

The Mediating Effect of Power and Trust in the Relationship between Procedural Justice and Tax Compliance

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ABSTRACT

Various factors have been identified by researchers in Malaysia which may influence tax compliance behavior for example tax complexity; compliance costs; penalties; and tax knowledge. Yet, it is still unable to minimize tax non-compliance. Thus, this research identifies other factors, if any and their effect on Malaysian tax compliance behavior. The factors are procedural justice, trust and power. As far as known, no study in Malaysia examines the effect of these factors on tax compliance in a single study. Studies conducted outside Malaysia have found that procedural justice has a significant and positive relationship with tax compliance. In addition, there are also studies which described that procedural justice has the relationship with trust and legitimate power. Therefore, the objective of this study is to examine the relationship between procedural justice and compliance with the existing of trust and power as mediator. Structural Equation Model (SEM) is used to analyze the data that has been collected from 241 respondents. The findings suggest that procedural justice and trust have a positive relationship with tax compliance. Moreover, the bootstrapping approach found that trust could be a mediator in the relationship between procedural justice and tax compliance. In contrast, neither legitimate power nor coercive power influence tax compliance and mediate the relationship between procedural justice and tax compliance.

Keywords: Power; trust; procedural justice and tax compliance.

INTRODUCTION

In Malaysia, study of tax compliance becomes the focus of many researchers since the mid-1990s (Loo et al. 2010). Tax compliance refers to the ability of taxpayers to comply with tax laws that require them to file tax returns and pay taxes promptly (Abdul Jabbar & Pope 2008). In contrast, non-compliance is failure to carry out tax obligations by paying less than the amount of tax payable or violating tax laws (Kirchler & Wahl 2010). Tax compliance is a global problem which prompted the tax authorities in many countries to take action to alleviate this problem (Pentland & Carlile 1996). In Malaysia, tax non-compliance is defined as the failure to submit tax forms, understating income, overstating deduction and failure to pay tax at the right time (Badly & Kasipillai 1996).

In 2004, the Self-Assessment System (SAS) was introduced in Malaysia to promote voluntary compliance among individual taxpayers. However, it was reported by Krishnamoorthy (2006) that the number of tax defaulters has increased 10 times within 2 years; 25,160 in 2003 to 239,666 in 2005. Among the offence are failure to submit tax returns, declaring false tax returns, and providing incomplete information or documents. According to the Chief Executive Officer of the Inland Revenue Boards Malaysia (IRBM), Tan Sri Dr. Mohd Shukor Mahfar, as in April 2015 a total of 90,639 individuals have been blacklisted and subject to restrictions to other countries for failing to settle income tax under the Income Tax

Act 1967 (Utusan Malaysia 2015). In 2016, a total of 122,752 taxpayers were banned from leaving the country for failing to settle their income tax returns in 2016 (IRBM Annual Report 2016).

In an effort to reduce tax non-compliance, the IRBM has implemented tax audit and tax investigation to encourage voluntary compliance. However, statistics published by IRBM implies there were action of evasion among taxpayers. For example, in the year 2016, 1,212 investigation cases were resolved compared to only 1,063 cases in the previous year. A total of 6 cases were proceeded for prosecutions (IRBM Annual Report 2016).

Therefore, the implementation of SAS poses a challenges to the country as the mechanism of SAS gives more opportunity to the taxpayer to manipulate tax. Hence, an in-depth study should be conducted to assess the factors that lead to tax non-compliance. Although there are many factors have been identified by researchers in Malaysia such as compliance costs (Loh et al. 1997; Sapiei & Abdullah 2008); penalties (Loo et al. 2009); tax knowledge (Palil 2010); tax complexity (Saad 2014) and religion (Mohd Ali & Pope 2014), but it has yet to provide a solution to minimize tax non-compliance.

Some scholars have recognized procedural justice as a factor that may influence tax compliance that get less attention from Malaysian scholars. Generally, procedural justice is an important factor in determining the relationship between the authorities and the public (De Cremer & Tyler 2007; van Dijke & Verboon 2010;

van Dijke et al. 2010). Procedural justice refers to the perceived fairness of the procedures involved in decision making one receives from the authorities (Murphy 2009) and the perceived fairness in treatment and allocation of resources by the authorities (Kirchler 2007).

In taxation, some studies on procedural justice (eg. Murphy 2004; Hartner et al. 2008, Murphy et al. 2016) have proven positive impact on tax compliance. According to Tyler (2006), the compliance behavior of individuals is closely associated with the perceived justice and injustice. Due to that, he suggested that the procedural justice plays an important role in an individual's decision to adhere to the existing tax law. However, previous studies on procedural justice and tax compliance have achieved inconsistent findings. There were researchers who found that procedural justice has positive effect (such as van Dijke & Verboon 2010; Verboon & van Dijke 2011; Murphy et al. 2016) while some failed to see the effect likewise (like Worsham 1996).

Some empirical studies show if people think the authorities conducting the existing procedures as fair, then they would have more trust on the authorities (Murphy 2004; Hough et al. 2010; Searle et al. 2011; Kogler et al. 2015) and be compliant with all the decisions made by the tax authorities (Murphy & Tyler 2008). This is why some scholars have also found the relationship between procedural justice with trust on authority. Trust is assumed to be a factor that mediate the relationship between procedural justice and tax compliance procedures (Murphy 2004; Kogler et al. 2015). Trust is considered as an indicator to assess the degree of fairness procedures by the authorities (Konovsky & Pugh 1994). In addition, Murphy (2005) believed that procedural justice also has a relationship with legitimacy and subsequently has a positive influence on tax compliance. Therefore, besides having a direct impact on tax compliance, the relationship between procedural justice and tax compliance is mediated by trust in the tax authority and legitimate power.

In fact, Wahl et al. (2010) through the results of their study suggested that the government should try to gain the trust of the people by carrying out fair procedure;

... governments should try to gain their citizens' trust. This could be achieved through emphasizing fair procedures (e.g., citizens' participation in the legislation) or through employing citizen-friendly and service-oriented behavior of tax authorities (e.g., offering help in filling in forms correctly) ...

Thus, this study will examine the relationship between procedural justices with tax compliance, and the existence of trust and power as a mediator in this relationship. Apart from that, power will be distinguished into legitimate power and coercive power that will influence different types of compliance as suggested by Kirchler (2007). At the time of this study no published research consider the coercive power as mediating effect in Malaysia, thus this study will determine the effect of coercive power as a mediator. As a summary, this study aims:

1. To examine the relationship between procedural justice, trust, legitimate power and coercive power with tax compliance.
2. To determine the role of trust and power as mediator in the relationship between procedural justice and tax compliance.

PROCEDURAL JUSTICE, TRUST AND POWER

From procedural justice perspectives, if tax authorities treated taxpayers with fairness and respect, they are more likely to obey with all the decisions made by the tax authorities (Murphy & Tyler 2008). Wenzel (2002) indicated that procedural justice plays an important role in predicting the level of compliance among taxpayers in Australia. Taxpayers are more compliant when they feel tax officers treated them fairly and in respectful manner.

Hartner et al. (2008) applied identity judgement and perceived procedural justice to identify the relationship between the government, tax authorities and taxpayers, which was assessed by identity judgment. They used self-completion questionnaires similar to Wenzel (2002) in their study. As expected, the results showed that procedural justice can address tax non-compliance. Therefore, procedural justice is seen to describe the relationship and cooperation between the tax authorities and taxpayers. In contrast, the findings obtained by Worsham (1996) is inconsistent with other researchers. He examined the reaction of taxpayers as if they received unfair treatment from tax authorities. Two procedural justice constructs were applied which are consistency and accuracy of information by tax authorities, and the results indicated that procedural justice did not give a positive effect on tax compliance. The author applied experimental method to collect data and the tax reporting decision made by respondents in the experiment were unambiguous. In reality, the decision to take questionable deductions or not are supported by the authority. This action is more to tax avoidance rather than tax evasion. Therefore, the research finding is inconsistent with other studies on procedural justice.

Conversely, De Cremer and Tyler (2007) have identified procedural justice as not the only factor that explains the psychology of cooperation between the public and the authorities. Another factor is trust in the authorities. In the field of taxation, procedural justice and trust are vital to strengthen the relationship between taxpayers and tax authorities as mutual trust and cooperation between them is necessary to increase the level of tax compliance. Furthermore, receiving fair treatment will increase trust in the tax authorities, thereby enhancing tax compliance (Murphy 2004). Murphy conducted a study on taxpayers in Australia and found that the level of trust towards the tax authorities would be at a low level when taxpayers received unfair treatment. The trust could be the mediator in the relationship between procedural justice and other variables such as job satisfaction, organizational commitment and turnover intentions (Aryee et al. 2002), emotions of the

leader (De Cremer 2004), and organizational behavior (van Dijke et al. 2010).

Consequently, van Dijke and Verboon (2010) expected procedural justice has positive effect on tax compliance when trust in the authorities is high. The findings from their experiment were adapted to support such expectations. According to Konovsky and Pugh (1994), procedural justice would be the mechanism and indicator for trust to assess fairness of the authority. Apart from that, procedural justice is assumed to have a relationship with legitimate power. Legitimate power of tax authority is perceived to control tax evasion with persuasive manner. Researchers found that individuals who feel they are treated fairly by the authorities would be acting lawfully. They would accept and abide by any decision of the authorities (Tyler 2004). In Tyler's study involving 830 residents of New York showed that people are more likely to cooperate with the law if they see the police have more legitimacy. The study also found that the notion of procedural fairness also affect the legitimacy of police power.

Similar findings were also obtained by Murphy (2009) to see whether procedural fairness and legitimacy could predict tax compliance in Australia. Taxpayers' views and opinion about how they are being treated by the Australian tax authority is important to describe their impression about the legitimacy that affect tax compliance behavior. Turner (2005) classifies legitimacy as one of two types of power. He differentiates the power into legitimate power and coercive power. Hence, this research will also endeavor to ascertain the relationship between procedural justice and coercive power although to the best of our knowledge, there is no study conducted on this relationship. The reason is the procedural justice is perceived to fuel legitimacy as the authority uses less this power and enforcement in order to enhance compliance (Murphy 2005). Kirchler (2007) proposed trust and power in his slippery slope framework as paths to achieve cooperation from taxpayers and produce different types of compliance – voluntary and enforced tax compliance. Trust is perceived to contribute to voluntary compliance; a contrary power can encourage enforced compliance.

The empirical studies by Wahl et al. (2010) examined the effect of power and trust to tax payments. Two experiments were adapted on different respondents - students and self-employed. The first experiment was conducted on students using laboratory experiments which required respondents to understand and answer questions based on a fictitious country, Varosia. The second experiment was carried out on self-employed using online questionnaires. Results from both experiments indicated power and trust could increase tax payments. Next, Muehlbacher et al. (2011) used questionnaires from Hartner et al. (2009) which was translated from German to English and Czech. Questionnaires were distributed to taxpayers in Austria, United Kingdom and the Republic Czech and findings supported that trust and power enhanced voluntary and enforced compliance respectively.

Similarly, the results from Kogler et al. (2013) demonstrate trust and power positively influence voluntary and enforced compliance separately in Austria, Hungary, Romania, and Russia. However, a survey conducted on university students from the four countries that do not have the experience of paying tax may also influence the outcome of different compliance for these countries. Kastlunger et al. (2013) expand research using the framework of slippery slope by dividing the power to legitimate power and coercive power. A questionnaire adapted from Tax Compliance Inventory introduced by Kirchler and Wahl (2010), and the results showed similar findings with other studies - high level of trust has positive relationship with voluntary compliance and coercive power also has positive effect on enforced compliance. Meanwhile, legitimate power simultaneously influences voluntary and enforced tax compliance.

In Malaysia, Bukhari (2010) in her study adopted the slippery slope framework to examine the relationship of trust with voluntary tax compliance. She applied tax dimension of subjective knowledge, attitude towards taxation, social norms and perceived efficiency of tax administration to assess level of trust. From the results it was found that the level of trust among respondents is moderate but capable to increase voluntary tax compliance. However, her study focuses solely on voluntary compliance without regard to enforced tax compliance. Therefore, the results of the study cannot be compared with other studies using the slippery slope framework. Furthermore, questionnaire used was not specifically developed to measure the level of trust in the slippery slope framework.

Ali and Ahmad (2014) also examined the relationship of trust with tax compliance and their found trust in tax authorities increase the level of tax compliance among working youth. However, their study did not apply the slippery slope in testing the effect of trust on tax compliance and ignored the procedural justice and power. In addition, another study has been conducted in Malaysia by Singh (2003) on legitimacy. His research takes into account the factors influencing the decision of the taxpayer to comply with the tax system. The findings show that legitimacy powers have no significant relationship with tax compliance decisions. Kogler et al. (2015) in their study has identified trust mediates the relationship between procedural justice and compliance but power does not have that influence, but they do not distinguish the power. Based on the above discussion, hence this study will ascertain the relationship between procedural justice and tax compliance in the existing of trust and power.

RESEARCH FRAMEWORK

RESEARCH MODEL

This study adopted the Slippery Slope Framework introduced by Enrich Kirchler in 2007 to examine the relationship between taxpayers and tax authority. Basically, the framework consists of an antagonistic and

synergistic perception. Antagonists exists when there is mistrust in the relationship between taxpayers and tax authorities. Otherwise, synergies exists when taxpayers and the tax authority work together and trust each other and this relationship is known as 'service and customers'. Hence, the framework proposed the tax authorities to get cooperation from taxpayers from these two different perception through power and trust. Both factors result in different tax compliance namely voluntary compliance and enforced compliance. Voluntary compliance exists based on trustworthiness between taxpayers and tax authorities. Meanwhile, enforced compliance strongly depends on the power of tax authorities in preventing tax non-compliance. This means if a taxpayer has a high degree of confidence in tax authorities, then they will voluntarily adhere to it. Whereas if a taxpayer perceives powers of tax authorities is high then compliance will also increase by force.

The slippery slope term is selected to illustrate the potential interaction between trust and power (Kirchler 2007). Basically, the slippery slope framework has been developed as a result of the weaknesses in deterrence on economics factor (Kirchler et al. 2008) which failed to see cooperation between taxpayers and tax authorities (Murphy 2008). Therefore, the slippery slope framework seeks to see interactions between taxpayers and tax authorities capable of enhancing tax compliance.

In addition, the frameworks also studies a dynamic relationship between power and trust (Gangl et al. 2012). However, this study does not examine this relationship as it has no effect in the relationship with tax compliance. The Slippery Slope framework focuses on the effect of power and trust on tax compliance. However, this study extends the framework by looking at the mediating effect of power and trust in the relationship between procedural justice and tax compliance. Power is distinguished to coercive

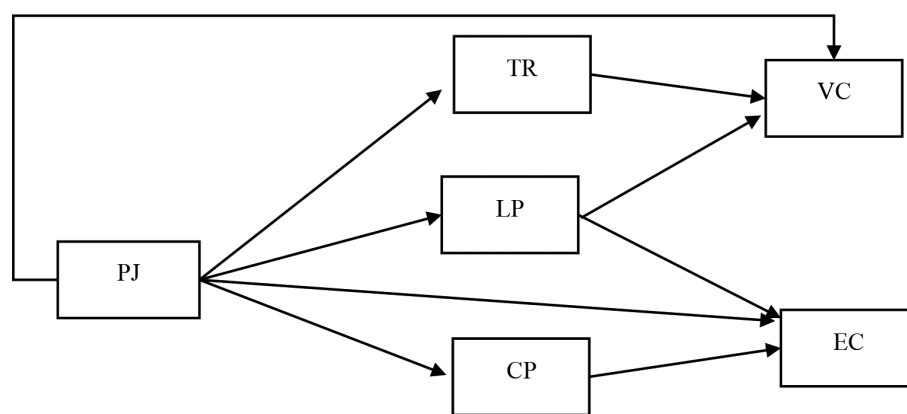
power and legitimacy power. Meanwhile, tax compliance is divided into voluntary compliance and enforced compliance. Research model of this study is as below:

METHODOLOGY

QUESTIONNAIRE

The questionnaire was used and distributed randomly to selected respondents to obtain their perceptions via e-mails and enumerators. The questionnaire contains statements to measure each of the variables and adapted from previous studies by Tyler (2006); Murphy (2009); Kirchler and Wahl (2010); Kastlunger et al. (2013). However, the questions have been amended according to the situation in Malaysia. Details of the questionnaire can be referred to Appendix 1. Sample size was selected by cluster sampling in the Klang Valley (Kuala Lumpur and Selangor) areas due to high population of public and private higher learning institutions in the area. Then a convenient sampling method was used to determine the actual number of respondents. Using the sampling method, a total of 1,669 respondents were selected.

From the total, 244 were returned and only 241 were usable for data analysis. From the responses, 90 (37.3%) respondents were male and 151 (62.7%) were female. It comprises of 152 lecturers (63.1%), 47 senior lecturers (19.5%), 23 professors (9.5%), 17 associate professors (7.1%) and two assistant lecturers (0.8%). 146 of respondents had teaching experience more than ten years (60.6%), 52 of respondents with five to nine years teaching experience (21.6%), 35 respondents with one to four years experience (17.8%) and eight of respondents worked less than one year (3.3%).



Note: PJ = procedural justice
 TR = trust
 LP = legitimacy power
 CP = coercive power
 VC = voluntary compliance
 EC = enforced compliance

FIGURE 1. Research model

RESULTS

CONFIRMATORY FACTOR ANALYSIS (CFA)

CFA was conducted in order to validate the model before modeling the interrelationship in a structural equation model (SEM). There are six constructs which are procedural justice, trust, legitimate power, coercive power, voluntary compliance and enforced compliance. A total of 44 items were used to measure these constructs. CFA would assess the uni-dimensional, validity and reliability of the constructs. Uni-dimensional was achieved if every item used for each construct has the minimum standardized factor loading of 0.5. Low standardized loading values need to be removed in order to achieve the validity and reliability of each construct. From the analysis, five items with low standardized loading of 0.5 have to be deleted as suggested by Hair et al. (2010) and Awang (2015).

In order to test the validity and the reliability of construct, the value of Average Variance Extracted (AVE) and Composite Reliability (CR) must be computed. AVE represents the convergent validity and CR indicates the reliability and internal consistency of the constructs. The value of AVE and CR must exceed 0.5 and 0.6 respectively. Table 1 summarizes the validity and reliability of the constructs. From Table 1, three constructs have failed to meet the minimum requirement with value below 0.5. The constructs are enforced tax compliance (0.496), legitimate power (0.441) and coercive force (0.416). However, this value is acceptable as long as the CR value exceeds 0.6 as suggested by Fornell and Larcker (1981). Moreover, Liu et al. (2015) also accepted the AVE exceeding 0.4. For the reliability test, CR for all constructs have met the minimum requirement.

In addition to the above tests, the fitness of the measurement model has to be evaluated. Table 2 indicates

the fitness indexes for the model and all requirement are achieved.

STRUCTURAL EQUATION MODEL (SEM)

SEM is conducted after the CFA was met to achieve research objectives. Table 3 represents the regression path coefficient in the relationship between procedural justice, trust, legitimate power and coercive power and tax compliance. In summary, the analysis shows that procedural justice and trust have significant relationship with voluntary compliance with $p = 0.006$ and 0.007 respectively. The estimate of regression coefficient in this relationship is 0.298 – indicating the increase of procedural justice by 1 point, voluntary tax compliance will increase by 0.298.

The estimate of regression coefficient (beta) = 0.304 which indicates that when trust goes up by 1, voluntary tax compliance goes up by 0.304. This means voluntary tax compliance is influenced positively by taxpayers' perceptions of trust to tax authorities and fair treatment received. In contrast, no factors could influence enforced tax compliance and this is contrary from previous studies.

The final step is to examine mediating effects of trust and power in the relationship between procedural justice and tax compliance using bootstrapping method. The method applied SEM for analysis involving two effects - direct effect and an indirect effect. Direct effect must be determined before the mediating test implemented. The direct effect of the independent variables (procedural justice) and the dependent variable (tax compliance) must be significant. From the analysis, it was reported that a direct effect exists between procedural justice and voluntary tax compliance, hence the next step is to determine the mediating effect of trust, and legitimate power and the indirect effect will be examined.

TABLE 1. Validity and reliability test for constructs.

Construct	AVE (min 0.4)	CR (min 0.6)
Voluntary tax compliance	0.508	0.844
Enforced tax compliance	0.496	0.854
Tax compliance	0.512	0.919
Procedural justice	0.611	0.872
Trust	0.610	0.925
Legitimate power	0.441	0.796
Coercive power	0.416	0.685

TABLE 2. Fitness index for each construct in the model.

Constructs	Absolute fit RMSEA*	Incremental fit CFI**	Parsimonious fit Chi-Square/df***
Endogenous construct - Tax compliance	0.054	0.968	1.655
Exogenous construct - Procedural justice, trust, legitimate and coercive power	0.078	0.900	2.414

Notes: * < 0.08, ** > 0.90, *** < 3.0

TABLE 3. Regression path coefficient – slippery slope and compliance

Constructs		Estimate of regression coefficient	Standard error	Critical value	P
VC	<--- PJ	0.298	0.080	2.745	0.006*
EC	<--- PJ	-0.167	0.109	-1.878	0.060
VC	<--- TR	0.304	0.070	2.693	0.007*
VC	<--- LP	-0.068	0.067	-0.811	0.418
EC	<--- LP	0.151	0.165	1.206	0.228
EC	<--- CP	0.212	0.165	1.626	0.104

*significant value at $p < 0.05$

Note: VC = voluntary tax compliance

EC = enforced tax compliance

PJ = procedural justice

TR = trust

LP = legitimate power

CP = coercive power

BOOTSTRAPPING METHOD

Bootstrapping is a method of sample replacement with existing samples. Resampling involves samples of 500 to 1000 with 95 percent confidence level (confidence interval values) (Awang 2015). Similar with conventional methods, the direct effect and the indirect effects are used to determine the existence of mediator. The mediator exists when the indirect effects are significant. The significant of direct effect is to examine the types of mediator either full mediation or partial mediation.

Table 4 represents the results for mediating effect of trust and legitimate power between procedural justice and voluntary tax compliance. Results show that trust is a mediator in this relationship but not for legitimate power (indirect effects are not significant, $p = 0.884$). Indirect effect of trust is significant ($p = 0.015$) and the direct effect is also significant ($p = 0.012$) which proves that the trust is full mediator.

DISCUSSIONS AND CONCLUSION

The two objectives of this study are 1) to identify the relationship between procedural justice, trust, legitimate power and coercive power with tax compliance – voluntary tax compliance and enforced tax compliance; and 2) to

determine the mediating effects of trust, legitimate power and coercive power in the relationship between procedural justice and tax compliance. Overall, for the first objective, the analysis has shown procedural justice and trust are the two factors that could increase the level of voluntary tax compliance. These findings prove that perception of taxpayers for the service received from tax authorities and trust gained were able to increase the level of tax compliance. Fair and respectful attitude portrayed by tax authorities when carrying out their duties could encourage taxpayers to voluntarily pay taxes. The findings of the effect of procedural fairness on tax compliance is in line with earlier scholars such as Hartner et al. (2008); Murphy and Tyler (2008).

In contrast, enforced tax compliance was not able to be influenced by any factor. In other words, it means legitimate power and coercive power had neither impact on voluntary tax compliance nor enforced tax compliance. This finding is inconsistent with the results obtained by Kastlunger et al. (2013). They found legitimacy of power and coercive power are capable to enhance voluntary tax compliance and enforced tax compliance respectively. A possible explanation of the difference might be due to different socio-cultural countries and backgrounds in Malaysia as compared to other researched countries as has been suggested by Kastlunger et al. (2013). They recommended slippery slope studies should

TABLE 4. Bootstrapping method

	Indirect effect - p value*	Direct effect - p value*
i) Trust:		
Boostrapping - p value	0.015	0.012
Status	significant	Significant
Types of mediator	Full mediation	
ii) Legitimate power:		
Boostrapping - p value	0.884	0.001
Status	not significant	Significant
Types of mediator	No mediating	

Notes: * $p < 0.05$

be extended to different socio-cultural countries to see if there is any difference in the findings. With different socio-cultural, some of the findings of this study do not support the findings of research conducted in other countries.

Previously, most of the studies have been conducted in European countries and has a significant relationship with tax compliance in those countries. However, in Malaysia, only trust could significantly affect tax compliance. This indicates taxpayers' trust can make them voluntarily comply with tax laws. Nevertheless, taxpayers do not feel the power of tax authorities will have an impact on their decision to oblige with the tax system. Thus, establishing trust among taxpayers is adequate to encourage taxpayers to comply with the tax system on a voluntary basis rather than using aggressive power by the authority.

Second objective of the study is to determine the mediating roles of trust and power. Bootstrapping method was used and the findings identified trust was the only factor that could mediate the relationship. This result suggests that receiving fair treatment will pose taxpayers' trust to tax authorities which finally led them to voluntarily adhere to the tax laws. In other words, the existence of trust and procedural justice could be a tool to increase voluntary taxpayers' compliance.

The results of this study should be beneficial to the tax authority as this study identifies factors that lead to compliance behavior among taxpayers. Tax authorities should apply the 'services and customers' approach to build trust and cooperation from taxpayers to improve tax compliance. In the meantime, from the point of view of justice, tax authorities are able to increase tax compliance if they provide fair treatment, implement tax activities in accordance to tax laws and use tax collection to upgrade public amenities and facilities.

This study should also imply to the theoretical contribution from the point of literature. The expansion of slippery slopes by associating it with justice as factor would be fruitful for any future research in Malaysia. Furthermore, the empirical findings should contribute to the literature on tax compliance's factors in Malaysia. Trust and procedural justice can now be considered as tax compliance factors in Malaysia.

Summing up, when public feel that they are treated in a procedurally fair manner by tax authority and possess satisfactory trust, tax compliance level among taxpayers in Malaysia will increase. Therefore, IRBM as the tax authority in Malaysia play an important role to obtain taxpayers' trust and conduct fair treatments. Consequently, it will increase the level of tax compliance among taxpayers without severe enforcement as they do not feel imposed by power for them to comply. In fact, a persuasive approach is preferable to nurture compliance.

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APPENDIX 1

SECTION A: COMPLIANCE

The following statements reflect your **perception on compliance**. Please tick (✓) the level of your agreement to the following statements using the following scale:

A1: VOLUNTARY COMPLIANCE

		Strongly disagree	Disagree	Not certain	Agree	Strongly agree
		1	2	3	4	5
	When I pay my taxes as required by the regulations, I do so because ...					
1.	... it is obvious that this is what I must do.					
2.	... to support the state and other citizens.					
3.	... I like to contribute for the benefit of everybody...					
4.	... it is the natural and right thing to do.					
5.	... I regard it as my duty as a citizen.					
6.	... I feel a moral obligation to pay tax.					
7.	... I think of paying tax as helping the government to do worthwhile projects.					
8.	... I resent paying tax in Malaysia.					

A2: ENFORCED COMPLIANCE

		Strongly disagree	Disagree	Not certain	Agree	Strongly agree
		1	2	3	4	5
	When I pay my taxes as required by the regulations, I do so because ...					
1.	... aggressive tax audits are carried out.					
2.	... I feel that I am forced to pay tax.					
3.	... I know that I will be audited.					
4.	... the punishments for tax evasion are very severe.					
5.	... I do not know exactly how to evade taxes without being detected.					
6.	... I will also pay tax when there is no tax controls.					
7.	... if I do not comply, I will be penalized.					

SECTION B: TRUST AND POWER

The following statements reflect your **perception on trust and power of Inland Revenue Board of Malaysia (IRBM)**. Please tick (✓) the level of your agreement to the following statements using the following scale:

B1: TRUST IN IRBM

		Strongly disagree	Disagree	Not certain	Agree	Strongly agree
		1	2	3	4	5
1.	IRBM is treating citizens correctly with respectful manner.					
2.	I believe IRBM has high integrity.					
3.	IRBM acts upon taxpayers' interest.					
4.	IRBM seems reliable on all tax matter.					
5.	IRBM is trustworthy in which they will not disclose taxpayers' information to the third party.					
6.	IRBM listens to taxpayers and makes a possible decision for taxpayers' benefits.					
7.	IRBM is generally honest in the way it deals with people.					
8.	I am happy about the way IRBM solve problems					

B2: LEGITIMACY POWER OF IRBM

		Strongly disagree	Disagree	Not certain	Agree	Strongly agree
		1	2	3	4	5
1.	The percentage of tax evasion is high and most probably detected by IRBM.					
2.	IRBM combat tax crimes in an efficient way.					
3.	IRBM use their power to penalize dishonest taxpayers with good cause.					
4.	IRBM has capacity to detect and penalize tax evasion.					
5.	Due to their knowledge and competence, IRBM is able to detect tax evasion.					
6.	IRBM is very effective in suppression of tax crime.					

B3: COERCIVE POWER OF IRBM

		Strongly disagree	Disagree	Not certain	Agree	Strongly agree
		1	2	3	4	5
1.	IRBM primarily aims to punish.					
2.	IRBM constantly investigates as long as they find tax crimes.					
3.	IRBM implements severe punishment to detect tax crimes.					
4.	It is not easy to evade tax because IRBM can easily detect evasion.					
5.	IRBM apply tax laws in order to punish the high number of evaders.					
6.	IRBM has extensive power to force taxpayers to be honest about tax.					
7.	IRBM is more interested in catching taxpayers for doing wrong things than helping them to do the right things.					

SECTION C: JUSTICE

The following statements reflect your **perception on justice**. Please tick (✓) the level of your agreement to the following statements using the following scale:

C1: PROCEDURAL JUSTICE

		Strongly disagree	Disagree	Not certain	Agree	Strongly agree
		1	2	3	4	5
1.	IRBM provide equal consideration to the views of all citizen.					
2.	IRBM respect the individual's rights as a citizen.					
3.	IRBM consider the concerns of average citizens when making decisions.					
4.	IRBM is concerned about protecting the right of average citizen.					
5.	IRBM ensure to have the necessary information available before taking decisions.					
6.	IRBM try to be fair when making their decisions.					
7.	IRBM treat everyone in the same manner.					
8.	IRBM treat taxpayers as if they have honestly declared their taxes.					