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BUSINESS INCOME TAX COMPLIANCE BEHAVIOR AMONG SOLE PROPRIETORSHIPS

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Abstract:

Malaysian government has consistently supported Small and Medium Enterprises (SMEs) by ensuring that they are resilient and growing. The 2021 Budget represents the largest allocation to date that benefits SMEs, totalling RM38.7 billion as incentives to SMEs for sustaining their businesses. Hence, SMEs have an obligation to support the government by voluntarily and accurately paying their taxes. However, this group of taxpayers appears to be at a high risk of engaging in tax evasion and believes that paying taxes is a burden. Thus, this paper aims to focus on sole proprietorship, the small-scale sector known to be tough when it comes to paying taxes. The objective of this study is to examine the relationship between five independent variables; attitude, subjective norm, perceived behavioural control (probability of audit and licensed tax agent), and the dependent variable; intention to comply. The research framework of this study was developed based on five variables and employed the Theory of Planned Behaviour (TPB). The questionnaires were distributed to taxpayers in Penang. A total of 135 samples were collected from taxpayers through simple random sampling techniques. According to the analysis, TPB is relevant to this study because it helps to explain how taxpayers behave to be aware of and obedient to tax. If taxpayers have strong intentions and beliefs, they will obey the tax. Taxpayers also think about the effects of their actions before acting in a particular way. Surprisingly, the findings ruled out the validity of audit probability in tax intention behaviour. This study contributes to the current literature by adding a new variable of the licensed tax agent to the tax compliance model. Hence, the suggestion for future research is to increase the sample size so that future research can generalise the whole population and come out with a stronger regression model.

Keywords:

Theory of Planned Behaviour; Probability of Audit; Licensed Tax Agent; Tax Compliance Behaviour

Introduction

Taxes are a fundamental way to generate public revenues and earn public funds, enabling them to finance investments in human capital, infrastructure, and the delivery of services to citizens and businesses. However, many individual taxpayers continue to misunderstand the importance of taxes. Non-compliance with the law is unavoidable due to the taxpayer's actions, whether due to illiteracy, ignorance, irresponsibility, or intentional evasion, as well as inefficiencies in tax administration. As a result, the Organisation for Economic Co-operation Development (OECD, 2004) emphasises the importance of the tax administration by having plans and procedures in place to minimise non-compliance with tax law. Nonetheless, all revenue authorities nationwide are facing a major problem in ensuring full compliance from every taxpayer. Despite maintaining public trust while maximising tax collection efficiency, the government continues to face continual non-compliance and the issue became more challenging once the self-assessment system (SAS) was implemented (Alm, Clark, & Leibel, 2016). The self-assessment system was implemented by the Malaysian government in 2001 to improve and modernise the tax system. During that year, SAS was introduced for corporations for the first time, and in 2004, it was expanded to include other categories of taxpayers, including sole proprietors, partnerships, cooperatives, and employees. Between 2001 and 2004, the Official Assessment System (OAS) was replaced with the SAS, which had a number of unexpected and unsatisfactory problems. The SAS mandates that taxpayers compute their taxable income and determine their liability using a "do-it-yourself" method to promote voluntary compliance by taxpayers (Hanapi, 2022).

Even though the majority of taxpayers are aware of their obligations, some nonetheless will try to avoid or delay paying them. Prior studies have also found that self-assessment taxpayers are the most likely to avoid paying taxes since the tax system is mainly focused on self-reporting. Due to their higher chances of flexibility in reporting their income, they tend to do everything required to organise their financial affairs so that they pay the least amount of tax possible (Slemrod, 2001). On the other hand, the extent to which a taxpayer deviates from the law is measured by the taxpayer's tax knowledge in manipulating the tax liability, either legitimately or illegally (Hanapi, 2022). During the mid-1990s, the issues of tax compliance generated considerable attention among Malaysian researchers. Although these issues were the focus of numerous studies, there was surprisingly little focus on business taxpayers, especially sole proprietors and partnerships. This type of business taxpayers, known as small and medium enterprises (SMEs), is a major economic contributor to many countries throughout the world, including Malaysia (Yusoff, Wahab, Latiff, Osman, Zawawi, & Fazal, 2018).

According to the Department of Statistics Malaysia (2022), SMEs made up 98.9% of all businesses and contributed 37.4% to Malaysia's 2021 gross domestic product (GDP). From 2015 to 2021, SMEs, which are a significant player in Malaysia's business sectors, contributed over half of the country's labour force. The World Bank estimates that 600 million new jobs will be needed by 2030 to cope with the world's rising labour population. Therefore, the growth

of SMEs is a top priority for many governments around the world. Throughout the coronavirus disease (COVID-19) pandemic, the government of Malaysia has consistently supported SMEs by ensuring that they are resilient and growing. The 2021 Budget represented the largest allocation to date that benefits SMEs, totalling RM38.7 billion as incentives to SMEs for sustaining their businesses. Hence, SMEs have an obligation to help the country by voluntarily and accurately settling their tax obligations.

SMEs seemed to be high-risk taxpayers because of their unstable income, limited financial resources, and tax ignorance (Delloite & MICPA, 2021), and as a result, they tend to be chosen for a tax audit. Evidence suggests that small businesses may be more likely to commit tax evasion. Moreover, this group of taxpayers also believed that paying taxes was burdensome since it would lower their income, and implementing a new digital tax was not necessary at this time. Small business online retailers too still refused to file tax returns, despite the fact that they can generate additional revenue without having to pay taxes (Yeo, Lim, & Azhar, 2019). The Inland Revenue Board of Malaysia (IRBM) uses a variety of strategies to combat the issue of underreporting income. The IRBM Corporate Plan 2016–2020 highlighted the techniques as illustrated in the tax compliance model (LHDNM, 2016). The tax compliance strategies are further outlined in the IRBM Corporate Plan for 2021-2025 (LHDNM, 2021). To reduce the risk of non-compliance, one of the most useful strategic strategies is to promote voluntary tax compliance.

To attain a high degree of voluntary compliance awareness, IRBM must apprehend group taxpayers' tax compliance behaviour. As a result, there is a disparity in the "intention for tax compliance" measure. The gap is in addition to the theoretical and practical gaps, which should be investigated to determine the causes of non-compliance behaviour in assisting tax authorities by concentrating on the areas that require immediate attention to raise tax awareness. Furthermore, the purpose of this is to help bridge the gap by investigating the factors that influence tax compliance intentions and behaviour among sole proprietors.

Literature Review

Theory of Planned Behaviour

Ajzen (1987), whose book was published in 1975, introduced the idea of continuous study that would become the idea of planned behaviour. Ajzen initially discussed the theory of reasoned action (TRA) in his 1975 book (Ajzen & Fishbein, 1975). TPB is the most widely used theoretical framework for interpreting human behaviour. It is an expanded form of the TRA (Ajzen, 1991). Before being applied to the field of taxation by Bobek (1997), the idea of planned behaviour was extensively employed in psychological research studies to explain how a person's perception of fairness influences their behaviour. Formerly known as TRA, this theory states that an individual's intention drives their behaviour and that individual's intention is catalysed by their attitude and subjective norms that motivate them to act in a certain way (Ajzen & Fishbein, 1975). The intention is the arbitrary likelihood that drives the decision to engage in the behaviour. Hence, the likelihood that a behaviour will be executed increases with the strength of the intention behind it. To overcome the limitations imposed by the TRA, Ajzen (1991) incorporated the TPB into his continuum study to bolster his earlier theoretical model. To accurately predict human behaviour, an additional component, PBC, was as an innovation incorporated into the TRA. The idea of adding the perception of PBC to the earlier theory is that people are inclined to participate if they lack of control over it, even if there are positive

influences and aspects of a favourable attitude towards it (Ajzen, 1991). Actual behaviour cannot be measured because it is either impractical or unavailable, so perceived behavioural control steps in to fill in the gap. If perceived behavioural control accurately represents actual control, the ability to anticipate future behaviour can be enhanced (Ajzen & Fishbein, 1975).

Relationship between Attitude and Intention

The attitude towards adherence to tax laws and regulations is seen as an unclear definition since it lacks a precise definition (Eriksen & Fallan, 1996). Kirchler (2007), who discovered that the attitude towards paying taxes is riddled with complexity and stands for the norms and expectations surrounding taxation that have an impact on taxpayer behaviour, concurred with this. In this context, attitudes refer to the assessment of whether something is positive or not (Ajzen & Fishbein, 1975). Individual taxpayers will want to follow the rules when they are favourably evaluated; otherwise, they will take action to evade paying taxes. This view may be affected by several variables, including how fair the tax system is seen to be. Many people believe that they would be willing to pay for or even pay more to be a part of creating a society with them. If they obtain public benefits in exchange for their money, taxpayers may believe that taxation is an equitable system (Forest & Sheffrin, 2002). This suggests that people have a favourable opinion on tax compliance. On the other hand, people are less likely to co-operate with government officials if they believe that the tax system is treating them unfairly. Their attitude towards decisions related to tax compliance will ultimately be shaped by this view. Concerns regarding the justice of the current tax structure have also been connected to attitudes towards tax compliance, according to Roth et al. (1989). In a related study, Bobek (1997) noted that a taxpayer's positive attitude towards paying taxes assures a higher intention to do so, whereas Bobek and Hatfield's findings from 2003, discovered a significant impact on how people feel about paying their taxes on time. According to a study by Bobek (1997), taxpayer's attitudes contributed to their compliance behaviour. Some prior studies found that peer influence had a significant positive effect on tax evasion (Bhutta et al. 2019; Bidin and Sinnasamy 2018). According to the conclusions of the study, taxpayers' perceptions of fairness were primarily influenced by their interests, with how they personally profit from the tax system serving as their primary motivating factor. Researchers found that taxpayers' attitudes towards the tax system had a significant impact on their willingness to comply with tax laws (Saad, 2010). Those who see the tax system favourably are more likely to file and pay their taxes on time, whereas those who have a negative view are less likely to do so. The attitude constructs in the TPB are expected to be used in this study to justify the taxpayer's desire to follow the tax rules. Hence, the first hypothesis is presented as follows:

H₁: Attitude is positively related to the intention towards tax compliance behaviour among sole proprietor taxpayers.

Relationship between Subjective Norms and Intention

Peer influence (subjective norms) is regarded as a role in tax compliance according to Allingham and Sandmo's (1972) synthesis of past studies, which was revised by Richardson and Sawyer (2001). Societal standards are also a crucial predictor of people's tax compliance behaviour. Similarly, Fischer, Wartick, and Mark (1992) emphasised the significance of subjective standards in Fischer's ability to explain taxpayers' adherence to tax laws. Ajzen (1991) argues that subjective norms represent a form of worldwide social pressure resulting from a person's intimate friends and family members, who may have an impact on the person's ethical judgements, with what is widely seen as ethical being contradictory. It became extremely clear that someone would behave in a certain way if they believed that others around

them shared their judgement on how they needed to behave. This is corroborated by research done in 2009 by Bidin, Idris, and Shamsudin, which found that behavioural intention to pay “zakah” on income from work is significantly influenced by subjective standards. Kirchler (2007) provided additional evidence for this claim by pointing out that the group affects individuals' tax compliance behaviour to which they belong. Many taxation studies had proven the significance of subjective norm on intention (Al-Zaqeba & Al-Rashdan, 2020b; Bhutta et al., 2019). To put it another way, if the taxpayer believes that others are avoiding paying taxes, cheating, or abiding by the law, he will likely be influenced to do so too (Alm, 2012; Bergman, 2001; Sandmo, 2005).

The second hypothesis is presented as follows:

H₂: Subjective norm is positively related to the intention towards tax compliance behaviour of sole proprietors.

Relationship between Perceived Behavioural Control and Intention

PBC determines the amount of difficulty based on an individual's performance. Occasionally, this factor can directly affect behaviour. It pertains to how a person perceives the level of difficulty or the ease of a task with which they may effectively execute the desired activity. Its behaviour is impacted by other variables that might either aid or hinder its functions. Similarly, Bobek et al. (2007) reported that how individuals are financially affected by a tax system is an important determinant in fairness judgement. When there are no limits on a given behaviour, an individual may have complete control over that behaviour. In contrast, if a behaviour requires resources or certain abilities that are unavailable, there could be a complete absence of control. The more control people sensed that they have over the activity, the more likely they are to believe they have that kind of resource or opportunity. It follows that there must be other crucial concepts or enabling elements that can affect such behaviour. Several tax related studies had found significant influence between perceived behavioural control and behavioural intention (Alleyne & Harris, 2017; Al-Zaqeba & Al-Rashdan, 2020b; Bhutta et al., 2019). In the findings reported by Kraft, Rise, Sutton, and Roysamb (2005), behaviours that are considered difficult to perform may tend to measure self-efficacy and controllability compared to less difficult behaviour. Hence, individuals will be less likely to act in that manner until they are certain that they can do so effectively. In accordance with previous research, the PBC is divided into two important dimensions in this study. The first dimension is the Probability of Audit, and the second is the Licensed Tax Agent.

Probability of Audit and Intention

There has been a large number of research done on tax compliance, tax evasion, and tax audits. The deterrence theory of taxes, which is based on Becker (1968) and Allingham and Sandmo (1972), suggests that audit efforts have a significant effect on enhancing compliance. The influence of tax audit efforts on tax compliance was further studied. In practice, there are more elements that can influence the compliance levels of taxpayers. The empirical findings of Tan and Yim (2014) implied that the presence of strategic uncertainty can act as a deterrent to tax evasion. However, among the compliant taxpayers who were audited, those who received rewards evaded less in the subsequent audit than those who did not. Moreover, Bruttel and Friehe (2014), through a path-dependence experiment showed that the likelihood of being audited and the amount of the tax evasion penalties had an ongoing effect on current income disclosures. This discovery has significant policy implications and can be explained by reference-dependent preferences. An inadequate audit could encourage a taxpayer to take risks; for example, if the audit missed undeclared money, the taxpayer may conclude that the agency

is incapable of detecting fraud and underreporting future income. (Andreoni et al., 1998). The economic model suggests that in order to maximise the rewards of their compliant action, taxpayers weigh the rewards of successfully avoiding tax despite the costs of being found and punished. Allingham and Sandmo (1972) concluded that when the risk of being identified is high, a bigger share of income will be disclosed. Thus, the following theory was developed:

H₃: Probability of audit is positively related to the intention towards tax compliance behaviour among sole proprietors.

Licensed Tax Agent and Intention

For several reasons, taxpayers hire tax professionals to act on their behalf. Owing to their limited tax knowledge and the complexity of current tax law, these reasons can range from a desire to submit appropriate returns to a desire to pay as little tax as possible, fear of filing incorrectly and incurring penalties, or simply insufficient time to do their own tax return. Tax preparers have a major impact on their clients' decisions to ignore the tax laws. Previous research has shown that the function of tax preparers, such as the Certified Public Accountants [CPAs], is either connected to tax non-compliance (an aggressive technique) or tax compliance (a conservative approach). The expectations of taxpayers do not entirely bind tax preparers. Tax preparers can set standards because they belong to an elite profession (Gordon, 1988). Nonetheless, it's important to realise that not every tax preparer is prepared to jeopardise their moral character in order to be successful (Marshall, Armstrong, & Smith, 1998). Tax advisors have the ability to influence taxpayers. The involvement of tax preparers may affect a taxpayer's decision not to comply. Tax preparers can influence taxpayers to make compliant choices. In the past, research on tax preparers primarily focused on licensed tax preparers. The goal of engaging an authorised tax preparer and an unauthorised tax preparer is identical: to guide and advise taxpayers in meeting their tax responsibilities. Due to licencing requirements, licensed tax preparers will have a higher level of education than unlicensed tax preparers (Ayres, Jackson, & Hite, 1989). Hence, unauthorised tax preparers may be unable to provide adequate counsel, leading to a rise in tax non-compliance among single owners. The aggressive behaviour of tax agents is impacted by the attitudes of others. Tan (2011) discovered in a recent study that the sort of advice given to customers by tax agents was influenced by their risk profiles, demonstrating the impact of clients on tax agents' ethical decisions. According to the findings of a number of researchers, smaller businesses, such as SMEs and self-employed individuals, had higher costs to pay taxes than bigger companies since they had to hire tax preparers because the businesses did not have non-tax accounting or tax departments to handle the tax matters (Slemrod & Venkatesh, 2002). The following hypothesis is derived from these research results:

H₄: Appointment of a licensed tax agent is positively related to the intention towards tax compliance behaviour among sole proprietors.

Relationship between Intention and Tax Compliance Behaviour

Intention and Tax Compliance Behaviour

The TPB suggests that intent is a substitute for behaviour. It demonstrates a person's reason for doing something in terms of their conscious plan or decision to do it. In general, the greater the strength of the motivation, the greater the possibility that the activity will be carried out (Fishbein & Ajzen, 2011). Benk, Cakmak, and Budak (2011) employed the idea of planned behaviour to explain tax compliance behaviour, but their research indicated that the desire to comply does not result in action. Suhaila (2013) observed that Armitage and Conner's (2001)

meta-analysis also showed that one of the TPB's advantages is its capacity to forecast behaviour across a range of academic disciplines. According to previous research, intention and behavioural variation were both significantly explained by TPB (Yang et al., 2021). Moreover, the TPB is among the most important models between attitudes and actions (Armitage & Christian, 2003). In their study model, Wu and Chen (2005) investigated the link between trust and the technology acceptance model on the taxpayer's e-Filing intent and discovered a substantial positive relationship between trust in authorities and e-Filing intentions. Consequently, this study aimed to identify and measure the tax compliance intentions of sole proprietor taxpayers. This leads to the following hypothesis, which is based on a prior discussion:

H₅: Intention is positively related to tax compliance behaviour.

Methods

The study's population comprises all sole proprietors who operate enterprises in the state of Penang, and have registered files at the IRBM Penang Branch, filed their tax forms, and made their income tax payments. As of December 31, 2021, 769,869 sole proprietor taxpayers registered their files with the IRBM Penang Branch and filed their tax returns through the e-Filing system. The total number of sole proprietor taxpayers in Malaysia who registered their files as of December 31, 2021, was 11,143,936. The purpose of this study is to identify the features that affect individuals' tax compliance intentions. Identifying information (identification and residences) was collected from a random sample of taxpayers who filed individual business and were stored in the database system of the IRBM Penang Branch. The present study utilised a quantitative methodology through the distribution of surveys to the participants. In this study, the variable's attitude, subjective norms, PBC (probability of audit and licensed tax agent), tax compliance behaviour and the dependent variable's intention to comply are all measured using an interval scale. The usage of an interval scale, which suggests a rating on a certain scale and measures between any two points on the scale, would clearly explain the reasons that contribute to non-compliance with taxation (Wu & Leung, 2017). All of the constructs were measured with a five-point Likert scale. The interval scale matches this study's Likert scale questionnaire (5-strongly agree, 1-strongly disagree). Twenty (20) items were evaluated across all five (5) variables, with responses ranging from "strongly disagree" (1) to "strongly agree" (5).

Results

Results of Reliability Analysis

Table 1.0 displays Cronbach's alpha results to examine the internal consistency and reliability of the study's variables. For each of the six variables utilised in this investigation, the Cronbach's alpha coefficient was determined to be between 0.652 and 0.908 which exceeds the recommended minimum value of 0.60 as suggested by Sekaran and Bougie (2013). Also, Hair, Black, Babin, Anderson, and Tatham (2006) exploratory studies of Cronbach's alpha values exceeding 0.60 are acceptable. From Table 1.0, Cronbach's alpha with the greatest value of 0.908 for the tax compliance behaviour variable and the lowest value of 0.652 for the intention variable.

Table 1.0: Results of Reliability Test (n=135)

Measures	Number of Items	Cronbach α
Intention (INT)	4	.652
Attitude (ATT)	4	.785
Subjective Norm (SN)	4	.884
Probability of Audit (PAU)	4	.761
Licensed Tax Agent (LTA)	4	.758
Tax Compliance Behaviour (TCA)	4	.908

Results of Factor Analysis

In addition to the reliability test, factor analysis is required to evaluate whether or not items represent patterns of the same construct. The method of factor analysis was applied to every construct so that the validity of each variable that was used in this study could be determined. The analysis simplifies the variable into manageable elements or dimensions (Pallant, 2010). The test for the identity of the matrix, based on Bartlett's sphericity test, showed that each construct was significant ($p = 0.0000$). In order to establish whether the sample size is adequate or not, KMO-based validity analyses were carried out. The results of the factor analysis for all the research constructs are presented in Table 1.1. The KMO score for each construct was within the range of 0.654 to 0.813 with a single factor. All of the constructs were discovered to have KMO values greater than 0.50, and based on Hair et al. (2006), these constructs are acceptable for further analyses.

Table 1.1: Results of Factor Analysis (n=135)

Variables	Number of Items	Number of Factors	KMO Value	Variance Explained	Barlett's Test of Sphericity
Intention	4	1	.654	52.266	.000*
Attitude	4	1	.714	66.231	.000*
Subjective Norm	4	1	.813	76.599	.000*
Probability of Audit	4	1	.775	59.601	.000*
Licensed Tax Agent	4	1	.753	67.161	.000*
Tax Compliance Behaviour	4	1	.798	79.095	.000*

The items are intention, attitude, subjective norm, probability of audit, licensed tax agent, and tax compliance behaviour. The KMO is highest for the subjective norm with a value of 0.813. The intention construct, on the other hand, has the lowest KMO value at 0.654.

Results of Correlation Analysis

In correlation analysis, the interaction of two variables is determined. The relationship between the two variables is examined for both its strength and its direction. Cohen (1988) states that a high degree of correlation exists between variables if the correlation coefficient, r , is larger than 0.5 ($r^2 \geq 0.5$). A correlation coefficient with a positive value demonstrates the existence of a strong connection, while one with a negative value hint at a poor relationship (Pallant, 2010). Given the normally distributed nature of the study's variables, Pearson's correlation analysis can be used to examine the connections between them. Table 1.2 summarises the analysis of correlations for all variables in this study.

Table 1.2: Pearson Correlation Coefficient Analysis

Variables	Intention	Attitude	Licensed Tax Agent		
			Subjective Norm	Probability of Audit	Tax Agent
Intention	1.000				
Attitude	.514**	1.000			
Subjective Norm	.498**	.606**	1.000		
Probability of Audit	.443**	.508**	.504**	1.000	
Licensed Tax Agent	.460**	.477**	.457**	.562**	1.000

** Correlation is significant at the 0.01 level (2-tailed)

The correlation coefficient measured by the two-tailed test between each independent variable is summarised in the table above. Attitude ($r = 0.514$), Subjective Norm ($r = 0.498$), Probability of Audit ($r = 0.443$), and Licensed Tax Agent ($r = 0.460$) have a moderately positive relationship with the dependent variable, intention to comply, as their respective correlation coefficients, r are below 0.50. As a result the problem of multicollinearity does not exist (Hair, 2006).

Results of Normality Analysis

According to Hair et al. (2006), the normality test is a standard for statistical techniques. Table 1.3 displays the results of the Skewness and Kurtosis tests for data normality, which serve to characterise the data distribution. The mean test results for each variable range between ± 2 standard deviations.

Table 1.3: Results of Normality Test (n=135)

Variables	Skewness		Kurtosis	
	Statistic	Std. Error	Statistic	Std. Error
Intention	-1.026	.209	0.473	.414
Attitude	-0.820	.209	0.045	.414
Subjective Norm	-0.944	.209	0.866	.414
Probability of Audit	-0.732	.209	-0.454	.414
Licensed Tax Agent	-0.523	.209	-1.000	.414
Tax Compliance Behaviour	-1.219	.209	1.161	.414

According to George and Mallery (2006), values up to ± 2 for Skewness and Kurtosis are acceptable. Additionally, according to Coakes and Steed (2003), the values of Skewness and Kurtosis are still acceptable within ± 3 . As a result, the study's results were appropriate for further analysis.

Results of Regression Analysis

Overall, the review of the basic assumptions of regression analysis did not reveal any violations. Table 1.4 summarises Model 1's multiple regression results. According to the multiple correlation coefficient value of $R = 0.603$, the degree of intention to comply with tax rules predicted by the independent factors was good. The coefficient of determination R^2

measures how well a model can explain and forecast future actions. The independent factors were responsible for 36.4% of the variation in the dependent variable, according to the coefficient of determination ($R^2 = 0.364$). As the dependent variable is the intention of Penang's sole proprietorship taxpayers to comply with the law on taxes, the model (Model 1) that was developed for the purpose of this investigation, which includes all four independent variables (attitude, subjective norm, probability of audit, and licensed tax agent) covers 36.4% of the dependent variable. The F-statistic value of 18.568, which is less than the significance level with a p-value of 0.000.

Table 1.4: Multiple Regression Analyses for Intention Model (n=135)

Model	R	R Square	Adjusted R Square		F	Sig
			Adjusted R Square	Standard Error		
1	.603 ^a	.364	.344	1.71004	18.568	.000 ^b

a. Predictors: (Constant), Attitude, Subjective Norm, Licensed Tax Agent, Probability of Audit

b. Dependent Variable: Intention

The F-statistic is a method for determining the variance's deviation from the mean. Whether the results are statistically significant or not depends on the F-statistic value and the P-value. Nonetheless, caution must be exercised because this does not necessarily imply that each of the four independent variables significantly influences the intention to comply with the legislation. There is a statistically significant difference between the means of the variables, as demonstrated by the F-statistic and P-value results when combined. Further tests are conducted to evaluate whether variable means are significant, as shown in Table 1.5. The P-value demonstrated that the dependent variable, intention to comply, has been significantly affected by three independent variables: attitude, subjective norm, and licensed tax agent. This suggests that attitude, subjective norm, and a licensed tax agent all influence taxpayers' intention compliance behaviour. The remaining independent variable, the probability of audit has no significant influence on the dependent variable, intention to comply. This suggests that the likelihood of an audit has no effect on sole proprietor taxpayers' intention to comply. This leads to the conclusion that the independent variables; attitude ($\beta = 0.269$, P-value = 0.011), subjective norm ($\beta = 0.239$, P-value = 0.024) and licensed tax agent ($\beta = 0.305$, P-value = 0.036) have the most significant effect on the dependent variable; intention to comply.

Table 1.5: Linear Regression Model 1 (Coefficient)

Model		Unstandardized Coefficient		Standardized Coefficient	t	Sig
		B	Std. Error	Beta		
1	Constant	1.215	1.771		0.686	0.494
	Attitude	0.269	0.105	0.241	2.571	0.011*
	Subjective Norm	0.239	0.105	0.212	2.287	0.024*
	Probability of Audit	0.100	0.085	0.108	1.178	0.241
	Licensed Tax Agent	0.305	0.144	0.188	2.123	0.036*

*p<0.05

As shown in Table 1.6, further tests are done to consider variables that affect tax compliance behaviour. The P-value in Model 2 suggested that the dependent variable, tax compliance behaviour, revealed a positive and significant relationship with intention to comply. Therefore, the variable, intention to comply ($\beta = 0.432$, P-value = 0.000), is significantly influenced by the dependent variable, tax compliance behaviour. This indicates that a taxpayer's behaviour with regard to tax compliance is affected by their willingness to follow the law.

Table 1.6: Linear Regression Model 2 (Coefficient)

Model		Unstandardized		Standardized	t	Sig
		Coefficient		Coefficient		
		B	Std. Error	Beta		
2	Constant	8.357	1.090		7.665	0.000
	Intention to Comply	0.432	0.074	0.451	5.826	0.000*

*p<0.01

Discussion

The first research objective is to determine the influence of attitude, subjective norm, probability of audit, and licensed tax agent on tax compliance intention among sole proprietor taxpayers. The second research objective is to determine the influence of intention on tax compliance behaviour among sole proprietor taxpayers. The study's results showed that individual taxpayers are likely to have attitudes that lead them to be in compliance with the tax laws. Previous research has proven the importance of attitude on intention (Bobek, 1997; Saad, 2010; Bobek & Hatfield 2003). In addition, previous research has shown that a person's attitude significantly affects how they act in relation to their intentions. Consequently, the TPB model proposed by Ajzen (1991) is consistent with the attitude variable. Thus, the results of this study are compatible with the TPB, which reveal that a changing attitude influences an individual's intentions. The objective has been achieved, and the results show that among sole proprietor taxpayers, attitude and intention to comply with laws are strongly positively correlated.

This study examined the hypothesis that the intention to comply with tax laws is positively correlated with the subjective norm. Tax intention to comply with tax laws was found to have a strong relationship with the subjective norm. This result lined up with several prior tax studies, including the studies by Saad (2010), Bidin, Idris, and Shamsudin (2009), Bobek et al. (2007), Kirchler (2007), and Alm (2012). Importantly, the results of this study matched the predictions made by the TPB, which postulates that an individual's intentions are affected by the subjective norm variable. Hence, the objective has been accomplished, and it has been demonstrated that, among sole proprietor taxpayers, there is a significant connection between individual norms and the intent to comply with the law.

The current study has split PBC into two main components or characteristics. The first is the internal factor while the second is the external factor. This study uses the TPB to explain how the frequency or number of audits has an impact on taxpayers' compliance. Several past results indicated that the probability of audit was significant on tax compliance (Bruttel & Friehe, 2014; Kastlunger et al., 2011 Tan & Yim, 2014; Slemrod et al., 2001). In conclusion, different levels of detection will likely result in varying degrees of compliance. For instance, increased compliance may result from a high likelihood of detection (Bergman, 2001). However, the researcher in this study examined the potential for being audited and the sole proprietor

taxpayer's responses towards tax compliance intention; different taxpayer demographics (such as employees) may yield varying outcomes and interpretations. In addition, the time of the data collection itself may be a significant contributor to the mixed findings. Therefore, the objective of determining the relationship between the probability of audit and the intention to comply with tax laws has been met, and it has been demonstrated that there is an insignificant but positively related correlation between the probability of an audit and the intention to comply with tax laws among sole proprietor taxpayers.

Due to the requirements for professional certification, licensed tax preparers have higher levels of education than unapproved tax preparers (Ayres, Jackson, & Hite, 1989). As a result, unlicensed tax preparers may not be able to effectively guide sole proprietors, potentially leading to a rise in tax non-compliance. The appointment of a licensed tax agent demonstrated its strong importance, with each item having a high range of mean values. According to the results of this investigation, there is a strong correlation between the construct of a licensed tax agent and their intention. The significance of licensed tax agents on intention was consistent with the findings of previous research by Ayres, Jackson, & Hite, (1989) and Arachi & Santoro, (2007). Thus, the findings of this study support the hypothesised positive relationship between variable licensed tax agents and the intentions of sole proprietor taxpayers. The aim has been met, and the significance of the relationship between a licensed tax agent and the objectives of a sole proprietor taxpayer to comply with tax rules have been confirmed.

In this study, it was found that intention was significant for tax compliance behaviour. This result was consistent with prior research by Armitage and Christian (2004), Wu and Chen (2005) and Yang et al. (2021). They discovered that intention was significant in their studies of behaviour. Wu and Chen (2005), on the other hand, tested the relationship between trust and the technology acceptance model on the taxpayer's e-Filing intention and discovered a strong positive correlation between trust in authorities and e-Filing intentions. With regards to the study's objectives, as a conclusion, it is shown that there is a high correlation between intention and tax compliance behaviour among sole proprietor taxpayers.

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