IRBM is no longer liable for examining inaccuracies for every tax computation submitted, issuing notices of assessment and computing tax estimations for individuals. Burden of computing the taxpayer liability is shifted from IRB to the taxpayer (Choong, 2003). Taxpayers are required to compute their return based on tax laws, guidelines and regulations issued by the IRB (Malaysia Institute of Accountant, 2011). Tax returns filed under the system by taxpayers are not subject to detailed technical inspection by the IRBM and are considered as final (Choong, 2003).

At present, for salary and wage earners (SW), monthly deductions are made through Scheduler Tax Deduction (STD) scheme. Under the STD, it is compulsory for employers to deduct tax from their respective employees' remuneration. The amount of tax to be deducted is based on the schedule issued by the IRB. Deducted taxes are remitted by employers to IRB. SW is still required to file their returns and assess their own tax liabilities in accordance with the provisions of the income tax laws. The amount of taxes deducted during a particular YA are reconciled with the amount of taxes paid for the particular year. If the amount of taxes deducted exceed the self-assessed tax liabilities, taxpayers are entitled to refund. However, if there is short fall, taxpayer will be required to pay the difference to IRB (Loo, 2011).

2.2. Electronic Filing System

The IRB has launched electronic filing or electronic filing system in the year of 2004. It refers to a system that covers the use of Internet technologies and Worldwide Web (WWW). Electronic filing is capable to integrate all processes starting from the process of tax preparation, tax filing and tax payment (Mansor, Jamal & Ismail, 2010).This implementation is aimed to increase revenue collection by improving taxpayer services. With the new system, taxpayers can complete the forms and provide needed payment details online instead of sending them by mail or taking them to a tax office (worldbank.org, 2014).E-filing delivers many aspects of "convenience" to taxpayers at which it is not available through traditional channels (Azmi&Kamarulzaman, 2010). It is able to increase convenience, speeds up refunds and payment and lower processing costs. E-Filing does not consume paper as a medium as tax returns will be sent directly online, and data is transferred into the agencies' computer system automatically(AbdMansor, Jamal and Ismail, 2010).

Although e-filing is able to overcome manual filing problems, the percentage of usage is still low. Prior research by Lai, Siti Normala&AhamedKameel (2004), states that the electronic filing may offer to improve administrative compliance efficiency. However, the benefits gained may be obstructed by tax payer's unwillingness to accept and use the available electronic services. Besides that, research by Lai, Sheikh Obid and Meera (2004) found that taxpayers have strong usage intention on e-filing but they are distrustful on the security of the e-filing system. The low acceptance rate of e-filing motivates many researchers to study on compliance costs under the e-filing system as compared to the manual paper filing (Ibrahim & Pope, 2011). There are also prior studies by Hung, Chang and Yu (2006) in Taiwan, which found that perceived usefulness, ease of use, perceived risk, trust, compatibility, external influences, interpersonal influence, self-efficacy, and facilitating condition were significant determiners of taxpayer's acceptance on online filing. On the other hand, research in United States by Carter et.al (2011) found that trust factors were significant determinant of e-filing intention (Ibrahim, 2012).

2.3. Tax Compliance

Tax compliance can be defined as the degree to which a taxpayer complies or fails to comply with the tax rules of their country (Marziana et.al, 2010). Tax compliance activities include the completion of tax returns, compilationof necessary receipts, maintenance of proper records, tax planning and obtaining sufficient knowledge to enable these obligations to be accurately executed. The taxpayer's compliance burden arises from the introduction of SAS. They are required to obtain appropriate tax knowledge, engage external tax professionals and the requirement for better recordkeeping practices (Saipei&Kasipillai, 2014).

According to prior research, tax knowledge plays an important role in increasing the level of tax compliance (Richardson, 2006; Kirchler et.al, 2008).Therefore, publics should be equipped with the tax education so that every person has a sufficient knowledge towards competent taxpayers. Park & Hyun (2003) suggested that tax education is one of the most effective tools to encourage taxpayers to comply further. If the taxpayers understand appropriately the basic concept of taxation, they are willing to comply (Marziana et. al., 2010).

2.4. Compliance Costs

Compliance costs of taxation include three major components: money costs, time costs, and psychological costs to the taxpayers. The monetary or financial costs refer to an amount spent on tax professionals (i.e. tax agents, accountants, investment advisers and legal practitioners) and expenses relating to taxation guides, books, communication and other incidental costs. On the other hand, time costs are incurred in keeping records of information, completing the tax form or prepare tax details for tax professionals as well as time spent in dealing with the tax authorities. Psychological costs refer to the effects upon a taxpayer having to deal with his/ her tax affairs, such as the anxiety of handling complex matters. However in practice, prior studies tended to ignore psychological costs as they are difficult to estimate. Further, psychological costs are perhaps less relevant to corporate SMEs as compared to individual (including self-employed) taxpayers. Hence, the current study estimates both internal time costs and money costs, but does not estimate psychological costs to taxpayers. (Jabbar& Pope, 2008)

Sapiei& Abdullah (2008) are among the first researchers to explore the compliance costs of personal income tax system in Malaysia. They found that the implementation of SAS has increased the compliance costs for individual taxpayers. In terms of compliance time, Saipei and Abudullah discovered that the average compliance time spent by an individual taxpayer is 70.6 hours per annum. The estimation is relatively high as compared to 25.5 hours in US (Stavrianos&Toder, 2003) and 7.16 hours in Canada (Vaillancourt, 2010).

2.5. Tax Knowledge

The introduction of SAS has required the taxpayers to acquire more adequate tax knowledge (Abdul-Latiff, Amin- Nordin, Che-Omar &Harijito, 2005). Better knowledge and understanding of tax laws and rules enable taxpayers to fulfil their tax statutory obligations (filing their tax returns within the stipulated time frame, truthfully report their tax affairs and accurately computing their tax liabilities) (Loo et.al., 2009). Besides that, having tax knowledge may also serve to change taxpayers' perceptions on the fairness of the tax system (Mahat, 2007). Lack of appropriate tax knowledge may lead to unintentional non-compliance behaviour (Loo, Evans, McKerchar, 2010).At the same time, tax knowledge improved individual's awareness and ethics to reduce their tendencies of tax non-compliance. This is proved through a study by Kasipillai et al. (2003) among Malaysian undergraduate, they found that tax education influenced the attitudes and mindsets of Malaysian students (the future taxpayers) towards tax avoidance and tax evasions (Palil, 2013).

According to prior research by Amrizah and Nero (2005), the level of tax knowledge among working salaried adults particularly in East Malaysia had average knowledge of personal taxation (Palil, 2013).Previous research done by Richardson's (2006) on cross-border survey of tax compliance concluded that taxpayer education level does influence their decision making in tax compliance and tax evasion. Almet.al's empirical evidence indicated that tax knowledge has a positive impact on compliance. Tax administration are encouraged to use communications as an effective tool to deliver relevant tax knowledge and continuous tax education programs to encourage taxpayer to comply and at the same time deter them from non- compliance (Hasseldine et.al, 2007; OECD, 2010).

2.6. Tax Agents

With numerous countries shifting to a SAS, the role of tax agents is becoming more prominent for two main reasons (Vos&Mihail, 2006). Firstly, taxpayers rely on tax agents in assisting them in understanding the law and to appropriately determine how it relates to the taxpayers' situations. Secondly, the assessment of many taxpayer returns is effectively commenced by tax agents. Australia is one of the instances. After the implementation of SAS, tax agents have been playing a larger role in tax compliance and tax audit process (McKerchar, 2005). There are 73% of individuals and 94% of companies prefer to practice tax agents in 2005. As at 31 July 2005, the number of registered tax agents in Australia was 25,965. Of these, 83% were active agents and 45% of them had 100 or more clients (McKerchar& Walpole, 2009).

Tax agents play an important role in tax compliance as they assist the taxpayers to achieve their tax obligations. It is further proclaimed that tax agents also assume the duty of tax officers under SAS. Thus, the tax agents play a dual role; firstly as advocates for their taxpayer clients by finding the most advantageous position for their clients, and secondly in their role to do their duty by the tax authority by promoting compliance with the tax laws (Tan & Sawyer. 2003).

3. Research Methodology

3.1. Research Design

The method of collecting the primary data of this research is by conducting questionnaires. There are a total of 50 sets of questionnaires related to the topic of research are distributed to the targeted respondents. They are the Malaysian individual taxpayers. In order to obtain results for this research, the data written in the questionnaires by the targeted group were analysed using the SPSS software programme.

Besides primary data, secondary data research is also approached. Secondary data are data gathered through existing sources. They are already exist and do not have to be collected by researcher. The secondary data used in this research consists of journal, articles and thesis done by previous researchers. Besides that, there are also e-books, reference books as well as educational websites from the internet.

This research cannot be only dependent on primary data or secondary data. It should be a combination of secondary data and primary data. The secondary data at times is helpful to the primary data, as they have strong evidence to support the data and result collected from the primary data.

Nonetheless, the sample size to collect in this research is targeted to be 50 participants andthey are required to be Malaysian citizens. 50 Questionnaires will be given out to 50 target respondents through e-mail and forms to the targeted respondents.

The data obtained from the questionnaires will need to be coded, keyed in and edited. These data will then be transformed into another numerical representation in order to avoid problems in further analysis. All these processes will be done by using the SPSS program. Apart from that, frequencies analysis will be presented in bar charts, histograms, or pie charts to provide a trend analysis. After the trend analysis is tested, correlation analysis is done to further determine the strength of relationship between the variables.

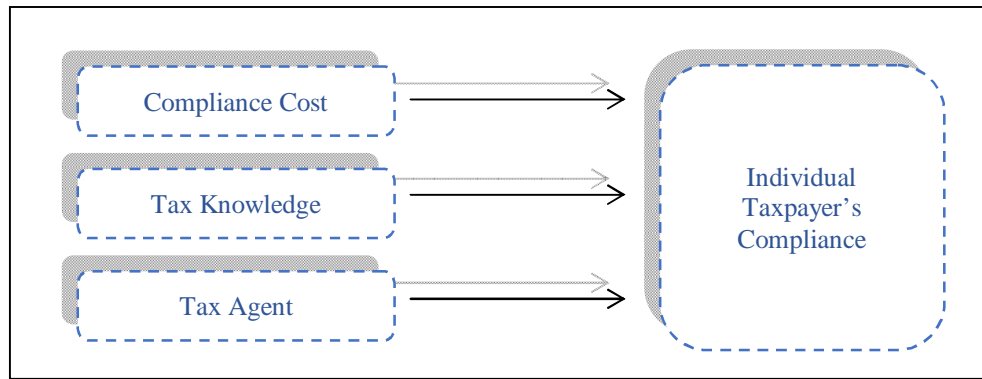## 3.2. Theoretical Framework

Figure 1: Theoretical Framework

The figure above shows the theoretical framework of this project. This research is carried out to find out the factors affecting individual taxpayers' compliance based on three independent factors which are compliance cost, tax knowledge and tax agent. These factors will be tested to examine whether there is a relationship with the individual taxpayers' compliance.

- $H0_1$: There is no relationship between compliance cost and taxpayers' compliance behaviour
- $H1_1$: There is a relationship between compliance cost and taxpayers' compliance behaviour
- $H0_2$: There is no relationship between tax knowledge and taxpayers' compliance behaviour
- $H1_2$: There is a relationship between tax knowledge and taxpayers' compliance behaviour
- $H0_3$: There is no relationship between tax agent reliability and taxpayers' compliance behaviour
- $H1_3$: There is a relationship between tax agent reliability and taxpayers' compliance behaviour

4. Data Analysis

4.1. Respondents Characteristics

In Section A of the questionnaire, respondents are asked about their fundamental information such as gender, age, education level and income level. Below shows the results of the gender, age, education level and income level of the respondents.

According to the analysis of the 50 samples, 56% of them are male, indicating that most of the individual taxpayers in Malaysia are of male gender. Female respondents, who accounted 44% of the total sample, are slightly lower than the male

As for the age group, there are 36% of respondents that are of agesbetween 20 to 29, 34% aged 30 to 39, 18% aged between 40 to 49 and 10% aged between 50 to 59. It is found that there are no respondents aged more than 60 years old. The highest percentage age group is in between 20 to 29 and followed by age group 30 to 39.

In terms of education level, the highest percentage is degree holders, accounting 40% of them. This is followed by post graduate respondents accounting 26% of the total sample. Number of diploma students is slightly lower than post graduate, accounting 24% and the least would be secondary school respondents, having 10% of the total sample. The majority 40% of respondents having degree education is consistent to the majority age group of 20 to 29.

Based on income level, 8% with income below RM 1,000, 10% with income between RM 1,001 to RM 3,000, 32% with income between RM 3,001 to RM 5,000, 42% with income between RM 5,001 to RM 10,000 and 8% with income more than RM 10,000.

4.2. Awareness of Self-Assessment System (SAS)

The awareness of SAS is decided to be the dependent variable of the research. In general, the result of the analysis shows that most of the respondents 30 out of 50 respondents (60%) have awareness on the system. The remaining 20 (40%), which is less than half of the total sample size are nonetheless unaware of the system.

In a closer inspection for awareness of SAS, it was found out that among the 28 total male respondents, 15 of them, accounted 30% of the total sample size are aware of SAS. The remaining 13 of male respondents, accounted 26% of them are ignorant towards the system. In contrast, in the female respondents' perspective, results shows that 15 out of 22 total female respondents (accounted 30%) are aware of SAS. Another remaining 7 female respondents are thus unaware of SAS.

4.3. Reliability Test

Cronbach Alpha Value	Reliability Testing
0.802	Research is accepted and reliable

Table 1: Reliability Testing

Cronbach's alpha is a statistic which is generally used as a measure of internal consistency or reliability of a psychometric instrument (explorable.com, 2010).According to one of the past researchers, Cronbach's Alpha value is ideal when it is above 0.7 (Pallant,

2005).Besides that, according to Gliem&Gliem, alpha value of 0.8 is probably a reasonable goal. However, a high value of alpha (>0.90) suggest that there are redundancies and show that the test length should be shortened. The acceptable values hence would be ranging from 0.70 to 0.95 (Tavakol&Dennick, 2011).The Cronbach Alpha value of this research is 0.802. Nonetheless, this research can be said to be acceptable and reliable.

4.4. Pearson Correlations Moment
In order to test whether there is a relationship between the variables, the researcher has used the bivariate correlation test. According to one of the past researcher, if the significance level is less than 0.05, then the correlation will be significant. When correlation is significant, the two variables will be linearly related. (SPSS – Correlation analysis, n.d.)Besides that, there is also a researcher who states that when significant value is less than 0.05 or 0.001, the null hypothesis should be rejected (H0) and on the other hand accept the alternative hypothesis (H1). (Shuttleworth, 2008)

4.5. Tax Knowledge
There are a number of studies that indicate the positive relationship of tax knowledge and tax compliance behaviour. Past research indicates that the introduction of SAS has required taxpayers to acquire more adequate tax knowledge(Abdul-Latiff, Amin-Nordin, Che-Omar, &Harijito, 2005). The knowledge and understanding of tax laws and regulation will better facilitate taxpayers infulfillingtheir tax statutory obligations.This includes filing their returns within a required time frame, honestly reporting their tax affairs and accurately computing their tax liabilities (Loo et.al, 2009). Besides that, tax knowledge is also able to serve its purpose to change taxpayers' perception on the fairness of tax system (Mahat, 2007). Lack of tax knowledge may lead to unintentional non-compliance behaviour. (Loo, Evans &McKerchar, 2010)

It is suggested that the introduction of formal tax education in the early stages such as schools is required. This is because by providing tax education to students, it is able to assist and influence the attitude of tax compliance behavior (Kasippillai, 2003). Besides that, it is also suggested that the higher education should offer preliminary taxation course as one of the core subject to all their students. However, the taxation course is offered as compulsory subject only to the accounting based undergraduates. It will be beneficial if the taxation courses are offered because undergraduate students (future taxpayer) will be subsequently more compliant when they are employed upon graduation and earn taxable income. If the employees have adequate tax knowledge, there would be minimal unintentional non-compliance. Formal tax education is one of the possible solutions to equip future taxpayers with basic tax knowledge for greater tax compliance(Palil, Akir& Ahmad, 2013).The correlation has shown significance (2-tailed) value of 0.016 which is less than 0.05. Hence, this shows that there is a relationship between tax knowledge and individual tax compliance.

4.6. Tax Agent
The mechanism of operation of a SAS has significant differences from the direct assessment system whereby the administrative burden of tax is partly shifted to the taxpayers. From the positive perception, this should encourage taxpayers to become more responsible by forcing them to engage more directly with their tax computation process. In contrast, some taxpayers may have a negative response by using the nature of SAS to manipulate their tax returns or employ tax agents (Hasseldine&Hansford, 2003) who in turn affect their tax declaration levels negatively by advising them of tax deduction they may otherwise be not opt to take (Palil 2010).

In line with Braithwaite, Reinhart and Smart (2009), the research also shows that younger taxpayers and lower income earners are less knowledgeable about tax matters. In addition to that, they may be prone to use tax agents' services in their capacity to comply with tax law, particularly in self-assessment system (Braithwaite et. al., 2009). When they are less knowledgeable and prone to use tax agents, unintentional tax compliance may occur. The correlation test has shown significance (2-tailed) value of 0.013 which is less than0.05, there is a relationship between tax agent and individual tax compliance.

4.7. Compliance Cost
Besides that, manual filing also involves bundles of papers. The government or tax authority has to invest a sum of money to print and furnish the returns to taxpayers. However, the tax returns are not guaranteed to be sent over to tax authority and if it is so it would be a financial loss to the government. According to the IRB (2005), they have sent out 3.91 million tax returns to taxpayers. This represents an increase of 13.9% compared to the 3.43 million tax returns issued in 2004. Based on trend analysis, there was about 20% to 30% tax returns that were not sent back to the tax authority and this contributed to tax non-compliance (Mansor, Jamal & Ismail, 2010).

The problem further continues to taxpayers when they fill in their tax returns. Taxpayers need to fill in details repeatedly to each return's sheet by hand or typewriter. Each of the sheets must be carefully and accurately written. Manual taxpayers needed more time to complete the filing of their tax returns.

The correlation outcome shows significance (2-tailed) value of 0.013 which is less than 0.05. Therefore, in conclusion, there is a relationship between compliance cost and individual tax compliance.

4.8. Summary

Hypothesis	P Value	Hypothesis Testing
H01: There is no relationship between tax knowledge and taxpayers' compliance behaviour H11: There is a relationship between tax knowledge and taxpayers' compliance behaviour	$0.016 \leq 0.05$	H0 rejected, H1 accepted
H02: There is no relationship between compliance cost and taxpayers' compliance behaviour H12: There is relationship between compliance cost and taxpayers' compliance behaviour	$0.013 \leq 0.05$	H0 rejected, H1 accepted
H03: There is no relationship between tax agent reliability and taxpayers' compliance behaviour H13: There is relationship between tax agent reliability and taxpayers' compliance behaviour	$0.013 \leq 0.05$	H0 rejected, H1 accepted

Table 2: Hypothesis Testing

5. Conclusion

In conclusion, this study is carried out to determine the factors affecting Individual Taxpayers' compliance in Malaysian Tax Filing System. The factors identified are tax knowledge, compliance cost and tax agents. They are tested to have a relationship with tax compliance using the correlation test.

One of the biggest barriers for a Malaysian individual to compute their own tax return is tax knowledge. Hence, in the government perspective, to increase the public knowledge level on tax, they can set up booths or cubicles at shopping malls to create awareness and knowledge of tax computation to the publicbefore tax submission period.

Awareness programs in various mediums such as newspapers, magazines and television must regularly be carried out besides workshops and road shows. As individual taxpayers comprise of different backgrounds, there is a need of a comprehensive printed electronic filing manual.

In order to reduce time, monetary and psychological cost, some of the taxpayers seek tax agents' assistant to fill in their tax return form. However, in Malaysia, a tax agent doesn't mean he/ she has a professional paper in accounting. Nonetheless, without proper study and training, tax agent may fill up clients' tax return form wrongly causing the increase of non-compliant rate. To avoid further increment, the government, thus has to impose the requirement that the tax agent must be a professional accountant possessing degree in accounting or professional qualification (ACCA, MIA and MICPA).

The responsibility diversion from IRB to the taxpayer has increased taxpayers' compliance cost (time cost, psychological cost and monetary cost). It is suggested that the government should provide a more efficient e-filing system to the taxpayers. Although the convenience of e-filing cannot reduce taxpayers' monetary cost to acquire tax knowledge,it can reduce their time and psychological cost. However, there are problems such as slow server and busy network promptly related to the system. To resolve this problem, the IRB could increase bigger size bandwidth as well as the number of servers. In addition to that, Malaysia has a low e-filing usage. Hence, IRB needs to do aggressive promotion towards it. It should not only be stressed out during tax season but emphasized continuously.

Since cost of obtaining tax knowledge (purchase of book and payment of workshop course) is one factor affecting taxpayers' compliance, the IRB should conduct more free tax education programmes such as workshops, briefing and talks to reduce the compliance cost of the taxpayer. Through workshops or other tax education programmes, taxpayers will be provided training on filing of tax return, record keeping and personal tax return. If the public has adequate tax knowledge, then there would be minimal unintentional non-compliance occurring.

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