

## Understanding Tax Compliance among Sole Proprietors: A Theory of Planned Behaviour Analysis

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### ABSTRACT

Issues related to tax compliance represent a significant challenge for tax administrations worldwide. Addressing these concerns is crucial, as non-compliance can lead to substantial losses in government revenue. Drawing on the Theory of Planned Behavior (TPB) as the foundational theoretical framework, this study investigates the determinants of compliance behavior among sole proprietors. Questionnaires were sent to a sample of sole proprietors in Malaysia and were completed by 225 respondents. The results showed that the TPB variables were able to explain 44.7 percent variance in behavioural intention to comply with the tax laws. The sole proprietors' intention to comply with tax regulations was significantly influenced by their attitude toward compliance and their perceived behavioral control. However, it was observed that subjective norms do not exert any influence on the decision of whether to comply with tax laws or not. The findings imply that tax authorities should prioritize addressing attitudes, as favourable attitudes toward the tax system appear to be a key driver of increased tax compliance among sole proprietors. By fostering positive perceptions and attitudes regarding the tax system, tax authorities may enhance overall compliance levels within this specific taxpayer group. In conclusion, this study contributes to the existing body of tax literature and offers initial insights for Malaysian tax policy makers seeking to comprehend the determinants of behavioral intentions regarding tax compliance

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### INTRODUCTION

Taxation constitutes a fundamental component of fiscal policy and serves as an effective tool for governments to meet their public expenditures. Many countries employ taxation strategically to foster national growth and development. The funds gathered through taxation play a pivotal role in contributing to the overall development of a nation, benefiting its citizens. Recognizing the significance of taxes as a primary revenue source for sustaining economic development, it becomes imperative for all citizens within the country to contribute equitable

portion of taxes. The revenue derived from taxes enable governments to provide diverse services to individual states and the entire nation, ultimately supporting the overall welfare of the nation.

Despite the pivotal role of taxes in fostering national development, there remain individuals who fail to recognize its significance. They persist in attempting to evade taxes while still expecting to reap the benefits. This scenario appears unjust to other taxpayers who conscientiously fulfil their tax obligations. If this situation persists and is not addressed with due seriousness, the country may potentially encounter a substantial revenue loss and pose substantial threats to the equitable distribution of fiscal responsibilities.

Many researchers in the field of tax compliance contend that sole proprietorships or self-employed individuals constitute a high-risk group for noncompliance (Razak & Bidin, 2019; Obaid, Ibrahim & Mat-Udin, 2020; Adhikari, Alm & Harris; 2021).). This group is deemed to possess a considerable likelihood of evading income taxes when compared to other taxpayers. They were also recognized as the predominant contributor to the income tax gap. In the United States, the Internal Revenue Service (IRS) approximates that in year 2 \$80 billion in unpaid taxes can be attributed to the noncompliance of sole proprietors who deliberately underreported their net income, resulting underreporting of their tax liabilities. This figure represents 16 percent of the total tax gap, highlighting the significant contribution of this group to noncompliance. Similarly, in the United Kingdom, statistic from Her Majesty's Revenue and Customs (HMRC) indicate that 56% of the overall tax gap was attributed to tax underpayments by small business owners (HMRC, 2021). In the context for Malaysia, the Penang Inland Revenue Board also has identified that sole proprietorships as the primary group engaged in tax evasion within the state. Since cash transactions are frequent in the realm of small businesses, often involving smaller amounts, there is a heightened potential for tax evasion opportunities (Chan et. al., 2023). These opportunities may go undetected by revenue agencies, even during thorough audit processes.

Considering the aforementioned concerns, all this data serves as compelling evidence of the substantial impact of sole proprietor noncompliance on the overall tax gap. It underscores the critical need to address compliance issues within this specific group for effective tax administration. There are various factors that can lead this group of people opt not to adhere to tax regulations. Hence, when predicting the motivational factors influencing individuals' decisions regarding tax reporting, it becomes crucial to explicitly identify the intentions that drive such behavior. As outlined by Ajzen (2002), intention holds the potential to significantly impact behavior and has the ability to sway an individual's decisions. In essence, intention is a pivotal element existing within an individual prior to directing their focus toward a specific object or behavior (Ajzen, 2002). Therefore, by drawing upon the theory of planned behavior and its application to the context of tax compliance, this study endeavours to investigate the roles of attitude, subjective norm, and perceived behavioural control in potentially influencing compliance behaviour.

The remainder of this paper is organized in the following are structures as follows: Section 2, provides a review of literature relevant to tax compliance behaviour and hypothesis development. The methodological approach is expounded upon in Section 3. Section 4 of the paper presents the empirical results derived from the study Section 5 serves as the conclusion of the study, encapsulating a summary of the findings and a discussion of their implications for the tax authority. This final section also acknowledges potential limitations of the study and offers suggestions for future research.

## **LITERATURE REVIEW**

Practitioners and academics typically define compliance with tax laws as (i) accurately reporting tax liability, (ii) timely filing the required returns, and (iii) timely payment of the amounts due (Youde and Lim, 2019).). Consequently, individuals failing to fulfill at least one of these basic taxpayer obligations are deemed non-compliant. Mohamad, Zakaria & Hamid (2016), claimed that the most common forms of criminal activities in individual tax compliance involve underreporting of income or overstating deductions, focusing on the first point. Businesses, especially those dealing predominantly in cash, possess the flexibility to make decisions regarding their tax-related matters, as their income is not easily traceable by tax authorities. They may choose not to declare their income at all or declare only a portion of it (Harris, & McCrae, 2019). This study will therefore concentrate on sole proprietors who opt to underreport their income with the intent of reducing their tax liability.

A review of previous studies provides a comprehensive overview of the factors influencing tax compliance. The majority of studies on tax compliance typically initiate their investigations with economic deterrence models, as pioneered by Allingham and Sandmo (1972). These models assume that individual will only comply with tax requirements when confronted with harsh sanctions and penalties. However, the deterrence approach has faced considerable criticism in the literature due to its unclear impact on tax compliance. Some studies found a negative relationship on tax compliance, other studies found a positive relationship and even no relationship at all (see for example Muh Dularif, Sutrisno, Nurkholis, & Erwin Saraswati, 2019; Müller, Olsen, Kirchler & Kogler, 2023). In short, researchers found that economic deterrence models may not be appropriate framework for explaining taxpayer behaviour (Dularif, Sutrisno, & Saraswati, 2019).

Since then, many researchers have shifted their focus towards examining behavioral aspects for the analysis of tax compliance behavior. These include taxpayers' knowledge of tax law, perception towards tax fairness, their attitudes towards the tax system and peer influences that could be a major psychological determinants of tax compliance. While several studies have emphasized the impact of various social factors on the tax compliance decisions of individuals, these factors have often been studied in isolation. None of the studies provide a coherent framework that can summarize findings and guide for future research. Acknowledging the existing gap, there is a clear imperative for additional research that advances a theoretical approach to effectively explain how these determinants influence taxpayers' decision-making.

The Theory of Planned Behaviour (TPB) by Ajzen (1991), a prominent framework in social psychology, is widely employed for integrating various determinants of tax compliance behavior. This model has received considerable attention in many behavioural researches since its inception. It has successfully used to explain and predict an individual's behaviour across diverse domains such as healthy eating habits, drug use, recycling practices, travel planning, consumer choices and the adoption of technology (see for example Smith & Johnson, 2022). According to the theory, an individual's behavior is influenced by behavioral intentions, whether to engage in or abstain from a specific action. These behavioral intentions, in turn, are shaped by three fundamental determinants: the individual's attitude toward the specific behavior, subjective norms, and perceived behavioral control.

Regarding tax-related behavior, there is evidence indicating that TPB has been utilized as a framework to explore taxpayers' compliance intentions. One of the pioneering studies that applied the complete TPB model was conducted by Bobek & Hatfield (2003) in the United

States. This study incorporated the moral obligation variable into the TPB model. In summary, the findings offer support for the theory, suggesting that the TPB model offers a robust description of tax compliance behavioral intentions. Various beliefs were identified as valuable in shaping and understanding tax compliance behavior. However, Bobek and Hatfield (2003) observed that individuals' moral obligations did not significantly contribute to explaining tax noncompliance.

Another international study that employed the TPB model as a framework to elucidate tax compliance behavior was conducted by Bani-Khalid, Alshira'h, and Alshirah (2022). 660 copies of the questionnaire were distributed to managers and owners of Jordanian manufacturing SMEs utilizing a systematic random sampling methodology. Upon analysing the data, they found a significant positive relationship between sales tax compliance and the attitude towards behaviour, subjective norms and perceived behavioural control. Furthermore, the results highlighted a positive association between patriotism and the intention to engage in sales tax compliance among SMEs in Jordan. Patriotism, in this context, refers to the emotional attachment and positive identification of SME managers towards fulfilling sales tax obligations rather than resorting to fraudulent activities to conceal or evade the required sales tax revenue for the country's development.

Other studies have also identified support for the application of the Theory of Planned Behaviour (TPB) in predicting intentions related to tax compliance. For instance, research by Taing & Chang (2021) found that attitude, subjective norms, and perceived behavioural control have the predictive capability to anticipate intentions related to tax compliance decisions. The samples used in this study are tax agents in public practice. Additionally this study also provides support for the additional variables in predicting and shaping tax compliance behaviour. These variables are tax morale, tax fairness, and tax complexity.

In Malaysia, a recent study focusing on applying this theory to tax compliance is conducted by Mohamad, Rusli, & Kamaluddin, (2023). The study examined the behavioural factors influencing tax compliance intentions among self-employed registered taxpayers in Kelantan. The result shows that that attitude, subjective norm, and perceived behavioural control exert a substantial influence on tax compliance. The results suggested that the intention to adhere to tax compliance stems from taxpayers' positive attitudes toward fulfilling their tax obligations.

### **Hypotheses Development**

This study relies on the Theory of Planned Behaviour (TPB) constructs, specifically attitude, subjective norm, and perceived behavioural control, as a theoretical framework to forecast tax compliance behavior. The objective of this study is to investigate whether there exists a direct positive relationship between attitude, subjective norm, perceived behavioural control, and the commitment to comply with tax laws.

According to Ajzen (1991), attitude is characterized as an individual's favorable or unfavorable sentiments toward engaging in a particular behavior. In the context of taxation, research has identified specific attitudes, such as a sense of civic duty to fulfil tax obligations, a feeling of guilt associated with misreporting taxes, and a sense of shame if caught engaging in tax evasion, play a crucial role in shaping taxpayers' internal motivations to willingly adhere to tax laws. The research also indicates that the more positive these attitudes are, the greater the willingness of taxpayers to comply with tax laws. In essence, individuals who willingly comply with their tax obligations may have a positive correlation with their attitudes toward paying

taxes. Overall, attitudes have proven to be the most effective predictors in explaining tax compliance behaviour. Therefore, this study hypothesize that:

*H<sub>1</sub>: There is a significant and positive relationship between attitudes and intention to comply with the tax law.*

Subjective norm refers to an individual's assessment of whether significant individuals in their life believe that they should participate in the specific behavior under consideration. The theory posits that the greater an individual perceives that influential people in their life believe they should engage in the behavior, the more likely the person is to intend to do so (Ajzen, 1991). In the context of taxation, there is evidence suggesting that referent groups serve as crucial sources of information and exert significant influence on taxpayer compliance behaviour (Onu, & Oats, 2015). Individuals may choose to comply with the tax laws if they believe their significant others encourage them to do so, while they are more likely not to comply if their significant others disapprove of such behaviour. Certain individuals can be notably susceptible to the influence of significant others, leading them to participate in high-risk and other negative behaviors. (Górecki & Letki, 2021). Hence, it appears reasonable to propose that subjective norms have an impact on individual decisions regarding tax compliance. Therefore, the following hypothesis has been formulated:

*H<sub>2</sub>: There is a significant and positive relationship between subjective norms and intention to comply with the tax law.*

According to Ajzen (1991), perceived behavioral control refers to the extent to which a person feels capable of engaging in a particular behavior. It may involve two components: the degree of control a person has over the behavior and the confidence a person feels in executing or carrying out the behavior. The theory proposes that an individual may have complete control over a certain behavior when he or she possesses the necessary resources or opportunities to perform that behavior. Furthermore, the theory posits that individuals are more inclined to intend to perform a behaviour when they feel confident in their ability to carry out the required action. Nevertheless, for certain individuals, the process of reporting an income tax return can be intricate and perplexing. Hence, if individuals lack confidence in their capability and doubt about their ability to perform the task perfectly, they might fail to comply with the tax laws. For this context, it is proposed that:

*H<sub>3</sub>: There is a significant and positive relationship between perceived behavioral controls and intention to comply with the tax law.*

## **METHODOLOGY**

The sample for this study comprised business owners whose businesses are located along Malaysian Expressways. A total of 245 questionnaires were distributed, 225 usable responses were returned. A list of business owners was obtained through contacted person in the targeted organization. Data for the study were collected using questionnaires, which were divided into two sections which were developed based on a review of past studies and established theories. Section A was designed to measure the behavioral dimension of respondents, focusing on tax reporting compliance scenarios. Upon reading the scenario, the respondents were prompted to envision themselves deciding whether or not to report the income if confronted with a comparable situation. Following the scenario, several statements were developed to capture the elements of the Theory of Planned Behaviour namely intention, attitude, subjective norms and perceived behavioural control. These statements were assessed using a five-point Likert-type scale, wherein respondents expressed their level of agreement with each statement (1 = strongly disagree to 5 = strongly agree). Subsequently, Section B was formulated to collect information about respondents' profiles, including age, gender, education, and experience.

## **RESEARCH FINDINGS**

The research model was tested using the SPSS to derive descriptive statistics for each variable under study. Furthermore, descriptive statistics were employed to outline the demographic details of respondents in this study. Then the model was tested using Structural Equation Modelling (SEM) which is a comprehensive approach to examining hypotheses among both observed and latent variables. Initially, a confirmatory factor analysis (CFA) was conducted to assess the reliability and validity of the items used, followed by the testing of the full structural model.

### **Descriptive Analysis**

Table 1 outline the basic features of the data. Means and standard deviations were calculated for each component of the Theory of Planned Behaviour (TPB). Respondents could express their agreement or disagreement on a 5-point Likert scale for each item. Higher scores on the scale signify that respondents were more inclined to have high intentions to comply with tax laws.

The mean score for intention was 3.75, revealing that respondents generally had a positive intention to comply with tax laws if placed in a similar hypothetical situation. Additionally, the mean score for attitude at 3.82 indicates that respondents' attitudes have the potential to influence individual tax compliance decisions. Their willingness to declare income earned stems from a belief in social contributions and a sense of responsibility to society through tax payments. Regarding subjective norms, the mean score of 3.42 suggests that the expectations of significant others have an impact on individual compliance behavior. In terms of perceived behavioral control, the mean score of 3.85 indicates that, on average, respondents who believed they possess skills or experience in tax matters tend to have a high perceived behavioral control, making them more likely to comply with tax laws promptly.

**Table 1: Descriptive Statistics for Study Variables**

<b>Variables</b>	<b>N</b>	<b>Mean</b>	<b>Std. Deviation</b>
Intention	3	3.75	0.64
Attitude	6	3.82	0.61
Subjective Norm	5	3.42	0.73
Perceived Behavioural Control	5	3.85	0.64

### **Demographic Characteristics**

As indicated in Table 2, approximately 48.9% of the respondents were male, while 51.1% were female. The majority of respondents fell within the 36–45 age group, comprising 30.7%, with only 4.0% below the age of 25. The majority of the respondents were Malay (86.2%), with the remaining respondents consisting of Chinese (10.2%) and Indian (1.3%). Regarding business experience, 23.6% had less than 10 years, 44.9% had between 10 and 19 years, and 28.9% had more than 20 years. Concerning the types of businesses, 45.5% of the respondents are primarily involved in food stalls, while approximately 34% of the respondents are engaged in selling beverages. Additionally, 11.6% of respondents specialized in selling various local fruits, and the remaining 5.8% engaged in selling handicrafts and other products. Nevertheless, the findings indicate that a significant portion of respondents (49.8%) had never filed their tax return, while 16.4% of the respondents had filed their tax return more than 5 times.

**Table 2: Summary of Demographic Data (n=225)**

<b>Particular</b>	<b>Frequency</b>	<b>Percent</b>
<b><u>Gender</u></b>		
Male	106	48.9
Female	116	51.1
Not mentioned	3	1.3
<b><u>Age</u></b>		
Under 25 years	9	4.0
26 - 35	65	28.9
36 - 45	69	30.7
46 - 55	62	27.6
56 and above	18	8.0
Not mentioned	2	0.9
<b><u>Race</u></b>		
Malay	194	86.2
Chinese	23	10.2
India	3	1.3
Not mentioned	5	2.2
<b><u>Types of Business</u></b>		
Food and beverages	102	45.5
Snacks and beverages	77	34.0
Fruits	26	11.6
Others	13	5.8
Not mentioned	7	3.1
<b><u>Length in the business</u></b>		
Less than 10 years	53	23.6
10 - 19 years	101	44.9
More than 20 years	65	28.9
Not mentioned	6	2.7
<b><u>Tax filing frequencies</u></b>		
Never	112	49.8
Once	19	8.4
2 - 5 times	53	23.6
More than 5 times	37	16.4
Not mentioned	4	1.8

### **Measurement Model**

The measurement model is developed to specify how a set of measured items actually reflect the latent constructs that they are supposed to measure. Thus, in an attempt to verify which items or indicators correspond to which latent variables, this study is applying the Confirmatory Factor Analysis (CFA) because the hypothesized model of this study is based on theory and previous research. Each one of the constructs was analysed separately for the assessment of unidimensionality, reliability and validity of the constructs.

In order to achieve unidimensionality of measurement model, there are two requirements that need to fulfil. First, the factor loading for the indicators of each construct should be above 0.5. Second, to assess whether the measurement model (CFA) fit the data, a number of goodness of fit indexes have been used. As proposed by Hair, Black, Babin, & Anderson (2010) at least three fit indices from each category of model fit. Fit indices can be classified into three categories namely absolute fit, incremental fits and parsimonious fit indexes. The research model is said as fit (good) when the value from any category of incremental fit indices is greater than the cut value of 0.9 (Hair et.al. 2010). As for parsimonious fit indexes, the CMIN/df ratios must be less than 5.0. After unidimensionality procedure has been acceptably achieved, the validity and reliability of each construct is assessed.

Upon completion of the CFA procedure for each construct, the construct's validity was assessed through convergent validity. This was done by calculating the Average Variance Extracted (AVE), as proposed by Fornell & Larcker (1981). According to their criteria, if all indicator loadings exceed 0.7 and the AVE for each construct exceeds 0.5, convergent validity can be considered established. Tables 3 present the standardized factor loadings along with the results of AVE and Construct Reliability (CR) for the model. Instrument with CR more than 0.70 is considered reliable (Hair et. al., 2010).

**Table 3: Measurement Model**

<b>Constructs</b>	<b>Items</b>	<b>Loadings</b>	<b>AVE</b>	<b>CR</b>
Attitude	Attitude 1	0.988	0.893	0.977
	Attitude 2	0.934		
	Attitude 3	0.945		
	Attitude 4	0.910		
	Attitude 5	0.946		
	Attitude 6	0.946		
Subjective Norm	Subjective Norm 1	0.825	0.704	0.922
	Subjective Norm 2	0.831		
	Subjective Norm 3	0.869		
	Subjective Norm 4	0.840		
	Subjective Norm 5	0.830		
Perceived Behavioural Control	Perceived Behavioural Control 1	0.824	0.727	0.914
	Perceived Behavioural Control 2	0.912		
	Perceived Behavioural Control 3	0.896		
	Perceived Behavioural Control 4	0.771		
Intention	Intention 1	0.895	0.817	0.930
	Intention 2	0.917		
	Intention 3	0.899		

Overall, the results of AVE presented in the above table make clear that the convergent validity has been achieved as all the constructs exceeded the suggested level of 0.50. Apart from that, CR values for all constructs vary from 0.914 to 0.977 and all of the values are greater than the suggested value of 0.70. This implies that the instruments used for measuring the latent construct have demonstrated reliability, consistently portraying the intended latent construct. Consequently, it can be inferred that the constructs within the model exhibit both convergent validity and construct reliability.

### **Structural Model**

The structural model differs from the measurement models in that it specifies how the latent constructs are related to each other and the nature of each relationship. In other words, the hypothesised relationships will be empirically investigated by assigning which variables that are believed to be the key factors influence the endogenous variable. The hypothesized structural model was assessed by examining three issues. First, the theoretical model should

meet the goodness-of-fit to the empirical data satisfactorily that based on the same set of fit indexes as applied earlier in CFA as well as measurement model. Next, a thorough examination was conducted to assess the impact of individual exogenous variables on the endogenous variable, following the confirmation of the hypothesized model. Finally, the squared multiple correlations were analysed to ascertain the proportion of variance explained by the exogenous constructs in the theoretical model. (Hair et al., 2010).

Table 4 presents the results of the multiple regression analysis using Structural Equation Modeling techniques. The validity of the proposed hypotheses was assessed by looking the significance, signs and magnitude of the estimated coefficients. This examination aimed to determine the impact of a specific exogenous variable on its corresponding endogenous construct.

**Table 4: Results of SEM on Effect of Predictors on Intention**

Constructs	B	SE	Beta	CR	p	Result
Attitude	0.822	0.087	0.869	9.417	0.000	Significant
Subjective Norms	0.038	0.050	0.040	0.764	0.445	Not Significant
Perceived Behavioral Control	-0.324	0.090	-0.335	-3.617	0.000	Significant

As can be seen in Table 4, Hypothesis 1, which stated that, “*There is a significant and positive relationship between attitudes and intention to comply with the tax laws*” seemed to have a positive and statistically significant impact on the intention to comply in the reporting compliance scenario ( $\beta = 0.822, p < 0.05$ ). Hence, this hypothesis was accepted. Respondents expressed the belief that reporting tax income is a fundamental responsibility of individuals toward their country. These positive attitudes are likely to result in improved compliance behavior.

Similarly, for Hypothesis 3 which assumes that “*There is a significant and positive relationship between perceived behavioural controls and intention to comply with the tax laws*” was also accepted. The negative path coefficient of 0.324 between perceived behavioral control and compliance intention suggests that having a high level of control over avoiding or evading tax leads to lower compliance behavior among sole proprietors. In other words, when a taxpayer perceives high behavioral control over non-compliance, there is a higher likelihood of evasion or avoidance of tax payments.

However, the result reveals that subjective norm failed to contribute significantly towards tax compliance intention at 0.05 level (with path coefficient of 0.038). The findings provide no support for Hypothesis 2 which proposes “*There is a significant and positive relationship between perceived behavioural controls and intention to comply with the tax laws.*” These results suggest that the beliefs of most important people in his or her life do not influence the decision of whether the income will be declared or not in tax return. Hence Hypothesis 2 was rejected.

Upon completing hypotheses testing, the squared multiple correlations (*R*-squares) were examined to determine of how much of the variance in the dependent variable is explained by the independent variables in the theoretical model. In this study the value for *R*-square 0.447, indicates that 44.7 per cent of the variance in tax compliance intention explained by the three components of TPB.

## **CONCLUSION**

The main objective of this study was to examine several tax compliance determinants within the framework of the Theory of Planned Behavior (TPB) that could facilitate in predicting the intention to file a tax return among sole proprietors in Malaysia. This study encompasses a restricted number of small business owners operating their businesses along the expressways. Data collection was carried out through a group-administered method, where the targeted respondents were assembled in a single location. The assessment of both the measurement and structural models was conducted using the AMOS-SEM technique, aiming to predict tax compliance behavior.

Overall, the findings of the current study offer substantial support for the effectiveness of the TPB (Theory of Planned Behavior) model in predicting the compliance behavior of the respondents. The results indicate that the overall model achieved statistical significance, with  $R^2$  of 0.447. Collectively, these outcomes underscore the TPB's efficacy in predicting intentions to engage in a particular behavior. The revealed findings align with prior research in the realm of taxation and various behavioral contexts, as evidenced by studies such as Bani-Khalid, Alshira'h & Alshirah (2022) and Mohamad, Rusli & Kamaluddin (2023).

The current study reveals that respondents generally express a positive intention to comply with laws, as reflected by a mean value of 3.75. However, an examination of their demographic data regarding tax filing frequencies indicates that nearly half of the respondents have never filed their tax return. This discrepancy suggests that the intention to comply does not consistently translate into actual compliance behavior. Despite the majority of respondents expressing a strong intention to comply with tax laws, the practical reality is that they fail to file the legally required tax return. Non-compliance in terms of not filing typically poses more significant challenges for tax authorities.

Furthermore, the results indicate that attitude emerged as the most influential factor in predicting intentions to comply with tax laws. Therefore, in the context of this study, individuals possessing a sense of civic responsibility are more likely to positively impact their intention to comply. Previous research has consistently shown that positive attitudes are strongly correlated with tax compliance, while negative attitudes tend to be associated with tax evasion (Reckers, Sanders, & Roark, 1994; Eriksen & Fallan, 1996; Onu, 2016). Consequently, a strategic approach for tax authorities could involve launching awareness campaigns to promote positive attitudes towards tax compliance, recognizing that attitudes can be influenced effectively through the delivery of the right messages (Tormala & Rucker, 2018).

Subjective norms, however, did not exert a significant influence on individuals' intentions in compliance decision-making. One potential explanation for these non-significant results is that subjective norms may not play a substantial role in behaviors that are not observable by others. According to Galib, Indrijawati & Rasyid (2018), taxpaying behavior is often an individual's private decision not readily observable by others. Individuals form their own beliefs and attitudes in determining their compliance with tax laws, rendering subjective norms less effective in such situations. This is especially true when individuals feel pressured by significant others to engage in a behavior that contradicts their own attitudes (Moraes, Carrigan, & Szmigin, 2012).

Empirical research has indicated that when there's inconsistency between an individual's behavior and their attitude, individuals may be more inclined to adopt the norm followed by the majority of the group. In fact, many previous studies have found that subjective norms are

often less strongly associated with intention compared to attitudes (Moan & Rise, 2011). Therefore, it is reasonable to posit that individuals are generally more influenced by attitudinal considerations rather than normative influences.

However, this study has also some limitations. First, the use of intentions as the predictor variable instead of actual behaviour stands out as a significant constraint. Nevertheless, existing empirical support, such as the work of Wu & Du (2012), suggests that intentions, when measured accurately, can serve as reasonable proxies for actual behaviour. Nonetheless, future research endeavours may benefit from accessing authentic data held by tax authorities, while maintaining the confidentiality of taxpayers' personal identities. This approach could offer a more comprehensive understanding of taxpayers' compliance behaviour. A second limitation was that the study considered only three variables in explaining compliance behavior among sole proprietors in Malaysia. Future research might consider incorporating additional variables, potentially enhancing the explanatory power of behavioural intention. This would probably provide a better explanatory power for behavioral intention. Third, the sample for this is not a representation of the entire sole proprietorship in Malaysia; therefore, the results cannot be generalized to other sole proprietors that were not part of this study.

Despite the limitations of the study, the findings hold significance for revenue bodies dealing with tax compliance issues among sole proprietors in Malaysia. The study sheds light on factors influencing their decisions regarding tax compliance, providing valuable insights for addressing these issues. Focusing more attention on this aspect can enhance our understanding of the key drivers behind tax compliance decisions among sole proprietors.

This understanding is crucial for revenue bodies to implement effective strategies that influence behavior positively. Collaboration with other stakeholders is essential in this regard, facilitating the sharing of research findings and enabling a more comprehensive and collective effort to influence taxpayer behavior. Through this collaborative approach, revenue bodies can leverage shared resources and insights to develop targeted interventions, fostering a culture of tax compliance among sole proprietors.

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