The Influence of Religiosity on Taxpayers’ Compliance Attitudes: Empirical Evidence from a Mixed-Methods Study

RAIHANA MOHDALI

Abstract
The research direction of the puzzle of tax compliance problem has shifted recently to focus more on taxpayers’ compliance attitudes rather than taxpayers’ non-compliance attitudes. The prior studies reveal that one of the possible reasons of taxpayers’ willingness to comply voluntarily with tax laws is their religious values that rooted in most individuals. An exploratory sequential mixed-methods research design was employed in this study. Data was collected using a self-administered survey which involved approximately 300 individual taxpayers in Malaysia and followed by face to face interviews with 14 individual taxpayers. A majority of the respondents in both, survey and interviews were salaried taxpayers and the remaining were self-employed taxpayers. The aim of this paper is to explore the role of religiosity in encouraging taxpayers’ positive attitudes towards tax compliance and to provide appropriate explanations for this trend. Religiosity is found to have a statistically significant positive impact on voluntary tax compliance but not on enforced tax compliance. This probably can be explained by the strong religious values held by many Malaysians as well as the concept of giving which has been emphasised in almost all religions. For example, Muslims are obliged to pay ‘zakat’ and Christians are encouraged to pay tithing to help the needy and the poor. Possibly, the sense of giving to their religion has driven the same sense to fulfil their obligations to the government. Further, ‘zakat’ is suggested to strongly move Muslims to comply voluntarily with tax laws since it is treated as a rebate in an individual tax calculation. Hence, their positive compliance attitudes may be either because the amount of tax owed to the government is reduced or they want to claim their tax refund. However, the treatment of ‘zakat’ as a rebate is also argued to create the inequality sentiment in the Malaysian population.

1 Raihana Mohdali is a Doctoral Candidate at the Tax Policy Research Unit, School of Economics and Finance, Curtin University, Perth, Western Australia and a Lecturer at the Universiti Teknologi Malaysia (UTM), Kuala Lumpur, Malaysia.
1.0 INTRODUCTION

The issue of tax compliance is considered as one of the main concerns for most governments in this world and has been the focus of many researchers in this area. The weight of the earlier research has been based on economic deterrence models using the economic factors in the tax structure, such as tax audits and penalties, to deter tax evasion. However, this focus has faced various criticisms particularly from researchers and tax administrators who believed in the need of exploring economic and non-economic factors in order to fully understand taxpayers’ compliance attitudes. The veracity of the non-economic approach has been strongly supported by tax scholars since the 1990s who contend that the challenge of tax compliance is not to explain why people evade, but rather why people willingly pay taxes. This is because most people never miss paying their taxes, even though the chances of being audited are low or the penalties for evasion are small. For example, from more than 5.2 million registered non-company taxpayers, including individual taxpayers, over 1.6 million tax audit cases were resolved in Malaysia in 2010 (Inland Revenue Board of Malaysia, 2011, p. 19). Even though the rate of tax auditing was considered reasonable, the total amount collected from these audits (which included taxes and penalties) was a relatively small figure of approximately RM1.8 million.

This might indicate that Malaysians’ tax attitudes are not strongly influenced by the threat of punishment employed by the tax authority but most probably by other factors that are more influential in encouraging their willingness to voluntarily comply with tax laws. The more recent research in tax compliance emphasises the importance of exploring the impact of non-economic factors on tax compliance from a number of perspectives such as the internal values that come from an individual his/herself which mainly derive from his/her family values, culture and religion. One of the non-economic factors which has been neglected by most research and should be further examined is religiosity. The religious values held by most individuals are generally expected to effectively prevent negative attitudes and encourage positive attitudes in an individual’s daily life and, hence, religiosity is presumed to positively motivate taxpayers to voluntarily comply with tax laws.
In other words, religiosity might provide a possible explanation for the observation of most taxpayers’ strong positive compliance attitudes as apparent in the prior literature. Therefore, this paper examines the impact of individuals’ religiosity based on intrapersonal and interpersonal religiosity commitments in shaping taxpayers’ compliance attitudes. The remainder of the paper is organised as follows. The next section briefly reviews the literature regarding the influence of religiosity in tax compliance studies. This discussion is then followed by the presentation of the methods used in this study comprises mixed-mode surveys and face-to-face interviews. Next, the findings of the study from both methods are presented. The subsequent section provides a general discussion of the overall findings, together with some theoretical and policy implications drawn from the empirical results. Several limitations of the current study are also acknowledged and the final section concludes the paper.

2.0 RELIGIOSITY AND TAX COMPLIANCE

Religiosity, according to the Oxford Dictionary (2012), is a system of faith and worship or human recognition of a superhuman controlling power, and religiosity is defined as the quality of being religious. Johnson, Jang, Larson and De Li (2001, p. 25) defined religious commitment or religiosity as “the extent to which an individual is committed to the religion he or she professes and its teachings, such that individual attitudes and behaviour reflect this commitment”. Apparently, the term “religion” is very complex to describe (Pargament, Magyar-Russell and Murray-Swank, 2005, p. 667). This is because “the roots of religion are so numerous, the weight of their influence in individual lives so varied, and the forms of rational interpretation so endless, that uniformity of product is impossible” (Allport, 1950, p. 26). However, it is interesting to note that religion in the form of specific religious beliefs and practices helps to define an individual’s motivation and personality that go beyond the basic desires to gain rewards or to avoid self-punishment (Allport, 1961, p. 301).

Religiosity had not been widely recognised in tax compliance research as one potential element that might explain the puzzle of tax compliance, until several researchers such as Torgler (2003b), Welch et al. (2005) and Stack and Kposowa (2006) emphasised its
importance. It may be simply viewed as a belief in God (or gods) or other spiritual beliefs in
determining the extent to which people fully meet their legal tax obligations within any
developed or developing country. This may be related to the argument made by Margolis
(1997, p. 247) that religious faith can supposedly provide moral constraints to distinguish
and choose between good and bad behaviour in any religion. This concept is important as
much of the tax literature investigates the role of moral values held by individuals towards
tax compliance. Whilst religious people would of course be expected to have high moral
values, atheists may also have similar high values. An individual may use the internal
elements such as moral beliefs and/or religious beliefs to decide whether or not to comply.
Stalans, Smith and Kinsey (1989, p. 503) supported this by stating that normally, many
taxpayers use their inner values in the decision-making process. Therefore, there is indeed
moral belief without religion, which may be based on respect for other people, animals and
the environment. In other words, in a tax compliance research context, the role of religiosity
is different from that of moral values, although within any tax paying population there may
well be some commonality.

Amongst the earliest studies, Tittle and Welch (1983, p. 676) explored individuals’
perceptions of the relationship between religiosity and deviant acts, and one of those acts
was tax evasion. They suggested that the characteristics of religious communities will
determine the effect of an individual’s religiosity on deviant behaviour in the future. Welch,
Tittle and Petee (1991, p. 169) used data collected from Catholic parishioners and it was
evident that tax evasion was negatively related to an individual’s private religiosity.
Likewise, the effect of informal sanctions was found to be effective in curbing certain types
of deviance such as tax evasion in a socially integrated church community (Petee, Milner
and Welch, 1994, p. 103). The findings were similar probably because the same source of
data was employed in both studies. Strong religious beliefs were expected to prevent illegal
behaviour through self-imposed guilt, particularly in the case of tax evasion (Grasmick,
explored the effects of church attendance on tax cheating, but also measured affiliation as
an index of religious importance. They discovered that those with no affiliation were more
inclined to cheat.
Torgler (2003b, p. 297) has undertaken extensive research on the role of religiosity and the findings initially revealed that tax morale depends positively on religiosity using the WVS data for 1990 in Canada. He also responded to the suggestion made by Riahi-Belkaoui (2004, p. 141) to explore religiosity in order to fully understand tax compliance problem by covering more than 30 countries using specific data from the WVS (1995-1997) and confirmed the same findings (Torgler, 2006, p. 101). His research then explored the determinants of tax morale in various countries and found a strong impact of religiosity on tax morale in Germany (Feld and Torgler, 2007, p. 29), European countries except for Spain (Torgler and Schneider, 2007, p. 466), the USA and Turkey (Torgler, Demir, Macintyre and Schaffner, 2008, p. 335) and the USA (Torgler, 2012, p. 277). Findings by Stack and Kposowa (2006, p. 349) reinforced the conclusion that people with no religious affiliation were more likely to view tax fraud as acceptable. A larger sample size of 47 countries by Richardson (2008, p. 75) confirmed a negative relationship between individuals with high levels of religiosity and tax evasion.

While research findings generally indicate positive relationships between religiosity and tax compliance or negative relationships between religiosity and tax evasion, the findings by Welch et al. (2005) and McKerchar, Bloomquist and Pope (2012) are notable exceptions. The perceptions of tax evasion within a community were found to have a similar effect on the community members regardless of their levels of religiosity (Welch et al., 2005, p. 47). This is probably because, as strongly emphasised in Christianity (McGee, 2012, p. 208) or even in Islam (Jalili, 2012, p. 192), tax evasion can either be perceived as ethical or unethical, depending on the way a country is administered and whether the government strictly or only partly follows the religion's laws. Similarly, no empirical evidence supported religiosity as one of the factors that influenced tax morale (McKerchar et al., 2012, p. 15). It is argued that the personal integrity of individuals has a stronger effect on their tax compliance attitudes compared to their own religious beliefs. Although inconclusive, the overall literature shows that religiosity may play a vital role in helping authorities to meet their target in fostering voluntary tax compliance.
3.0 METHOD

3.1 A Mixed-Methods Study

With a heavy reliance on cross-cultural surveys such as the WVS in the earlier research that examined religiosity as one of the variables in influencing taxpayers’ compliance attitudes as discussed in Pope and Mohdali (2010, p. 574), exploring other methods may provide different perspectives in understanding taxpayers’ complex attitudes. Morgan (2007, pp. 73-74) encouraged all researchers to share their beliefs through a mixed-methods approach in strengthening the methodological issues as well as to create a sense of excitement in terms of research direction. This is because the strengths from one method can be used to counterbalance the others’ weaknesses, particularly in interdisciplinary research such as taxation (McKerchar, 2008, p. 20). For example, quantitative data is argued to yield a weak contextual understanding of participants but its findings can be generalised to a bigger population. On the other hand, the voices of participants in qualitative data are directly heard but due to the limited number of participants, generalisation to a larger population is impossible. The contrasting methods thus complement each other in exploiting their strong points and minimising their disadvantages. The tools of data collection are unlimited and researchers are free to adopt any tool that is suitable for their particular study. Thus, the quality of research may be improved if the right methods are chosen to address the right research problems (McKerchar, 2010, p. 170). Overall, a blend of different approaches in a study may provide interesting findings from different perspectives.

3.1.1 Survey

This study employed a self-administered questionnaire distributed via a drop-off survey and online survey to salaried individuals from seven public and 10 private companies in Kuala Lumpur and Putrajaya, Malaysia. The representatives of each company were given the choice to either use a drop-off survey\(^2\) using a printed questionnaire or online survey. This type of survey was particularly chosen to avoid low response rates as well as to reduce cost (de Leeuw, Hox and Dillman, 2008, p. 300). This is because Malaysians are known to be less likely to respond to surveys because most tax surveys in Malaysia particularly those that

\(^2\) Questionnaires were personally delivered and collected back after two weeks with two reminders via email.
employed a mail survey have only managed to achieve a response rate on average of 20 percent such as 16 percent (Abdul-Jabbar and Pope, 2008, p. 9), 19.5 percent (Palil and Mustapha, 2011, p. 12867) and 24 percent (Abdul-Manaf, Hasseldine and Hodges, 2005, p. 213). The mode effects are to be anticipated in mixed-mode surveys but the effect is considered insignificant (de Leeuw, 2008, p. 125).

In order to ensure all of the major religions in Malaysia were represented in this survey, respondents were selected based on their ethnicity because there is a common link between ethnicity and religion in Malaysia (Lee, 2000, p. 27). For example, it is evident in the 2000 Census\(^3\) that all Malays are Muslims, the majority of Chinese are Buddhists (76%) and Indians are Hindus (85%) and a minority of both ethnic groups (Chinese and Indians) adhere to Christianity, almost 10 and eight percent, respectively (Department of Statistics Malaysia, 2001). The potential respondents were selected based on proportionate stratified sampling particularly for salaried taxpayers for the drop-off method. Proportionate sampling is part of a stratified random sampling method which provides equal or better precision of sample size. A sample size of between 150 and 200 is considered sufficient to describe a large population because an additional sample size will only provide a modest impact (Fowler, 1993, p. 135). Therefore, a total of 500 questionnaires were distributed to individual taxpayers by employing the drop-off survey method.

Out of this total, 450 questionnaires were distributed based on the stratified sampling method for salaried individuals as presented in Table 1. The remaining 50 questionnaires were distributed using convenient sampling method for self-employed individuals in order to ensure all types of individual taxpayer were represented in this study, particularly when they are known to have greater opportunity to evade tax (for example: Vogel, 1974; Wallschutzky, 1984). This approach was considered to be highly likely to produce a valid number of responses because most people hesitate to take part in research which related directly to religious issues (Sood and Nasu, 1995, p. 4).

\(^3\) The latest Population and Housing Census of Malaysia 2010 data was not available when this study was carried out.
Table 1: Comparison of Respondents with Malaysia’s Population by Ethnic Groups

<table>
<thead>
<tr>
<th>Ethnicity</th>
<th>Stratified Sample Size</th>
<th>Actual Responses</th>
<th>Percentage of Actual Responses</th>
<th>Percentage of Population</th>
</tr>
</thead>
<tbody>
<tr>
<td>Malays and other indigenous groups</td>
<td>300</td>
<td>139</td>
<td>79.0</td>
<td>66.0</td>
</tr>
<tr>
<td>Chinese</td>
<td>114</td>
<td>29</td>
<td>16.5</td>
<td>25.0</td>
</tr>
<tr>
<td>Indians</td>
<td>36</td>
<td>8</td>
<td>4.5</td>
<td>8.0</td>
</tr>
<tr>
<td>Others</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>1.0</td>
</tr>
<tr>
<td>Total</td>
<td>450b</td>
<td>176</td>
<td>100.0</td>
<td>100.0</td>
</tr>
</tbody>
</table>

* Only three ethnic groups were included in the survey to represent the four major religions in the Malaysian population. Hence, other ethnic groups were excluded in the calculation of sample size.

b Only for printed questionnaires, distributed using the drop-off survey based on stratified sampling.

A survey link was forwarded for both salaried and self-employed taxpayers. Unlike the drop-off survey, obtaining representative samples for the online survey appeared to be a major problem and quantifying the expected responses seemed to be impossible. This was because the researcher has no control over the respondents (de Vaus, 2002, p. 128) particularly when a third party, for example a number of company representatives, were involved in the process of distributing questionnaires in this study. However, a comparison between the total responses from the drop-off and online surveys with the responses from the proportionate stratified sampling indicates comparable percentages for all three ethnic groups as illustrated in Table 2. Even though the samples are not a perfect representation of the population of Malaysia, the percentage of ranking by ethnic group is similar to the true proportion and hence, it is considered acceptable.

Table 2: Comparison of Respondentsa from Total Responses with Malaysia’s Population by Ethnic Groups

<table>
<thead>
<tr>
<th>Ethnicity</th>
<th>Responses from Drop-Off Survey (%)</th>
<th>Responses from Online Survey (%)</th>
<th>Total Responses (%)</th>
<th>Responses from Stratified Sampling (%)</th>
<th>Malaysia’s Population (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Malays and other indigenous groups</td>
<td>49.0</td>
<td>29.1</td>
<td>78.1</td>
<td>79.0</td>
<td>66.7</td>
</tr>
<tr>
<td>Chinese</td>
<td>13.1</td>
<td>2.7</td>
<td>15.8</td>
<td>16.5</td>
<td>25.3</td>
</tr>
<tr>
<td>Indians</td>
<td>2.7</td>
<td>3.4</td>
<td>6.1</td>
<td>4.5</td>
<td>8.0</td>
</tr>
<tr>
<td>Total</td>
<td>64.8</td>
<td>35.2</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0b</td>
</tr>
</tbody>
</table>

a n = 302.
b The total is based on only three ethnic groups.
With the aim of measuring individuals’ attitudes towards tax compliance as well as to measure the religiosity scores of individuals, four constructs were developed based on the compilation of multiple items from the literature review. In the survey, respondents were required to indicate their attitudes towards complying with tax laws based on two dependent variables which were represented by voluntary tax compliance and enforced tax compliance constructs on a 5-point Likert scale (1 = strongly disagree, 5 = strongly agree). The independent variable, religiosity was measured based on 10 religiosity items on a 5-point Likert scale (1 = not at all true of me, 5 = totally true of me), adapted from Worthington et al. (2003). Since many previous studies (for example: Stack and Kposowa, 2006; Torgler, 2006) have had a tendency to use specific questions which may not be applicable to all religions as argued by Pope and Mohdali (2010, p. 585), less specific religiosity items were used in this study in order to reduce bias towards particular religions. These items were divided into two religiosity commitments, intrapersonal and interpersonal. An individual with a score of 38 or higher out of a total score of 50 (30 from intrapersonal and 20 from interpersonal religiosity items) is considered to be highly religious (Worthington et al., 2003, p. 94). All items for tax compliance components and religiosity are presented in Appendix A.

3.1.2 Face-to-Face Interview

A face-to-face interview was particularly chosen as a tool for this research. It is defined as a direct personal interaction between two persons for a specific task guided by a set of questions (Loosveldt, 2008, p. 201). To best understand the conflicting issues of taxation and religiosity faced by individual taxpayers in Malaysia, the researcher chose Malaysian individual taxpayers who had a minimum of three years’ experience as a taxpayer and who adhered to different religions to participate in this study. They were deemed to have sufficient experience to share with the researcher in providing critical opinions and comments regarding the Malaysian tax system. The interview participants were also selected based on their ethnicity to ensure all views from different religions were heard and gathered to explain the issues arising from the survey. This type of sampling is known as “purposive sampling” (Punch, 2005, p. 187) or “purposeful sampling” (Creswell and Plano Clark, 2011, p. 173). This describes the intentional selection of participants as a central
phenomenon to be explored in the study. The potential participants were identified and contacted via email one month before the interviews were conducted. The purpose of the study was clearly explained in the email to encourage their involvement. Out of 20 participants approached, only 15 agreed to be involved in these interviews.

The interviews were conducted in either English or Malay, depending on the participant’s preference. The main reason was to allow the participants to feel comfortable and confident in expressing their views during the interviews. The interview instrument was used as a guide to ensure that all required questions were answered by the participants and unclear answers were probed for better clarification. A series of open-ended questions was developed as an interview instrument for the semi-structured interview sessions. These questions were designed after the survey findings were finalised in order to identify the issues that needed to be further explained and clarified. Before each of the interviews ended, the data gathered was cross-checked by repeating the main ideas generated from the interview to confirm the accuracy of the information given by every participant and each was given the opportunity to provide any additional information. The duration of each session was about 30 to 45 minutes. The interviews were successfully conducted with only 14 participants because one participant cancelled his appointment with the researcher at the last minute. Hence, no replacement was made.

4.0 FINDINGS

4.1 Survey

The drop-off survey including questionnaires distributed to self-employed individuals yielded 197 usable responses, a 40 percent response rate after considering the out-of frame replies. The online survey generated 121 responses and of those only 105 were usable. The total usable responses from these two methods was therefore 302. The responses from these two methods were combined because the same questionnaire was used in both methods and higher responses from a survey were expected to accurately represent the

---

4 The out of frame replies were mainly due to an incomplete response. The net sample frame was 492 and usable responses were 197. Thus, the usable response rate is 40 percent.
sampled population (Kanuk and Berenson, 1975, p. 440). The t-tests showed there were no significant differences in any of the data derived from the two methods, for example \( t(300)_{VTC} = 0.91, p = \text{n.s.} \) and \( t(300)_{ETC} = 0.08, p = \text{n.s.} \).

The overall mean score for voluntary tax compliance is 3.67, which demonstrates high voluntary tax compliance among the respondents and the overall mean score of enforced tax compliance is 3.43, which reveals an inclination towards a neutral stance for enforced tax compliance. The average score of intrapersonal religiosity for each respondent was 23.61.\(^5\) This was apparent from their attitudes towards the intrapersonal religiosity items such as religion was acknowledged as important in their lives (90 percent) and religious beliefs were accepted by almost 80 percent of the respondents as a significant influence in their daily. Respondents indicated the average score of 14.16\(^6\) regarding their views of interpersonal religiosity. This can be clearly seen from their attitudes towards the financial contributions made to their religious organisation and enjoyable time spent with their friends from the same affiliation (76 percent).

The respondents’ perceptions of tax compliance components were compared between highly and less religious groups to examine their attitudes towards these variables. The t-test results indicate that individual taxpayers’ perceptions on voluntary tax compliance \( t = -2.88, p < 0.01 \) were statistically significantly greater for highly religious people (mean = 3.77) in comparison to less religious people (mean = 3.56). There was no significant difference for enforced tax compliance \( t = -0.57, p = \text{n.s.} \) for both groups, highly religious people (mean = 3.41) and less religious people (mean = 3.37). Correlation analysis was carried out to explore the relationship between religiosity (intrapersonal and interpersonal) with tax compliance components. Intrapersonal religiosity was found to have significant positive relationships with voluntary tax compliance \( r = 0.22, p = 0.00 \). These findings indicate that an increase in an individual’s intrapersonal religiosity level may be likely to increase the willingness of an individual to comply with tax laws. The relationships of

\(^5\) The total score for the intrapersonal religiosity items is 30 (5*6).

\(^6\) The total score for interpersonal religiosity items is 20 (5*4).
taxpayers’ enforced tax compliance with intrapersonal religiosity appeared to be insignificant \((r = 0.04, p = n.s.)\). Interpersonal religiosity was also found to have positive relationships with voluntary tax compliance \((r = 0.09, p = n.s.)\) and enforced tax compliance \((r = 0.05, p = n.s.)\) but their relationships appeared to be weak and statistically insignificant. Overall, voluntary tax compliance showed direct significant relationships with total religiosity \((r = 0.19, p < 0.01)\). However, there was no significant relationship between total religiosity and enforced tax compliance \((r = 0.05, p = n.s.)\).

Religiosity \((\beta = 0.19, p < 0.01)\) was only found to be a significant predictor of voluntary tax compliance and the overall model was produced at adjusted \(R^2 = 0.03, F (1, 300) = 10.93, p < 0.01\). The overall single regression analyses suggested that religiosity may only explain three percent of taxpayers’ voluntary compliance attitudes. However, religiosity \((\beta = 0.05, p = n.s.)\) appeared to be an insignificant predictor of enforced tax compliance. Multiple regression analyses were also performed to examine the influence of religiosity commitments on tax compliance components, namely voluntary tax compliance and enforced tax compliance. Table 3 summarises the results of the analysis. The multiple regressions in Model 1 produced an adjusted \(R^2 = 0.04, F (2, 299) = 7.76, p < 0.01\). Intrapersonal religiosity had a positive significant impact, indicating that the stronger the individuals’ intrapersonal religiosity, the more they were inclined to comply with tax laws. The interpersonal religiosity had a negative effect on voluntary tax compliance and was an insignificant contributor. In Model 2, both religiosity commitments appeared to be insignificant contributors to enforced tax compliance. The overall Model 2 was produced at adjusted \(R^2 = -0.01, F (2, 299) = 0.38, p = n.s.\)

### Table 3: Findings of the Multiple Regression Analyses for Religiosity Commitments

<table>
<thead>
<tr>
<th>Variable</th>
<th>Voluntary Tax Compliance (Model 1)</th>
<th>Enforced Tax Compliance (Model 2)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(B)</td>
<td>(SE)</td>
</tr>
<tr>
<td>Intrapersonal Religiosity</td>
<td>0.05</td>
<td>0.01</td>
</tr>
<tr>
<td>Interpersonal Religiosity</td>
<td>-0.02</td>
<td>0.02</td>
</tr>
</tbody>
</table>

* Significant at \(p < 0.05\) and *** Significant at \(p = 0.00\).
4.2 Face-to-Face Interview

The impact of religiosity on tax compliance was examined based on the responses of the participants. The verbatim quotations are used in this study because they reveal the genuine meaning of the participants’ feelings, thoughts, experiences and basic perceptions (Neale, Allen and Coombes, 2005, p. 1590). Thus there was no correction made to the verbatim quotations despite the English language being used incorrectly by some of the participants. The ethnicity and designation were used as identification for each of the participants to differentiate their diverse backgrounds because ethnicity can be associated with religion while designation can be associated with their social status. Based on these, their perceptions can be linked easily with their background to try to understand their stance on certain issues. Even though 14 participants were involved in the interviews, only relevant views are selected and discussed in this paper.

The finding from these interviews revealed that religiosity had the least influence on taxpayers’ attitudes as compared to other factors and three out of 14 participants without a doubt rejected the possibility of an influence of religiosity on taxpayers’ attitudes. The duty as a citizen to the country and social contribution to the community were suggested by some of the participants to be the main factors in influencing them to comply with tax laws. In addition, taxpayers’ perceptions of government, employment status, law and enforcement were also emphasised as being more influential in influencing taxpayers’ attitudes compared to religiosity. As for the Muslim participants, they considered their main priority to be the payment of ‘zakat’, not the government tax. The selected examples are as follows:

**Duty as a citizen** - “Not really. Some people may pay taxes because of their duty as a citizen, but paying taxes due to their religious awareness is quite unusual, I think.” *(P13, Malay, Tutor)*

**Social Contribution** - “Actually, if you ask me from a Buddhist point of view, it is not much! People comply only because of the social cause not religious influence.” *(P4, Chinese, Senior Manager)*

---

7 Under ‘zakat’, it is obligatory for all Muslims to give 2.5 percent of their wealth each year to the poor and needy.

8 Some of the comments received from the survey questionnaires confirmed the findings gathered from the interviews.
Perception of Government - “Actually, I don’t think religion do influence. The government might be the main influence that I pay taxes as a good citizen. I think it is the government that makes us, whether we want to pay or not. If we are paying and we saw nothing can help us and they don’t do anything that contribute which can help our lives to be better, that’s why people are avoiding or delaying this tax thing.” (P11, Chinese, Executive Officer)

Employment Status - “It depends on our status of employment, not really on religion.” (P8, Kadazan, Executive Officer)

Zakat - “There are many people who pay ‘zakat’, but they don’t bother to pay tax. People who understand what ‘zakat’ really is and the reward that they get hereafter, may be they are fighting for that chance more than complying with tax laws. Because few people that I know they are more committed to paying ‘zakat’ than tax.” (P1, Malay, Lecturer)

Law and Enforcement - “Religious values are not the main factor. There are other factors such as enforcement.” (P9, Iban, Senior Executive Officer)

Nevertheless, religiosity was also perceived to be effective in influencing people to comply with tax laws by a minority of the participants from the positive religious values instilled in each individual to contribute to the well-being of the nation. All religions teach their followers to help others by contributing or donating such as ‘zakat’ in Islam and a tithe in Christianity. The concept of giving was stressed to be another reason for them to comply with tax laws because they believed that blessing or financial prosperity to be a result of giving. These values are expected to motivate taxpayers to perform their duties not only to their religion but also to the country. The relevant quotes are shown below:

“If you are religious, you should have the feeling of contribute to help others and country because religious values cultivate that into your heart. Regardless of what it is, tax, ‘zakat’ or ‘sadaqah’ [donation], you are contributing!” (P2, Malay, General Manager)

“Give something to others is not burdensome; in fact it is a blessing to others. When we get the blessings from God, we bless the others.” (P9, Iban, Senior Executive Officer)

Even though many participants considered that religiosity had only a minimal impact on tax compliance attitudes, most of them agreed that the minimal impact may be derived from a number of ways. Firstly, a majority of the participants observed that the most dominant value shaped by religion in most individuals was being a responsible citizen to perform his/her duty or obligation to the country. Secondly, it was the sense of helping the country
in terms of having better development as well as helping the needy and poor by contributing to the government. Finally, religious values were expected to shape people to be a holistically fair individual. However, it was not only related to the tax paying issue but everyday issues in people’s lives as shown in the examples below:

**Duty as a Citizen/ Obligation to the Country** – 1. “You can divide the meaning into two, duty in terms of you as an individual as a citizen of a particular country also your duty as a Muslim to be able to help others.” (P1, Malay, Lecturer); 2. “In Roman Catholic, our obligation is mentioned not only to the religion but also to the country.” (P8, Kadazan, Executive Officer); 3. “From the Hindu aspect, if you don’t give, your life won’t be happy. Whatever you have earned, you give little bit to the country and people. When you have contributed and God sees that in the Hindu, you are now a clean man!” (P12, Indian, Senior Lecturer)

**A Just Individual** - “In my opinion, religious values should make people be fair and just. It is not only for tax but it is for all forms of life. All of these are part and parcel of religious concepts, as I believe. I think that goes to all religion.” (P6, Indian, Self-employed)

The minimal impact of religiosity on taxpayers’ attitudes was also considered by most of the participants to be positively driven by intrapersonal religiosity which is rooted in most individuals except for atheists who deny or disbelieve the existence of God. Many of them believed that the inner religious values derived from their religious practices and strong faith created the genuine desire to perform their duties to the country and contribute in helping others without any force from the external environment such as laws and penalties. Some argued that the foundation of faith from religion was reflected in people’s beliefs and principles and it was then translated into their actions. In other words, the positive internal values in people may push their decent intention and willingness in making their own decisions to pay taxes. Selected examples of these views are as follows:

“I think in terms of tax, it is more from you, yourself because when you give contributions or donations, it is more towards the concept of giving to other people. So it is more within yourself to bring it up and you know there is a regulation to pay tax, so it comes from within.” (P2, Malay, General Manager)

“One in terms of the genuine feeling from the obligatory issue is internalised. But a lot of people do it from the threat of punishment from the outside. That is meaningless. That should not be due to the threat of punishment. It should be genuine acceptance of the concept of tax compliance.” (P6, Indian, Self-employed)
“It is the inner values because there are no way people can push you to do anything that you don’t like. It is you who decide your own decision. The external might influence, but very minimal.” (P7, Malay, Executive Officer)

Since religiosity was considered to have the least influence on tax compliance, almost all of the participants agreed that there was no relationship between the level of religiosity and taxpayers’ compliance attitudes. The strong beliefs to help others and high civic duty were emphasised again to be the dominant factor in influencing people to pay taxes regardless of their level of religiosity. Further, some of the religious people were labelled as hypocrites because their words and actions were totally opposite and thus, being highly religious did not guarantee that they would voluntarily comply with tax laws. In contrast, highly religious people may also place their obligations towards their religion higher than their obligations towards the government, as suggested by some of the participants. Hence, paying taxes may be the least important priority for these people as illustrated in Table 4.

Table 4: Relationship between Religiosity and Tax Compliance

<table>
<thead>
<tr>
<th>Theme</th>
<th>Sub-Theme</th>
<th>Example of Quotation</th>
</tr>
</thead>
<tbody>
<tr>
<td>No Relationship</td>
<td>Social Contribution</td>
<td>“You cannot say 100 percent of religious people will pay tax because some people might not be religious but they also have some beliefs that a contribution may also lead to help other people. To me, the biggest pie of people paying tax would be those who have strong belief in their heart to help people.” (P2, Malay, General Manager)</td>
</tr>
<tr>
<td></td>
<td>Civic Duty</td>
<td>“I think it is not affecting because they said they already pay for temple, charity and all that, I don’t need to pay for the government. Sometimes, they will go higher than that, I will pay only to the God! You know, up to that level. Generally I think, religion does not play a role.” (P12, Indian, Senior Lecturer)</td>
</tr>
<tr>
<td></td>
<td>Hypocrisy</td>
<td>“Not all people who pay taxes are highly religious. There are some people with low level of religiosity but may be due to their strong civic duty, they still pay taxes and there are some who are highly religious but will not pay taxes.” (P7, Malay, Executive Officer)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>“Because too many people of many religions who claim to be profess or very religious and pious but they do as impious thing as anybody else. In fact, there are a majority of people who don’t claim to be very passionate about their religion but probably living the life that would expect them to live.” (P6, Indian, Self-employed)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>“It is very subjective to measure someone’s religious level. Sometimes their words and actions are not parallel. Despite their religious levels, moderate or high, I am sure many people will try their best to abide by the laws.” (P9, Iban, Senior Executive Officer)</td>
</tr>
</tbody>
</table>
The impact of ‘zakat’ on taxpayers’ attitudes specifically from Muslims’ perspectives was also sought. ‘Zakat’ was viewed to encourage Muslims to pay taxes to the government in two ways. First, the practice of giving in religion was considered by some of the participants to motivate the same feeling of giving towards the country in order to gain ‘barakah’ or blessings from Allah Subhanahu Wata’ala (SWT). A similar view was said to be also shared in Christianity. This contribution is considered as their support for the development of the country besides helping others. Second, some of the Muslim participants considered that paying ‘zakat’ is a good move to reduce their tax dues since ‘zakat’ is treated as a deduction or rebate which can be deducted from their net tax payable. Hence, they were willing to pay taxes voluntarily so that their compulsory ‘zakat’ payment can be fully utilised in reducing their actual tax payments. However, the treatment of ‘zakat’ as a rebate which is only applicable to Muslims was raised as one of the signs of discrimination between ethnic groups. Table 5 presents the relevant quotations.

Table 5: The Impact of ‘Zakat’ on Tax Compliance

<table>
<thead>
<tr>
<th>Theme</th>
<th>Sub-Theme</th>
<th>Example of Quotation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Positive</td>
<td>Use the Same Concept of ‘Zakat’ to the Government Tax</td>
<td>“Some people know that if they don’t comply with ‘zakat’ then the salary they get, will not be given ‘barakah’ by Allah SWT. For me, when you understand the reward that you get may be it is not very apparent right now in this world, but may be in the hereafter. You just hold on to this belief.” (P1, Malay, Lecturer)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>“By paying ‘zakat’ may be make some people realised that they need to help others. So, it might also apply to the concept of tax to help the country’s development.” (P7, Malay, Executive Officer)</td>
</tr>
<tr>
<td></td>
<td>Rebate</td>
<td>“When they pay ‘zakat’, automatically they will pay tax, because ‘zakat’ is considered $1 to $1 to tax.” (P2, Malay, General Manager)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>“Paying ‘zakat’ means you are half way paying taxes. In other words, ‘zakat’ can reduce the amount of tax that you have to pay. This is because ‘zakat’ is treated as a deduction (rebate).” (P7, Malay, Executive Officer)</td>
</tr>
<tr>
<td>Negative</td>
<td>Unequal</td>
<td>“The equality is not there. We gave a lot, but it was never coming back to all of us, it only come back to some people. Opportunity was only given to certain group of people. For example, no offence ok, even though I pay to church, it is not considered as rebate but unlike ‘zakat’. That’s why people are asking, why should I pay tax?” (P5, Indian, Self-employed)</td>
</tr>
</tbody>
</table>

9 The impact of other religious payments such as tithing in Christianity were not investigated because tithing or other religious payments are not treated as a rebate in calculating individual taxation in Malaysia. This is because these payments are not made compulsory to all members of each religion as compared to ‘zakat’. ‘Zakat’ is a Muslim’s obligation and stated in the five pillars of Islam.

10 Subhanahu Wata’ala means glorified and exalted.
5.0 GENERAL DISCUSSION

The findings from this study provide clear support for the importance of religiosity as a factor that influences voluntary tax compliance as shown in most of the prior studies that employed tax morale as a dependent variable (Torgler, 2003b, 2006; Torgler, 2007; Torgler and Schneider, 2007; Torgler et al., 2008; Torgler, 2012). These findings are similar to the findings in research involving the impact of moral values on voluntary tax compliance (Trivedi, Shehata and Lynn, 2003, p. 189). Mostly, international tax research (for example: Hanno and Violette, 1996; Kaplan, Newberry and Reckers, 1997; Bobek and Hatfield, 2003) or even tax research in Malaysia (Kasipillai, Aripin and Amran, 2003) has treated moral values as an independent variable with no influence from religious values except for a study by Torgler and Murphy (2004, p. 334) wherein a moral obligation was measured based on the respondents’ religiosity. This may be because morality is defined as a system that determines right or wrong conduct. Thus it can be related to religious practice and faith and can also be totally independent, with no influence from religion particularly for people with no religion. Possibly, since nearly all of the respondents\(^{11}\) in this study had a religious adherence, their strong moral commitment to comply with tax laws may be derived from religious practices and faith.

Other explanations offered for this trend include the concept of giving such as ‘zakat’ for Muslims and tithing for Christians which was strongly practised by more than 70 percent of the respondents and highly supported by the participants.\(^{12}\) Their practice of giving either to their religious organisations or to the poor and needy was expected to improve their willingness to pay taxes. For example, the Muslim participants viewed the sense of paying ‘zakat’ as strongly driving the same sense of paying tax to the government from the concept of ‘sadaqah’ and ‘barakah’. ‘Sadaqah’ means giving something voluntarily to somebody without asking for something in return, only with the intention to please Allah SWT so that ‘barakah’ or blessing from Allah SWT will be received. ‘Barakah’ is commonly understood by Muslims as being able to achieve more with few resources, doing much in little time and generating a lot with little effort with the blessings of Allah SWT. Hence, tax paying was

\(^{11}\) The term “respondents” in this section refers to the respondents from the surveys.

\(^{12}\) The term “participants” in this section refers to the participants from the interviews.
considered as ‘sadaqah’ in helping others to get ‘barakah’ from Allah SWT. A similar view is shared in Christianity as stressed by one of the participants regarding the concept of blessings from God from the practice of giving.

Further, Muslims are obliged to pay ‘zakat’ on their total wealth, when a certain amount of money called ‘nisab’ is reached. ‘Zakat’ is one of the five pillars of Islam and is paid at a fixed rate of 2.5 percent from the total income for one complete ‘haul’ or equivalent to one ‘Hijri’ year (about 334 days). Given that Muslims are obliged to pay two compulsory payments levied on the same source of income every year, ‘zakat’ in Malaysia is treated as a tax rebate in order to avoid “double taxation”. It is clearly stated in the *Income Tax Act 1967*, Section 6A (3) that “a rebate shall be granted for any ‘zakat’, ‘fitrah’ or any other Islamic religious dues, payment of which is obligatory”. For example, if a person earns RM60,000 per annum with income tax payable of RM3,000 and contributes RM1,250 of ‘zakat’, the tax due to the tax authority is only RM1,750 because ‘zakat’ is directly deducted from the tax payable. Hence, possibly some or nearly all Muslims who pay ‘zakat’ in Malaysia are willing to comply with tax laws because ‘zakat’ has lowered their actual cost of taxes. The findings from the interviews support the same notion. These results are consistent with the finding of a previous study that a tax rebate positively increased taxpayers’ attitudes towards the tax system (Hasseldine and Hite, 2003, p. 10).

In contrast to the earlier and current findings, no strong evidence of the role of religiosity in tax morale was found (McKerchar et al., 2012, p. 15). These differences can probably be explained by the different religiosity measurement used compared to other prior studies or even the current study. McKerchar et al. (2012, p. 6) used the itemised deductions that represent both contributions to religious and civic organisations as an indicator of religiosity in their study. Since the actual proportion between the religious and civic contributions was not provided, this indicator probably can be argued to incline more to civic contributions rather than to religious contributions.

However, religiosity was found to have no significant impact on enforced tax compliance. This probably can be supported by the findings from the interviews that almost all
participants considered that religiosity had only a minor impact on taxpayers’ compliance attitudes and some of them, particularly the Buddhists, totally rejected the possibility that taxpayers’ attitudes can be influenced by religiosity. This is probably because Buddhism is argued as going beyond a religion and is more about a philosophy or a way of life. This is in line with the statement made by one of the participants that social benefit is the main reason for complying.

5.1 Theoretical Implications

This study makes a number of contributions to the existing literature. Firstly, this study enriches the limited literature of tax compliance from the perspective of developing countries, particularly Malaysia. This is because empirical and institutional research in taxation outside the USA especially in developing countries has been strongly encouraged to stimulate comparative analysis across countries (Andreoni, Erard and Feinstein, 1998, p. 836). Most of the prior studies have been carried out in developed countries such as the USA, Europe and Australia except for a few studies, most of which employed omnibus surveys such as the WVS which covered a number of countries including developing countries (for example: Torgler, 2004, 2006). Further, this study adds to the limited literature internationally from a religiosity perspective. As stated earlier, religiosity has been neglected by most researchers in earlier tax compliance studies and to the best of the author’s knowledge, this is the second study to explore the impact of religiosity on tax compliance in Malaysia.

Secondly, tax compliance was explored based on two different components, namely voluntary tax compliance and enforced tax compliance. This is because most of the previous studies focused only on tax evasion (for example: Richardson, 2006, 2008), tax compliance (for example: Trivedi et al., 2003; Trivedi, Shehata and Mestelman, 2005) or tax morale (for example: Torgler, 2003a; Torgler, 2004). In point of fact, some of the studies of tax morale employed only one item to measure the level of tax morale in a society (for example: Frey, 2003, pp. 394-395; Torgler, 2006, p. 87). Hence, these components would offer further information to the current literature in terms of the real impacts of religiosity in this study on each of the tax compliance components.
Thirdly, the impact of religiosity on tax compliance in this study is only evident on voluntary tax compliance component. Religiosity may only inspire people who have a strong intention to pay taxes voluntarily and is possibly ineffective in reducing the intention to avoid paying taxes. Despite its minimal impact on voluntary tax compliance, this study provides an indicator to further explore taxpayers’ complex attitudes from a tax compliance perspective, particularly when the majority of taxpayers are viewed as having a high intention to willingly comply with tax laws (Kirchler, Hoelzl and Wahl, 2008, p. 211). In addition, the direction of tax research has moved from a single focus on tax evasion, as evident in earlier tax research, to now include the concepts of tax compliance and non-compliance (McKerchar, 2001, p. 121).

In terms of the measurement of religiosity commitments, the universal religiosity statements were adapted in the present survey to minimise their association with a specific religion as discussed previously. Further, in order to avoid the use of church attendance to measure respondents’ religiosity levels, multi-dimensional religiosity statements were adopted in this study as in some other studies (for example: Torgler, 2006, p. 86). However, the religiosity dimensions in this study were divided into two types of religiosity commitments, namely intrapersonal and interpersonal religiosity. This study has probably moved the existing literature even further by identifying the actual religiosity commitment that has a major impact on taxpayers’ compliance attitudes. This is because religiosity was treated in most of the prior research as a single variable except for some studies such as (Grasmick, Bursik, et al., 1991, p. 263). Thus the current study provides further evidence that the minimal impact of religiosity on tax compliance mainly derives from taxpayers’ intrapersonal religiosity.

Finally, since taxpayers’ attitudes are considered complicated, different types of methods are needed to best understand these complexities (McKerchar, 2008, p. 21). The mixed-methods approach carried out in this study provides better evidence from different perspectives to overcome the limitation of a single design. The interviews enable the researcher to confirm theories from the surveys and explain either the supporting or contradicting results that emerged from both methods. This is because it is “perfectly logical
for researchers to select and use differing methods, mixing them as they see the need, applying their findings to a reality that is at once plural and unknown” (Maxcy, 2003, p. 59). This approach is consistent with the growing trend to incorporate a combination of quantitative and qualitative research methods in a study (for example: McKerchar, 2002; Saad, 2011) even though the question of balance between both methods is arguable in this method. Ultimately, the weighting of each method probably depends on how the research questions need to be addressed together with the chosen research paradigm because no method is superior to the other.

5.2 Policy Implications

Based on the responses from this study, there are a number of issues that can be addressed by the Inland Revenue Board of Malaysia (IRBM) to realise its mission in order to increase the quality and integrity of taxation services it offers together with the promotion of voluntary tax compliance among Malaysians (Inland Revenue Board of Malaysia, 2011, p. 4). Firstly, ‘zakat’ was viewed by most of the Muslim participants as one of the influential factors to encourage them to voluntarily pay taxes to the government. This is because ‘zakat’ can reduce the amount of tax due to the government since it is treated as a rebate. However, one of the non-Muslim participants argued that other religious payments are not given the same treatment by the IRBM. This is because, as stated earlier, Muslims are obliged to pay two obligatory taxes on the same source of income in a year. In order to reduce their burden, the treatment of ‘zakat’ as a rebate is stated in the Income Tax Act 1967 so that no extra payment will be imposed on Muslims who paid ‘zakat’.

For the non-Muslims, their religious payments are not considered as rebates because these payments are not regarded as obligatory but as voluntary payments. The payment is treated as an approved donation which is subject to the seven percent restriction on the aggregate income as clearly stated in Section 34B, Income Tax Act 1967. In order to reduce the perception of inequality as raised in the interviews, it is suggested that the IRBM should educate taxpayers by clearly explaining to them the difference between the treatment of

---

13 This is totally different to the practice of the German tax system where the collection of income tax includes the collection of religious payment on behalf of the church which was argued by some taxpayers as taxing and affecting their willingness to pay taxes to the government (Walpole, 2012, pp. 1-2).
obligatory and voluntary religious payments in the calculation of income tax. However, introducing a new mechanism to treat all religious payments equally is probably the best way to reduce the sense of inequality that can generate tension and conflict among citizens and taxpayers.

Secondly, the IRBM’s mission can probably be achieved based on the findings drawn from the current study regarding the impact of religiosity on tax compliance. It might be feasible for the IRBM to foster voluntary tax compliance in Malaysia because religious values are rooted in most Malaysians regardless of their beliefs, given the fact that less than one percent of the population does not belong to a religious group according to the 2010 census (Department of Statistics Malaysia, 2011). This is because religion may actually reinforce a sense of obligation and put moral and ethical pressure on taxpayers, which may be exploited by authorities as a means of improving taxpayers’ compliance.

Further, taxpayers’ willingness to comply with tax laws can be improved with the positive and negative information communicated by the tax authority to taxpayers as practised by the Australian Tax Office (2012). For example, the Australian Tax Office plan for compliance activities for 2012 to 2013 were released to the public in July 2012 as a means of communicating relevant information to taxpayers and the compliance information is also conveyed through the media and tax practitioner community. It is probable that such a targeted policy could be practised in Malaysia. For example, positive information is effective for taxpayers in Malaysia because the religious values held by most Malaysians might easily push them to respond to positive appeals from the tax authority and negative information most probably is more appropriate to threaten taxpayers who have the intention to evade taxes. Interestingly, both types of information are found to be effective on “high opportunity” taxpayers such as the self-employed (Hasseldine, Hite and Toumi, 2007, p. 189) but “little can therefore be concluded on the relative merits of these options” (Hasseldine, 1999/2000, p. 239).
5.3 Limitations

Despite the significant contributions of this study, several key limitations of the present study should be noted. The first major limitation of this study is in regard to the assumed source of internal values of an individual. In this study, internal values were deemed to be completely derived from religion because almost all of the respondents in this study adhered to a religion. However, it can be argued that the source of morality of an individual in guiding him/her to determine what is morally right or wrong can come from religion or from principles or beliefs of an individual which are unrelated to religion. This was accentuated by Hemingway and Maclagan (2004, p. 37) who pointed out that moral values are unlike religious values even though moral teaching is taught in most of the major religions. Similarly, moral values can be distinguished from other categories such as religious values (Rescher, 1969, p. 16). Since this study did not differentiate between religious values and moral values in measuring the source of respondents’ internal values, there was a possibility that their internal values may be derived from both sources.

The second obvious limitation was the selection of taxpayers involved in this study. The subjects of this study were individual taxpayers in Malaysia who included salaried and self-employed taxpayers, with the majority being salaried taxpayers (about 90 percent) compared to those in the self-employed taxpayer group (about 10 percent) even though several attempts were made to include more self-employed taxpayers in the surveys. Furthermore, the opportunities to avoid or evade paying taxes between these two types of taxpayers are different because salaried taxpayers have fewer opportunities to evade compared to self-employed taxpayers (Braithwaite, 2003, p. 344). Thus they might have different perspectives and attitudes towards tax compliance issues. The third most apparent limitation of this research is that it relied on a self-reported method to collect data and that may have led to inaccuracies in the data. This is because extensive under-reporting can be expected from a self-reported survey that relates to sensitive topics (Tourangeau and Yan, 2007, p. 878).
The fourth limitation was the use of mixed-mode surveys in this study. Despite the same questions being used in both surveys, response bias was anticipated to be present because an internet survey lacks anonymity as compared to the paper survey; hence, respondents may be hesitant to reveal their actual attitudes particularly in a survey involving sensitive issues (de Leeuw and Hox, 2011, p. 57). The final limitation of this study was the employment of face-to-face interviews in a cross-cultural study that related to the sensitive topics of tax compliance and religiosity. The participants might have felt uneasy and embarrassed to respond to the interviewer’s questions during the interview process because their anonymity was not fully preserved (Sturges and Hanrahan, 2004, p. 108). This situation most probably remained an obstacle to the researcher in obtaining useful and reliable information despite reasonable efforts being made to ensure the participants were comfortable during the interviews. It may have led to information that did not really represent their true perceptions.

6.0 CONCLUDING REMARKS

This study has shown that Malaysians are considered to have a strong positive tax compliance attitude which supports the IRBM mission to foster voluntary tax compliance among Malaysians. This positive attitude is moderately influenced by religious values held by almost all Malaysians regardless of their religion and the regression results in the present study shows that religiosity can only explain three percent of an individual’s willingness to voluntarily abide by tax laws. The true religiosity commitment that influences taxpayers’ willingness to pay taxes is intrapersonal religiosity. Hence, it may only influence taxpayers who already have a positive intention to comply rather than those who are forced to comply.

The findings of this study could have two main implications particularly to the tax authority. Firstly, the main reason of ‘zakat’ being treated as a rebate should be explained clearly to all taxpayers or reviewed to avoid strong negative sentiments among ethnic groups that may lead to a more serious problem in the country. Secondly, the strong religious values held by most Malaysians probably can be used to encourage them to increase their willingness to
comply with tax laws by designing targeted policy to cater to different attitudes of taxpayers with appropriate strategies. Designing policies that benefit citizens as a whole and developing common understanding between these parties may increase taxpayers’ willingness to pay taxes for the benefit of the country. This remains an important challenge for the authorities.

The key direction for future research from the present study is to compare the impact of individuals’ religious values with individuals’ moral values that have no influence from religion on tax compliance. This could be done by comparing a group of taxpayers who adhere to a religion with another group of taxpayers who claim to have no religion. It would provide additional information in distinguishing the independent impact of moral and religious values on tax compliance so that comparisons between these two factors can be made. Even with its limitations, this study has provided evidence that religiosity is important in helping to explain highly compliant taxpayers’ attitudes.
REFERENCES


### Appendix A: Items for Religiosity and Tax Compliance Components

<table>
<thead>
<tr>
<th>Variable</th>
<th>No</th>
<th>Item</th>
<th>Reference</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Intrapersonal Religiosity</strong></td>
<td></td>
<td>1. I rarely try to live all my life according to my religious beliefs.</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>2. I rarely read books and magazines about my faith.</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>3. Religion is very important to me because it answers many questions about the meaning of life.</td>
<td>Worthington et al. (2003)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>4. It is important for me to spend periods of time in private to think and reflect on my religion.</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>5. I spend time trying to enhance my understanding of my faith.</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>6. Religious beliefs do not influence most of my dealings in life.</td>
<td></td>
</tr>
<tr>
<td><strong>Interpersonal Religiosity</strong></td>
<td></td>
<td>7. I do not enjoy spending time with others of my religious affiliation.</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>8. I rarely join the activities of my religious organization.</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>9. I keep well informed about my local religious group and have some influence on its decisions.</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>10. I make financial contributions to my religious organization.</td>
<td></td>
</tr>
<tr>
<td><strong>Voluntary Tax Compliance</strong></td>
<td></td>
<td>1. I pay my taxes as required by the regulations because of a sense of responsibility.</td>
<td>Kirchler and Wahl (2010)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>2. I pay taxes as required by the regulations to support the country.</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>3. It is my duty as a citizen to pay taxes as required by the regulations.</td>
<td>Braithwaite, Murphy and Reinhart (2007)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>4. It is immoral not to pay taxes to the government.</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>5. If everyone paid the correct amount of tax, we would enjoy better public facilities.</td>
<td></td>
</tr>
<tr>
<td><strong>Enforced Tax Compliance</strong></td>
<td></td>
<td>1. I pay taxes as required by the regulations because the penalties for tax evaders are very severe.</td>
<td>Kirchler and Wahl (2010)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>2. I pay taxes as required by the regulations because many tax audits are carried out.</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>3. I prepare my tax return correctly because there is a strong chance I may get caught if I did not follow the regulations.</td>
<td>Niemirowski and Wearing (2006)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>4. I prepare my tax return correctly because I fear my reputation would be ruined if I were to get caught for not follow the regulations.</td>
<td></td>
</tr>
</tbody>
</table>