INFLUENCE OF BEHAVIOURISM, ENFORCEMENT AND LAW CLARITY ON TAX COMPLIANCE AMONG E-COMMERCE TAXPAYERS

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ABSTRACT

This study examines the factors influencing tax compliance among the e-commerce taxpayers in Malaysia. Specifically, this study examines the effect of behaviourism, enforcement, and law clarity on tax compliance among the e-commerce taxpayers who are involved in the clothing and fashion business activities in Malaysia. Using questionnaire survey on e-commerce taxpayers, this study shows all factors chosen in this study positively influence tax compliance among the e-commerce taxpayers. The findings of this study provide understanding to the Inland Revenue Department on the need to increase the level of tax compliance among the e-commerce taxpayers. Therefore, it is important for the Inland Revenue Department to identify best practices that could be implemented so that the e-commerce taxpayers can become more aware and subsequently, assist them to become responsible citizens in helping the country in sustaining economic development.

Keywords: Behaviourism; Enforcement; Law clarity; E-commerce; Tax compliance.

INTRODUCTION

The culture of e-commerce business has transcended around society in Malaysia since the year 2016. According to Surendran (2016), e-commerce contributed RM211 billion to the country's gross domestic product (GDP) in 2016, and it will continue to show tremendous growth rate from 10.8% in 2016 to 20.8% in 2020. Similarly, the Department of Statistics Malaysia (2016) reported that the digital economy had contributed 6.1% out of 18.2% of the country's gross domestic product (GDP) growth in 2016. In the same year, the Malaysia Ministry of International Trade and Industry (MITI) had launched a new E-commerce Initiative to expand the market access of e-commerce to the 87 million digital customers in the ASEAN region to cater to around 80% of the small-medium sized companies in the e-commerce world. Hence, the National E-commerce Strategic Plan 2016-2020 was introduced to accelerate the adoption of e-commerce in business, increase the adoption of e-procurement, lift non-tariff barriers, realign existing economic incentives, make strategic investments in e-commerce players, and promote the national brand to cross-border e-commerce. The Self-Assessment System (SAS) is used for tax reporting and for e-commerce, the tax authorities need to obtain information from the taxpayers in determining their income (Ghani et al., 2021). However, in some cases, taxpayers tend to avoid doing so (Syakura et al., 2016).

This study examines the effect of behaviourism, enforcement, and law clarity on tax compliance among the e-commerce taxpayers who are involved in the clothing and fashion business activities in Malaysia. The remainder of this paper is organised as follows. The next

section proceeds to review related literature. Section 2 provides the research method. This is followed by the empirical results and discussions. The final section concludes this paper.

LITERATURE REVIEW

Tax is an essential aspect of modern life. Tax authorities in every country are entrusted to collect revenues from taxpayers and thus, important for the taxpayers to pay their taxes for the benefit of the economic and social welfare of the country (Young et al., 2016). However, there are taxpayers who do not want to pay tax (Alm et al., 1995). Jackson and Milliron (1986) suggested that economic, psychological, sociological, and political factors have a correlation with tax compliance. For this study, three factors are chosen to examine the factors influencing tax compliance among the e-commerce taxpayers. The three factors are behaviourism, enforcement and law clarity.

Behaviourism refers to the attitude towards a behaviour reveals the degree of positive or negative perceptions of such behaviour (Tuan Besar et al., 2017). The behavioural approach focuses on the way society behaves based on attitudes, beliefs, norms, and roles (Elffers, 1991) and such behaviour may affect taxpayers' compliance behaviour (Sapiei et al., 2014). These behavioural perspectives include sociological and psychological aspects such as age, gender, ethnicity, education, culture, institutional influence, peer influence, income level, income sources, tax rates, sanctions, complexity, fairness, ethics, and tax morale (Sapiei & Kasipillai, 2013; Sapiei et al., 2014). Based on Kircler et al. (2008), a person will feel the tax is unfair if they pay tax too high of an amount compared to the money that they received. Syakura et al. (2016) highlighted that the individual's behaviour is influenced by the attitude towards behavioural factors such as lack of tax morale and the fairness of the tax system, which is similar to the Theory of Planned Behaviour. Hence, behaviourism can be related to tax compliance, and the hypothesis developed is as follows:

H1: There is a positive relationship between behaviourism and tax compliance among e-commerce taxpayers

Enforcement concerns the tax authorities, detection of tax, penalty, and sanctions. According to Singh and Bhupalan (2001), the Inland Revenue Board Malaysia (IRBM) uses economic deterrence strategies, which are penalties and enforcement including legal and criminal methods to address the intention of non-compliance among taxpayers when using SAS. Loo et al. (2010) pointed out taxpayers who have a fear of being penalised show a positive relationship between tax compliance and penalty rates. This is due to the extensive use of enforcement strategies to create the notion of tax compliance among society. Audits and sanctions may also have a significant relationship with tax compliance (Sia, 2008). Cuccia (1994) suggested that taxpayer compliance is driven by punishment and/or sanctions, where a lower non-compliance results from an increase in penalty rate and a higher probability of detection. Syakura et al. (2016) opined that the high number of tax audits or examinations by tax authorities affect the compliance of taxpayers. Excessive supervision by tax authorities on taxpayers can also assist e-commerce businesses to report their online income. Hence, enforcement can be related to tax compliance, and the hypothesis developed is as follows:

H2: There is a positive relationship between enforcement and tax compliance among e-commerce taxpayers

Law clarity refers to the perception of taxpayers of the tax law. When an individual comprehends the tax law clearly, indirectly, it will increase the intention to behave compliantly towards tax. Tax complexity such as filing, payment, and reporting is important

in affecting the behaviour of tax compliance among taxpayers (Syakura et al., 2016). Beck et al. (1991) expressed that tax complexity can change the behaviour of taxpayers whether to comply and relates to the perception of fairness of the tax system and tax compliance. Furthermore, Terkper (2007) highlighted the level of tax compliance among taxpayers is based on the understanding of the tax laws, proper bookkeeping, and interest towards the government. Appropriate tax knowledge can be related to the intention of tax compliance behaviour among taxpayers (Loo et al., 2010). When an interpretation of tax laws is understandable, taxpayers are able to comply with the rules and regulations pertaining to the tax laws. Abdul-Jabbar (2009) found that there is a significant relationship between tax knowledge and the clarity of law among the taxpayers. This is because when taxpayers understand the terms in the tax law, they tend to comply with the law and follow the rules and regulations. Hence, the clarity of the law can be related to tax compliance, and the hypothesis developed is as follows:

H3: There is a positive relationship between law clarity and tax compliance among e-commerce taxpayers

METHODOLOGY

Sample Selection

The target sample or respondents for this study is the e-commerce taxpayers who are involved in the clothing and fashion business activities in Malaysia. Few studies have chosen this industry despite its substantial contribution to the economic development of Malaysia and are mostly dominated by e-commerce taxpayers. To analyse the significant compliance of the taxpayers, the respondents were divided into two, which are the audited respondents and respondents who have not been audited by the IRBM. The respondents were divided to capture the behaviour of e-commerce taxpayers regarding compliance with tax rules and their involvement with the regulations of the tax system.

Research Instrument

This study relies on the survey questionnaire which contains five parts. The first part of the questionnaire involves demographic information of the respondents. The second part requires the respondents to provide their perception of tax compliance. The third part requires the respondents to provide their perception of behaviourism to measure the level of fairness of tax and motivation to comply with tax among the e-commerce taxpayers. The fourth part requires the respondents to provide their perception of enforcement by tax authorities when collecting tax from the e-commerce taxpayers. The final part of the questionnaire requires the respondents to specify their perception of law clarity by focusing on the awareness and complexity of e-commerce taxpayers to the tax law. All these sections used a five-point scale from '1' for strongly disagree to '5' for strongly agree.

Data Collection

The survey was done through an online survey form by Google and through electronic mail. A cover letter was attached to the questionnaire circulated that justified the purpose and objectives of the study as well as giving assurance that all information provided would be treated as confidential. Furthermore, the link to the Google online survey address was also disseminated through Whatsapp application and electronic mail to make it easier for

respondents who have e-commerce business to answer the questionnaire. In total, 243 respondents participated in this study.

RESULTS

Descriptive Statistics

Table 1 presents the results of the descriptive statistics and normality test for all constructs of tax compliance. The results show an average mean score of 3.59 for tax compliance, implying that the respondents have an average perception of tax compliance for the e-commerce business. The item that has the lowest mean score, which is 3.47, is the time taken to pay tax. The highest mean score for tax compliance is the disclosure of information with a score of 3.68 with a maximum of 5 answered by some of the respondents. The analysis for this mean score indicates that the tax law requires e-commerce taxpayers to disclose any information related to income and expenses. Thus, it would take some time for the e-commerce taxpayers to pay taxes, as they need to identify the relevant information to be disclosed to tax authorities, which in this case explains the low mean score of the tax compliance variable.

TABLE 1 DESCRIPTIVE STATISTICS AND NORMALITY TEST FOR TAX COMPLIANCE				
	Mean	**Std. Deviation**	**Skewness**	**Kurtosis**
Tax Compliance	3.5885	0.96216	-1.035	0.719
Registered business	3.62	0.995	-0.881	0.688
Disclosed Info	3.68	1.047	-0.792	0.362
Time taken	3.47	1.013	-0.985	0.635
Valid *N* (listwise)				

Table 2 presents the results of the descriptive statistics and normality test using skewness and kurtosis scores for the behaviourism variable as having a low mean score of 3.59 for all the measures. This indicates that the majority of the respondents perceived themselves as having low behaviourism.

TABLE 2 DESCRIPTIVE STATISTICS AND NORMALITY TEST FOR BEHAVIOURISM				
	Mean	**Std. Deviation**	**Skewness**	**Kurtosis**
Behaviourism	3.587	0.83361	-0.747	0.697
Mr A reported sale	3.35	1.002	-0.441	-0.133
Report only part of RM100,000	3.44	0.949	-0.467	-0.208
Moral obligation	3.85	0.989	-0.888	0.52
Relationship	3.73	1	-0.656	0.042
SAS made tax law fair	3.64	0.966	-0.585	0.096
Distribution of income tax burden	3.72	0.978	-0.713	0.223
Changes during past 5 years	3.38	0.969	-0.42	-0.109
Valid *N* (listwise)				

The lowest mean score is attributed to Mr A reporting his sale with a score of 3.35 with a maximum value of 5. For this variable, the hypothetical tax scenario of Mr A's

possible action of reporting cash sale of RM100,000 as his business income attracted respondents' slight disagreement with the behaviour and intention of Mr A of not disclosing the information. The highest mean score of 3.85 is attributed to moral obligation with a maximum value of 5, indicating that most of the respondents slightly agreed that they have a moral obligation as e-commerce taxpayers to report all of their income and pay the correct amount of tax.

Table 3 presents the descriptive analysis and the normality test for the enforcement variable. The results display the mean score of 3.66 with an indication that the respondents have low enforcement. The lowest mean score concerns the favourable treatment with a score of 3.58 and the maximum value of 5. It indicates that most of the respondents disagreed on more favourable tax treatment should be given to regular e-commerce taxpayers. The highest mean score of 3.80 relates to the item may be audited if there were a discrepancy in the annual tax return which most of the respondents agreed on it.

TABLE 3
DESCRIPTIVE STATISTICS AND NORMALITY TEST FOR ENFORCEMENT

	Mean	Std. Deviation	Skewness	Kurtosis
Enforcement	3.6642	0.85897	-0.681	0.607
Favourable treatment	3.58	1.082	-0.242	0-.739
Item may be audited	3.80	0.941	-0.883	0.801
Discrepancy may be identified	3.75	0.994	-0.812	0.600
Penalties are severe	3.59	1.046	-0.588	-0.169
Not worthwhile to cut corners	3.59	0.985	-0.466	-0.149
Valid *N* (listwise)				

Table 4 presents the descriptive analysis and normality test for law clarity. The results show that the mean score is 3.60, which indicates that most of the respondents have low law clarity. The lowest mean score of the data is 3.22 with a maximum value of 5, which concerns the preparation of income tax return where most of the respondents disagreed that the preparation of it is easy.

TABLE 4
DESCRIPTIVE STATISTICS AND NORMALITY TEST FOR LAW CLARITY

	Mean	Std. Deviation	Skewness	Kurtosis
Law Clarity	3.6070	0.81833	-1.077	1.414
Preparation of income tax return	3.22	0.949	-0.193	-0.223
Tax law is simple to understand	3.27	1.000	-0.267	-0.520
Complexity	3.46	1.049	-0.615	0.045
Good record keeping to manage business effectively	3.90	0.982	-0.933	0.677
Good record keeping to reduce tax audit	3.90	1.020	-0.885	0.349
Relaxation and calmness	3.89	1.012	-0.884	0.387
Valid *N* (listwise)				

Table 4 also shows that the highest mean score is 3.90, which is attributed to two measures, namely, good record keeping can help e-commerce taxpayers to manage their business effectively and good record keeping can reduce the likelihood of tax audit by tax authorities. The skewness has a score of -1.077, which implies the distribution is highly

skewed. For negative skew, the median is larger than the mean, and the mean is also to the left of the peak. The kurtosis score, on the other hand, shows a value of 1.414, which indicates the distribution, is highly skewed.

Preliminary Analyses

The preliminary testing results are depicted in Table 5. It can be seen that the skewness values of the data are between -1.077 and -0.681 and the Kurtosis values are between 0.607 and 1.414. As this is a large dataset comprising a sample of more than 30, it is considered a normal dataset. The values for skewness and kurtosis that range between -2 and +2 are acceptable indications of a normal distribution (George & Mallery, 2010).

TABLE 5
PRELIMINARY TEST RESULTS

	Skewness	Kurtosis	Mean
Tax Compliance	-1.035	0.719	3.5885
Behaviourism	-0.747	0.697	3.5873
Enforcement	-0.681	0.607	3.6642
Law Clarity	-1.077	1.414	3.607

Table 6 shows the correlation coefficient matrix as well as the significance value of the variables in this research. As shown in the table, the Pearson's correlation coefficient, *r* value is between 0.621 and 0.746, where the value of DV with IV1 is 0.644, DV with IV2 is 0.621, DV with IV3 is 0.702, IV1 with IV2 is 0.717, IV1 with IV3 is 0.746, and IV2 with IV3 is 0.690. This implies that no multicollinearity exists since no pair of independent variables has a correlation coefficient value greater than 0.8 or less than -0.8.

TABLE 6
PEARSON CORRELATION COEFFICIENT MATRIX AND LEVEL OF SIGNIFICANCE

		DV	IV1	IV2	IV3
DV	Pearson Correlation	1	0.644[**]	0.621[**]	0.702[**]
	Sig. (2-tailed)		0.000	0.000	0.000
IV1	Pearson Correlation	0.644[**]	1	0.717[**]	0.746[**]
	Sig. (2-tailed)	0.000		0.000	0.000
IV2	Pearson Correlation	0.621[**]	0.717[**]	1	0.690[**]
	Sig. (2-tailed)	0.000	0.000		0.000
IV3	Pearson Correlation	0.702[**]	0.746[**]	0.690[**]	1
	Sig. (2-tailed)	0.000	0.000	0.000	

**. Correlation is significant at the 0.01 level (2-tailed). The above variables are defined as: DV = Tax Compliance; IV1 = Behaviourism; IV2 = Enforcement; IV3 = Law Clarity

Simple Linear Regression Model

The results presented in Table 7 indicate that the behaviourism variable has a significant influence on tax compliance since the value is 0.000, which is less than 0.01 ($p<0.01$). The correlation coefficient ($r = 0.644$) suggests that there is a positive relationship between behaviourism and tax compliance. Enforcement has a significant influence on tax compliance since the value is 0.000, which is below 0.01 ($p<0.01$).

TABLE 7
PEARSON CORRELATION COEFFICIENT MATRIX AND LEVEL OF SIGNIFICANCE

		DV	IV1	IV2	IV3
DV	Pearson Correlation	1	0.644**	0.621**	0.702**
	Sig. (2-tailed)		0.000	0.000	0.000
IV1	Pearson Correlation	0.644**	1	0.717**	0.746**
	Sig. (2-tailed)	0.000		0.000	0.000
IV2	Pearson Correlation	0.621**	0.717**	1	0.690**
	Sig. (2-tailed)	0.000	0.000		0.000
IV3	Pearson Correlation	0.702**	0.746**	.690**	1
	Sig. (2-tailed)	0.000	0.000	.000	

**. Correlation is significant at the 0.01 level (2-tailed). The above variables are defined as: DV = Tax Compliance; IV1 = Behaviourism; IV2 = Enforcement; IV3 = Law Clarity.

The relationship between the variables is positive, as the value of the correlation coefficient is 0.621. In the case of the law clarity variable, the significance value of 0.000, which is lower than 0.01 ($p<0.01$), indicates that the variable is significant. The correlation coefficient ($r=0.702$) indicates that there is a highly positive relationship between law clarity and tax compliance.

Multiple Regression Analysis

Table 8 presents the results in testing hypothesis 1 (H_1) that states 'There is a positive relationship between behaviourism and tax compliance among e-commerce taxpayers. The results for H_1 on the relationship between behaviourism and tax compliance shows that at 95% confidence level, the behaviourism variable has a significant influence on tax compliance since the value is 0.000 which is less than 0.01 ($p=0.000$, $p<0.01$). The correlation coefficient of 0.644 ($R=0.644$) and a positive value of B_0 ($B_0=0.743$) indicate that there is a positive relationship between behaviourism and tax compliance. The coefficient of determination of 0.414 ($R^2=0.414$) means that 41.4% of the total variation in tax compliance can be explained by behaviourism and the remaining 58.6% is explained by other factors.

TABLE 8
REGRESSION ANALYSIS RESULT FOR BEHAVIOURISM

Variable	Tax Compliance				
	Sig.	R	R^2	B_0	t
Behaviourism	0.000	0.644	0.414	0.743	7.472
Enforcement	0.000	0.621	0.386	0.696	7.046
Law Clarity	0.000	0.702	0.493	0.826	8.767

Table 8 also that the second objective is achieved since enforcement is significant at 95% where its significance value is 0.000, which is below 0.01 ($p=0.000$, $p<0.01$). The second objective relates to hypothesis 2 (H_2) that states 'There is a positive relationship between enforcement and tax compliance among e-commerce taxpayers. The relationship between the variables is strong as the value of the correlation coefficient is 0.621 ($R=0.621$). Table 8 also shows the results of testing hypothesis 3 (H3) that states 'There is a positive relationship between law clarity and tax compliance among e-commerce taxpayers. The results show that the significance value for the law clarity variable is 0.000 and this indicates that the variable is significant at 95% confidence level as the value is less than 0.01 ($p=0.000$,

$p<0.01$). The correlation coefficient value of 0.702 (R=0.702) and a positive value of B_0 (B_0=0.826) indicate that there is a positive relationship between law clarity and tax compliance. The coefficient of determination of 0.493 (R^2=0.493) means that 49.3% of the total variation in tax compliance can be explained by law clarity and the remaining 50.7% is explained by other influences.

CONCLUSION

This study aims to examine the influence of the behaviourism, enforcement and tax clarity on taxpayers' tax compliance. The results show that all factors chosen in this study influence the tax compliance among the taxpayers, which is consistent to previous studies such as Terkper (2007), Sapiei et al. (2014) and Syakura et al. (2016). This study contributes to the tax authorities of Malaysia in executing an effective control mechanism and establishing good policies and regulations relating to tax compliance to ensure that no more taxpayers will enjoy tax avoidance or evasion in the future. This study is not without limitations. The number of respondents is considered low, and a higher number of respondents could lead to a more concrete and solid analysis and findings. Hence, it is recommended that future study should involve a higher number of respondents to allow researchers to generalise to the entire population of the selected group of respondents.

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