CHAPTER 2

LITERATURE REVIEW

2.1 Introduction

This chapter presents the theories and prior literature relevant to this study. The discussion begins with a brief overview of the variables used in the study, followed by a discussion on economic and socio-psychological approaches as well as the fiscal-psychological approach taken in tax compliance studies. This is followed by a discussion on the Behavioural Model and MARS Model of Individual Behaviour and Performance, which underpins this research. Next, the discussion covers Rest's (1986) Moral Decision-Making Model and the Multidimensional Ethics Scale (MES), which is used to measure ethical sensitivity in this study. The chapter then delves into various religious perspectives on tax and Hirschi's Social Control Theory as the underlying theory for the religiosity variable. Additionally, past studies on motivation, ability, role perception, situational factors, religiosity, and ethical sensitivity are discussed. The chapter concludes with a summary.

2.2 An Overview of Economic and Non-economic Approaches in Tax Compliance Studies

A vast number of studies have been devoted to understanding tax compliance behavior across various disciplines, such as accounting, economics, political science, public administration, and psychology. Research has revealed various factors that contribute to tax compliance behavior. For instance, the Inland Revenue Service of the US has listed as many as 64 factors that affect taxpayers' reporting decisions (Alm, 1999). Some of these factors include demographic factors (See, for example, Taing, H. B., & Chang, Y., 2021; Fredrick & Peter, 2019; Bruner, D'Attoma, & Steinmo, 2017), economic factors (See, for example, Mendoza, Wielhouwer, & Kirchler, 2017; Schneider, Raczkowski, & Mróz, 2015; Kirchler et al., 2008), and behavioral factors (See, for example, Newman, Mwandambira, Charity, & Ongayi, 2018; Alm, Bloomquist, & McKee, 2017; Alasfour, Samy, & Bampton, 2016). Furthermore, Jackson (1986) conducted a comprehensive review study and highlighted 14 variables that were commonly examined in tax compliance literature. Richardson and Sawyer (2001) updated this synthesis by adding five more variables.

Previous studies on tax compliance have generally debated the issue using either an economic approach or a socio-psychological approach (Alm et al., 1995; Andreoni et al., 1998; James & Alley, 2002). The economic approach focuses on the tax gap, while the psychological approach stresses the importance of voluntary compliance. The economic approach concentrates solely on the trade-off between the benefits of evading and the risk of detection, whereas the psychological approach considers various factors that shape compliance behavior, and not just economic factors. In understanding tax compliance, the economic approach focuses on the benefits of evading and the cost of complying, which can be considered a narrow perspective. Alm (1991) argues that while audit and penalty rates affect compliance, they do not explain taxpayers' adherence to tax rules. It is assumed that individuals are selfish and will seek to maximize their personal income and wealth. They will not comply with the tax system unless the benefits of doing so outweigh the costs. Most research that studies the economic perspective on tax compliance operates within the framework proposed by Allingham and Sandmo (See, for example, Buehn, Lessmann & Markwadt, 2011; Kennedy, 2014; Pommerehne & Weck-Hannemann, 1996; Yitzhaki, 1974).

Despite being replicated and extended, this neo-classical paradigm is criticised because it fails to incorporate institutional realities. Merely financial determinants are insufficient in explaining tax compliance behaviour. Tax compliance behaviour could also be influenced by morality, social norms, and fairness (Alm, 2013). Therefore, the focus on the economic deterrence approach has shifted to a socio-psychological approach.

The decision to comply or not to comply with tax law takes place in a complex environment. Relying solely on financial determinants to explain tax compliance is inadequate. Overwhelming evidence suggests that tax compliance behavior cannot be fully explained using the traditional economic approach that mainly focuses on deterrence components (See, for example, Alm et al., 1992; Feld & Frey, 2002; Graetz & Wilde, 1985).

The socio-psychological approach assumed that individuals are not necessarilyselfish and seek to maximize their utility as portrayed in the neo-classical perspectives but are often motivated by many other factors such as social norms, morality, altruism,and fairness. This view is consistent with the writings of Andreoni et al. (1998) which stresses the idea that psychological (guilt, shame, regret, envy, anger, sense of duty), demographic, social, and moral factors should be integrated into standard economic models. James & Alley (2002) also have a similar thought that individual is not independent, self-centered but they also interact with other human beings in accordance with the attitudes, beliefs, norms, and roles.

Within the last 10 years, the focus on socio-psychological studies came from various themes. Few published studies have explored the role of tax morale and ethics such as Alm & Torgler, (2011); Ho & Wong, (2008); Lisi, (2015); MacGregor & Wilkinson, (2012); Maciejovsky & Schwarzenberger, (2012) and Torgler, (2003a). A number of studies have also examined the influence of tax knowledge on tax compliance, for example, Andreas Enni Savitri, (2015), Mei L. et al. (2012), and Natrah Saad, (2012). Whereas some focus has also been given to tax fairness as a factor towards tax compliance as in Abdulhadi Khasawneh et al., (2008), Sellywati Mohd Faizal & Mohd Rizal Palil (2015), Mei et al., (2012), and Verboon, Peter, & Goslinga (2009).

In the middle of the 1990s, Hanno & Violette (1996) attempted to incorporatea social behavioural theory into the prediction of tax compliance behaviour. They utilized the Theory of Reasoned Action (TRA) (1975) (the predecessor of the Theory of Planned Behaviour (TPB) in understanding tax compliance behaviour.

Theoretically, Ajzen (1991), Ajzen & Fishbein (1977), and Oskamp et al. (1991) indicated that attitude is a partial indication of behaviour. Attitude towards an event, object, function, or person may be favourable or unfavourable.

Some researchers have argued that the economic deterrence and social psychological approaches have overlooked some important elements which cannot be explained by economic and socio-psychological approaches independently (Feld & Frey, 2002). This is consistent with the Taxpayer's Compliance Model developed by Fischer et al. (1992) that incorporates economic and socio-psychological factors.

Fischer (1992) categorize the factors into four different groups which are (i) demographic (for example, age, gender, and education) (ii) non-compliance opportunity (for example, income level, income source, and occupation) (iii) attitude and perceptions (for example fairness of the tax system and peer influence) and (iv) tax system and structure (for example complexity of the tax system, probability of detection, penalties, and tax rates Fiscal psychology models generally view tax enforcement as a behavioural problem. It emphasizes on the loss of motivation of the taxpayer to pay taxes because there is no real advantage of the benefit of tax payments, which can only be resolved by cooperation between taxpayers and tax authorities. Therefore, this approach stands on the premise that it is important to the government to develop positive policies to restore cooperation.

2.3 Behavioural Model

Socio-Psychological proponents argued that the understanding on compliance goes beyond the deterrence factor as described in the economic model. As posited by Feld & Frey (2007), tax compliance is a psychological tax contract that goes beyond traditional deterrence and explains tax morale as a complicated interaction between taxpayers and the government. The past decade has observed the rapid development on the study of socio-psychological factors in understanding tax compliance behaviouras discussed in the previous section. Psychological aspects like knowledge (Andreas Enni Savitri, 2015; Mei et al. 2012; Natrah Saad, 2014), fairness (Abdulhadi Khasawneh et al. 2008; Natrah Saad, 2011), social norms (Bobek & Hageman, 2015), religion (Nor Raihana Mohd Ali, 2013) and many other factors were examined againsttax compliance behaviour. Apart from all these factors, there are also some researchers who tested behavioural theories such as TPB (Ajzen, 1991), Goal-FramingTheory (Lindenberg, 2001), and Equity Theory (Adams, 1963), in predicting taxpayers' compliance behaviour. However, the most influential behavioural theory used in tax compliance research is TPB.

A few studies have attempted to test the Theory of Planned Behavior in the context of tax compliance. For example, Bobek and Hageman (2015) and Viswanath Umashanker Trivedi, Mohamed Shehata, and Mestelman (2004) confirmed that the Theory of Planned Behavior is effective in explaining compliance behavior. The measure of compliance is found to have a high correlation with actual tax evasion behavior. The Theory of Planned Behavior has also been used to analyze the compliance behavior of Malaysian taxpayers (for example, Mohd Rizal Palil, Salwan

Mohd Sakri & Siti Zaidah Tumin, 2020; Natrah Saad, 2010) and Malaysian tax agents (for example, Suhaila Abdul Hamid, 2014). It has been proven that the Theory of Planned Behavior is capable of explaining tax compliance behavior in Malaysia, where two of its components are found to be highly influential on tax compliance behavior.

Despite being widely used, the TPB has some limitations. First, behavior is a complex issue. To understand behavior only by looking at attitudes, subjective norms, and perceived behavioral control is not sufficient. Some other determinants might influence behavior. Second, there may be a substantial gap of time between the assessment of behavior intention and the actual behavior being assessed (Werner, 2005). During the time gap, the intention of an individual might change.Third, TPB is based on the assumption that individuals are rational decision-makers who weigh the costs and benefits of their actions. However, this assumption may not always hold true in the real world, as individuals may not always act in a rational manner. Fourth, TPB focuses on individual-level factors and may not take into account the impact of societal and cultural factors on behavior. Finally, TPB does not account for external factors, such as changes in tax laws or economic conditions, which may impact tax compliance behavior.

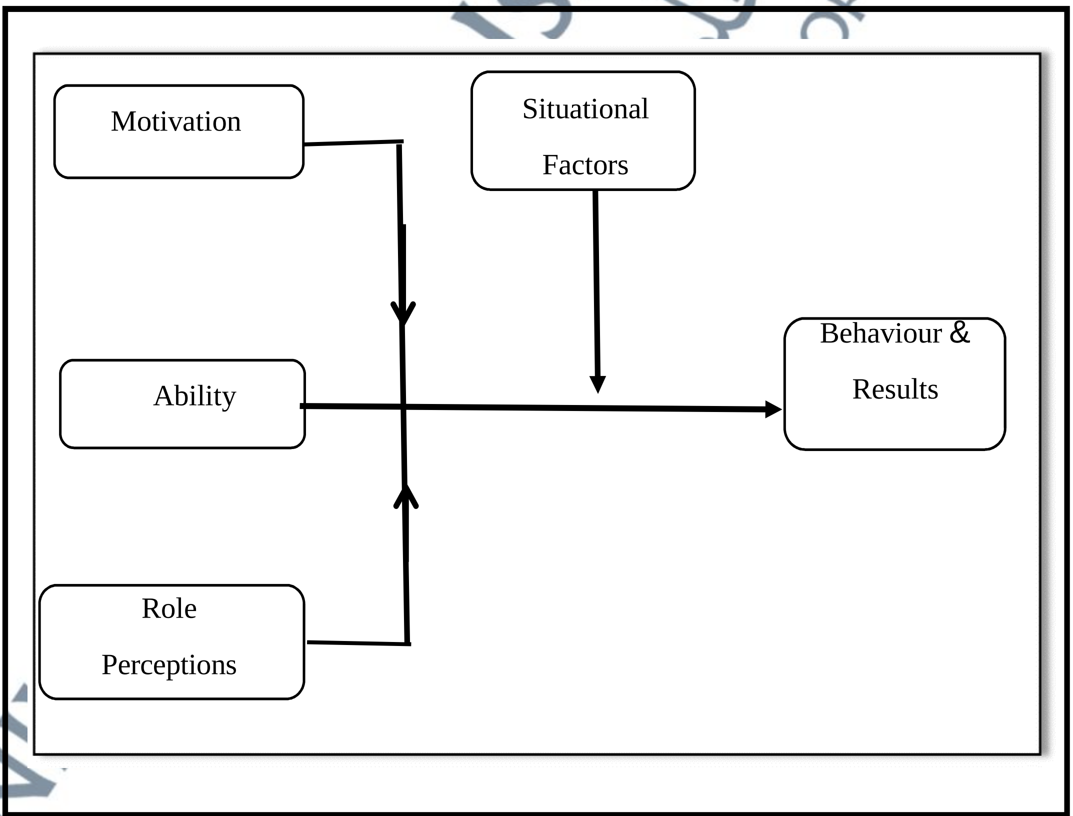
With a considerable focus on the TPB in understanding tax compliance behaviour, the present study aims to make noteworthy contributions to the body of knowledge on tax compliance behaviour by adopting the MARS Model of Individual Behaviour and Performance by McShane and Glinow (2005). Unlike the variables mentioned in the TPB, such as attitude, subjective norms, and perceived behavioural control, which only relate to the socio-psychological approach, this study includes proxies such as trust, rewards, knowledge, civic duties, financial constraints, and peer influence, which combine socio-psychological factors and economic deterrence factors, more accurately referred to as fiscal psychological factors.

The MARS model is typically used to explain individual behavior within an organizational context. It identifies four critical factors that influence behavior and performance: motivation, ability, role perception, and situational factors. According to this model, if any of these factors is low in a given situation, an individual is likely to perform poorly. While little attention has been given to using an individual behavior model to understand taxpayer compliance behavior, this study aims to address this gap. To properly understand tax compliance behavior among individual taxpayers, it is important to examine the MARS model and the specific factors that are relevant to this study. Thus, the remainder of this chapter will focus on the model and the selected factors that are relevant to this research.

2.4 MARS model of Individual Behaviour and Performance

The MARS model of individual behavior is a model that seeks to explain individual behavior as a result of internal and external factors. The name of the model is an acronym for individual Motivation, Ability, Role Perception, and Situational factors. These four factors are seen as major determinants of individual behavior. The word "performance" in this context refers to the act of doing something or the execution of an action. This model is commonly used in management, industrial psychology, and organizational behavior studies.

In 2005, McShane & Glinow proposed the MARS model as a useful conceptual framework for understanding the drivers of individual voluntary behavior and the subsequent outcomes. According to this framework, individual behavior is a function of motivation (M), ability (A), role perceptions (R), and situational (S) factors. This model has been used to demonstrate how these four factors directly influence a person's voluntary behavior. If any one of these factors weakens, a person's performance or individual behavior will decrease accordingly. The MARS model is depicted graphically in the following illustration.



Source: McShane & Glinow (2005)

Figure 2.1: MARS Model of Individual Behaviour and Performance

In the early years before the development of the MARS model, several researchers attempted to investigate the constructs of individual behavior (e.g., Churchill, Ford, Hartley, & Orville, 1985; Mitchell, 1982; Plank & Reid, 1994). These studies included variables such as motivation, ability, role perception, and situation.

Mitchell (1982) proposed that the motivation variable was a new variable in behavior and performance studies. In this study, motivation is viewed more towards intrinsic motivation. This study is seen as a contributor to subsequent studies on motivation and behavior among workers. In contrast, Churchill et al. (1985) tested the factors that contribute to salespeople's performance according to priority. The personal factor was found to be the dominant factor, followed by skills, roles, abilities, motivation, environment, and organizational factors. Another study that examined the role of sales behavior was conducted by Plank & Reid (1994). Factors such as motivation, abilities, role perception, and effective sales output were examined. Based on this early research, it can be concluded that these studies encouraged the development of the MARS model of individual behavior and performance, which has been used to shape individual workers' behavior in organizations.

The MARS model has been tested in a number of business and management research. In Abi Dzarr Alghifari Wijanarko & Welly (2015) MARS model is used to understand procrastination behaviour among college students. In a similar vein, Muhammad Akif Zakwan Amir et al., (2022) also studied students' perception on online learning during Covid-19. Opatha (2020) also utilizes MARS model to investigate how lecturing behaviour influence the relationship between lecturer's confidence and students' satisfaction. In the study of Inggrita Gusti Sari Nasution et al.

(2014), MARS model is used to understand the behaviour of women entrepreneurs. Raden Akbar Anzalna & Welly (2013) analyzed MARS model to understand the employee behaviour in the case of declining organizational performance. A similar study was conducted by Ester Manik & Iwan Sidharta (2017) in understanding organizational employee's performance. MARS model is also used by Wei & Noor Azlinna Azizan (2015) in knowing the CEO's behaviour towards managerial debt decisions and in Schlebusch C.F., (2018) MARS model is used to understand the behavior of relationship manager in retail banking.

The MARS model is an organizational behavior model developed to understand individual voluntary behavior and performance, specifically in the job context. Recently, there has been increasing interest in examining the incorporation of the MARS model into other disciplines. The model has been utilized in agriculture studies (see, Zhou, J.H., 2013b), food control studies (see, Zhou J.H., 2013), banking studies (see, Schlebusch C.F., 2018), academic studies (see, Muhammad Akif Zakwan Amir et al., 2022), and information system studies (see, Tsay H.H., 2015). These previous studies have confirmed that the MARS model of individual behavior and performance is suitable to be applied across disciplines where the primary objective is to examine individual behavior. Although the MARS model has not been tested in the tax area, it has been proven significant in many other business studies. Tax is a branch of financial accounting (Yao Chen, 2021) and is business-driven. Furthermore, the MARS model has been tested in predicting managerial debt decisions (Wei & Nor Azlinna Azizan, 2015), which is a part of financial study.

Table 2.1: Empirical studies that tested MARS model

Study	N Sample	IV	MV	DV	Country	Population	Method of analysis	Findings
Zhou, J.H et al (2013)	120	MARS		Voluntary traceability behavior	China	Firms	Correlation	M & R are significant
Abi Dzarr Alghifari Wijanarko & Welly (2015)	116	MARS		Academic procrastination level	Indonesia	Students	Correlation	M& S are significant
Raden Akbar Anzalna & Welly (2013)		MARS		Organizational declining performance	Indonesia	Employees	Descriptive statistics-Average	
Zhou J.H et al (2013)	64	MARS		Self-inspection behavior	China	Enterprise	Logistic Regression Model	M, A, R are significant
Inggrita Sari Nasution et.al (2014)	65	M A	RS	Women entrepreneur performance	Indonesia	Women online entrepreneur	Linear Regression model	R is significant
Wei. & Noor Azlinna Azizan (2014)	183	Managerial overconfidence		Corporate Debt decision	Malaysia	CEO	Dynamic Panel Models	M & A re significant
Tsay H.H. (2015)	254	MARS		The intention of IS developer to acquire business skills	Taiwan	Information system developer	Partial Least Squares	
Ester Manik & Iwan Sidharta (2017)	83	MARS		Employees' performance	Indonesia	Employee	Partial Least Squares	MARS are significant
Opatha (2020)	100	A	Lecturing behaviour	Students' satisfaction	Sri Lanka	Students	Correlation	A is significant
Muhammad Akif Zakwan Amir et. al., (2022)	6	MARS		Students perception on online learning	Malaysia	Students	Qualitative	MARS are significant

Schlebusch C.F., (2018)	100	MARS	Behaviour	South Africa	Relationship managers	Correlations	MARS are significant
Rajah, N., & Aris, A.	60	ASB	Behaviour	Malaysia	Public officers	Correlations	ASB are significant

Notes: M= Motivation; A=Ability, R= Role Perception; S=Situational

2.4.1. Motivation

The first element of the MARS model is motivation. Motivation refers to a force within someone that drives the direction, intensity, and persistence of voluntary behavior. This definition is consistent with the definition proposed by Lambrou et al. (2010), which defines motivation as the process that accounts for an individual's efforts towards attaining a goal. According to Robbins et al. (2010), motivation determines the amount of effort a person puts into their work, the direction to which those efforts are geared, and how long a person can maintain effort towards attaining a goal.

Direction implies that the motivation is goal-oriented, not random. Intensity is the amount of effort allocated to goal attainment. Motivation also involves a level of persistence to sustain the effort over a certain period of time. The level of persistence varies. Employees may sustain their efforts until they reach their goal, or they may give up beforehand. Note that motivation can come from both external and internal sources (Deci & Ryan, 1985).

The study of motivation has been ongoing since the 1930s, with early theories such as Maslow's Hierarchy of Needs (Maslow, 1943), Theory X and Y (McGregor, 1960), and Herzberg's Two Factor Theory (Herzberg, 1959). The evolution of motivation work has given rise to contemporary theories such as McClelland's Theory of Needs (McClelland, 1965), Goal Setting Theory (Locke, 1996), and Equity Theory (Adams, 1963). While these theories have explored motivation from various perspectives, theorists such as Herzberg, Hackman and Oldham, and Deci and Ryan categorize motivation into two broad categories: intrinsic and extrinsic. Herzberg's

Theory (Herzberg, 1959) is in agreement with Maslow (1943) in that intrinsic and extrinsic motivation combine additively. Once extrinsic motivation is satisfied, intrinsic motivation can lead to high levels of satisfaction and performance. Hackman et al. (1976) suggest that extrinsic motivation can enhance internal motivation. However, Amabile (1993) believes that extrinsic and intrinsic motivation do not mix well. Additionally, other psychologists have proposed two types of motivation theories: dualism and multifaceted theory (Reiss, 2004). Dualistic theories divide motivation into two types: intrinsic and extrinsic. Psychologists associate survival needs with extrinsic motives and psychological needs with intrinsic motives.

Deci (1975) wrote in his book "Intrinsic Motivation" that extrinsic motives arise from "tissue needs" (i.e., the body), whereas intrinsic motives arise from the central nervous system (i.e., the mind). Although various scholars have different insights on intrinsic and extrinsic motivation, they agree that individual motivation can be grouped into these two categories.

Intrinsic motivation is derived from within the person, and it refers to doing something for its own sake or doing something because it is inherently interesting and enjoyable (Reiss, 2012; Ryan & Deci, 2000). It arises from the person's feelings about the activity and is necessarily bound up with the work itself (Amabile, 1993). Vallerand et al. (1992) proposed the existence of three types of intrinsic motivation: intrinsic motivation to know, intrinsic motivation to accomplish things, and intrinsic motivation to experience stimulation. Intrinsic motivation to know refers to engaging or participating in an activity for the pleasure and satisfaction that one experiences while learning and exploring. Intrinsic motivation to accomplish things refers to engaging in an activity for the pleasure and satisfaction that one experiences when attempting to accomplish or create something. Lastly, intrinsic motivation to experience stimulation pertains to when one engages in an activity to experience pleasant sensations. Examples of intrinsic motivations in work-related behaviour include achievement, accomplishment, challenge, and competence, which are derived from performing one's job well (Afful-Broni, 2004).

On the other hand, extrinsic motivation refers to pursuing an instrumental goal or doing something because it leads to a separate outcome (Reiss, 2012; Ryan & Deci, 2000). Extrinsic motivators include anything from an external source that intends to control the initiation of work performance. In the context of job scope, examples of extrinsic motivation include promised rewards, praise, critical feedback, deadlines, surveillance, or specifications on how the work should be done (Amabile, 1993). Individuals with extrinsic motivation may choose to perform an activity even if it does not provide them with pleasure. Deci & Ryan (1985) proposed four types of extrinsic motivation: external regulation, introjected regulation, identified regulation, and integrated regulation. External regulation occurs when one's behaviour is externally regulated (Vallerand & Bissonnette, 1992). It refers to a person's actions that are solely driven by the desire for an external reward or to avoid punishment, or to comply with social pressure (Ryan et al., 2007).

Introjected regulation, the second type of extrinsic motivation, is a regulation that has been taken in by the person but has yet to be fully accepted as their own. It is as if the regulation were still controlled by external factors (Gagne & Deci, 2005). In other studies, it is associated with internal coercion, in which behaviors are performed to avoid feelings of guilt and anxiety or to attain ego enhancements and pride. Although internally driven, introjected behaviors still have an external perceived locus of causality and are not truly experienced as part of the self (Ryan & Deci, 2000). Examples of introjected regulation include contingent self-esteem that pressures people to behave in certain ways to feel worthy, and ego involvement, which pressures people to behave in ways that bolster their fragile egos (DeCharms, 1968; Ryan, 1982).

Next, identified regulation occurs when a behavior is valued by the individual and perceived as a choice. Behavior is internally regulated but in a self-determined way (Vallerand & Blssonnette, 1992). Finally, integrated regulation is when a person willingly performs a behavior because it is consistent with their self-concept. It is called integration because there is harmony between the person's behavior and facets of their life.

Referring to past research that has adopted MARS model in their study, Zhou J.H et al. (2013b), applied motivation as the motivation behind the execution of voluntary safety and quality traceability among Chinese firms. Motivation in this context is associated with the improvement of operation and product quality, reduction of risk of product recall, reduced occurrence of food safety issues, and product differentiation. Apart from utilizing MARS model in integrative agriculture study, the researcher also uses MARS model in food control research (See, Zhou J.H. et al., 2013). By applying a similar concept as in the previous research, in this research motivation towards self-inspection behaviour from export-oriented aquatic enterprises is discussed as improvement of product quality, greater customer satisfaction, reduction of risk from export blocks, and higher profits.

In the study of Abi Dzarr Alghifari Wijanarko & Welly (2015) investigated academic procrastination behavior among college students using the MARS model. This model proposes that motivation and self-regulation are key factors that influence learning behavior and academic performance. To examine the students' motivation, the researchers used the concepts of intrinsic and extrinsic motivation. Intrinsic motivation was further divided into four subcategories: intrinsic motivation to know (e.g., curiosity and interest in learning), intrinsic motivation to accomplish (e.g., personal satisfaction from completing a task), intrinsic motivation to experience (e.g., enjoyment of the learning process), and intrinsic motivation to be part of the community (e.g., desire to connect with others and contribute to the community). On the other hand, extrinsic motivation was divided into three subcategories: extrinsic motivation to be identified (e.g., desire for recognition or status), extrinsic motivation towards others (e.g., desire to please others), and extrinsic motivation external regulation (e.g., external rewards or punishments).

The study found that intrinsic motivation to accomplish and extrinsic motivation to be identified were positively associated with self-regulated learning, while extrinsic motivation towards others and external regulation were negatively associated with self-regulated learning. In addition, intrinsic motivation to know, to experience, and to be part of the community were found to be negatively related to academic procrastination, while extrinsic motivation to be identified was positively related to academic procrastination. Overall, the study highlights the importance of understanding different types of motivation in order to better understand and address academic procrastination behavior among college students. It also suggests that fostering intrinsic motivation to accomplish and minimizing extrinsic motivation towards others and external regulation may be effective strategies to promote self-regulated learning and reduce academic procrastination.

Tsay H.H. (2015) explored ways to encourage information system professionals to learn business skills. He focused on the role of motivation in driving this learning process, and identified two main types of motivation: intrinsic and extrinsic. Intrinsic motivation refers to the internal drive or desire to engage in an activity for its own sake, because it is enjoyable, interesting, or satisfying. Extrinsic motivation, on the other hand, involves external factors such as rewards, recognition, or pressure from others to perform a certain task. Tsay argued that while extrinsic motivation can be effective in driving short-term performance and compliance, it may not be as sustainable in the long run, as individuals may lose interest or become demotivated once the external rewards are no longer available. In contrast, intrinsic motivation can be a more powerful driver of learning and growth, as it taps into the individual's own interests, values, and goals.

It is indeed important to consider motivation as a significant predictor in research, as it has been shown to play a crucial role in various human behaviors. The MARS model, which focuses on motivation and self-regulated learning, has been widely used in educational and psychological research to understand how individuals approach learning and achieve their goals. The studies of Abi Dzarr Alghifari Wijanarko & Welly (2015) and Tsay H.H. (2015) have contributed to our understanding of motivation by examining intrinsic and extrinsic motivation in different contexts. These studies highlight the importance of considering different types of motivation when studying human behavior, as intrinsic and extrinsic motivation can have different effects on individuals' engagement, performance, and persistence. In the context of tax compliance behavior, it is also important to consider the role of motivation. Tax compliance behavior involves individuals' willingness to voluntarily comply with tax laws and regulations, which can be influenced by a variety of factors including moral, social, and economic considerations. By examining intrinsic and extrinsic motivation in the context of tax compliance, the present study can shed light on how different types of motivation may influence individuals' willingness to comply with tax laws. For example, intrinsic motivation to pay taxes may be driven by a sense of moral obligation or civic duty, while extrinsic motivation to pay taxes may be driven by fear of punishment or desire for social recognition. Overall, understanding the role of motivation in tax compliance behavior can have important implications for tax policy and administration, as it can inform strategies for promoting voluntary compliance and reducing tax evasion.

2.4.1 Ability

The second element of MARS model is the ability that refers to both the natural aptitudes and learned capabilities required to successfully complete a task (McShane & Glinow, 2005). Aptitudes refer to natural talents that help people to learn more quickly and perform better while learned capabilities are the acquired skills and knowledge. Pinder (2014) has stated that the effectiveness of job performance can be determined by natural aptitude and natural skills that a person has or develops over time. According to the author, even if a person has the motivation to perform a taskbut does not possess the necessary ability, the job performance can still be affected.

The role of ability in job performance has been a subject of debate among researchers for several years. Campbell et al. (1970) argued that abilities play a significant role in determining job performance, while others have suggested that other factors such as personality, motivation, and job experience are equally important. Schmidt et al. (1986) proposed that cognitive ability is the most important determinant of job performance, and that it accounts for the largest amount of variance in job performance. This view has been supported by other researchers such as Ackerman (1987) and Humphrey (1968), who have argued that cognitive abilities are crucial for success in many types of jobs. Fleishman and his associates (1964) proposed a theory of ability requirements for successful job performance, which outlined the specific cognitive, perceptual, and psychomotor abilities that are needed for success in various types of jobs. They argued that individual differences in job performance at an advanced level of proficiency are more a function of well-learned component skills than of general or specific cognitive abilities.

Past research that has employed the MARS model of individual behaviour and performance has used the ability variable that suits the objectives of their respective studies. Most of these studies refer to abilities as the actual ability of the subject. For example, Inggrita Gusti Sari Nasution et al. (2014) positioned ability in the context of the ability of women entrepreneurs, categorizing it into technical, business management, and entrepreneurial skills. Abi Dzarr Alghifari Wijanarko & Welly (2015) also referred to ability as the actual ability of students. However, Tsay H.H. (2015) deliberately used ability as learning business skills behaviour or self-efficacy because, in learning business skills, believing one can learn is more predictive than the actual learning intention.

The above-mentioned studies refer to ability as individual abilities, which suits the concept of the MARS model itself as an individual behaviour model. However, Zhou J.H. et al. (2013b) and Zhou J.H. et al. (2013) have adopted the MARS model to understand firms' behaviour. In Zhou J.H. et al. (2013b), the ability of a firm in implementing voluntary quality traceability is conferred to the firm's capital ability and the firm's technical strength. In another study by Zhou J.H. et al. (2013), the ability of a firm in the conduction of routine self-inspections was referred to as the firm's scale, product certification, quality system certification, and experience with export blocks. Essentially, these two studies take a firm's perspective, where abilities of a firm are largely different from the actual individual abilities. Nonetheless, these studies have shown that the MARS model, an individual behaviour model, is also appropriate to understand a firm's behaviour.

In summary, past research has utilized the ability variable that suits the context of their respective studies. As past research has confirmed that ability is an important determinant of one's behaviour, it is crucial for the current study to test the ability variable in understanding taxpayer behaviour in complying with tax law.

2.4.2 Role Perception

The third element in the MARS model is *role perception*. McShane & Glinow (2005) describe role perception as the extent to which people understand the job dutiesor roles assigned to them or expected of them. This definition is in line with a recent definition provided by Lee (2011), where role perception refers to the perceiving or beliefs of an individual about responsibility. The role variable has been studied asearly as the 1950s and blossomed since then. The studies on roles across various disciplines such as sports (Collins, Moore, Mitchell & Alpress, 1999; Leo et al., 2015; Waumsley, Hemmings & Payne, 2010), hospitality and tourism (Yesiltas, 2014), information systems (Ooi, 2009), management and marketing (Belias, Koustelios, Sdrolias & Aspiridis, 2015; Singh & Rhoads, 1991) and has been extensively exploredin organizational behaviour field (Mohd Kame Idris, 2011; Kabiri, Hughes & Kweber, 2012; Keller, 1975; Yusoff & Khan, 2014; Rizzo, House & Lirtzman, 1970).

In organizational behaviour discipline, the function of the role has been widelyexplored. According to Ivancevich & Donelly (1974), an employee who is clear with the role is the employee who understand the tasks assigned to them, the relative importance of those tasks, and the expected behaviour to complete the task. The dysfunction of the clear role perception coined up the concept of role conflict and role ambiguity. Role conflict refers to inconsistent job obligations or the degree to which work demands from two or more people are incompatible (Rizzo et al., 1970). This prominent definition is in line with the definition proposed by Van Sell, Brief & Schuler (1981) where role conflict occurs when an individual receives conflicting job performance information or is expected to do so much whereas role ambiguity as proposed by Rizzo et al. (1970) reflects employee certainty about which job behaviours are most appropriate in a given situation. This definition highlights the importance of expected behaviour needed for task performance which is quite different from the definition suggested by Beauchamp & Bray (2016), Lyons (1971), and Baroudi (1983) whereby these definitions highlight the inadequacy of informationas the factor towards role ambiguity.

Thus far, several studies have tested the association between role conflict and role ambiguity with various variables such as in Bagozzi (1978), Behrman, Bigoness & Perreault (1981), Gmelch & Torelli (1993), House & Rizzo (1972), Keller (1975), Michaels, Day & Joachimsthaler (1987), Tosi & Tosi (1970), Tubre & Collins (2000), and Yousef (2000). The studies proved that role conflict and role ambiguity influence the dimension respectively. In Bagozzi (1978), Micheals et al. (1987) and Tubre & Collins (2000), role constructs were tested with job performance and the findings revealed that both constructs resulted in lower level performance. Role conflict and role ambiguity were also analyzed against job satisfaction and it was proved that the two role constructs were negatively related to job satisfaction (See, for example, Keller, 1975; Michaels et al., 1987; Ooi, 2009; Rizzo et al., 1970; Tosi & Tosi, 1970). Other than job performance and job satisfaction, role conflict, and role ambiguity were also be examined against emotional exhaustion and employee creativity (See, for example, Behrman et al., 1981; Gmelch & Torelli, 1993) and the studies confirmed that role conflict and role ambiguity possess a strong association with emotional exhaustion and employee creativity.

Past studies that adopted MARS model in their study utilized the variable of role perception differently according to their perspective of study. As in Zhou J.H. et al. (2013b) who used MARS model in firms' behaviour context analyze role perception as morals and sense of responsibility in Chinese firms while another study argues role perception according to export approach that the firms have engaged on. In the study of learning behaviour among information system people by Tsay H.H.(2015), role perception is studied as the role of the information system developer to bechange agent. Information system developer is expected to execute the role as a change agent in order to guarantee the successfulness of the information systemproject.

As the aforementioned studies shaped role perception according to the suitability of their respective study, the present research is interested in how Abi Dzarr Alghifari Wijanarko & Welly (2015) and Inggrita Gusti Sari Nasution et al. (2014) interpret role perception as responsibility. The former study view role perception as individual responsibility while the later study perceives role perception as the responsibility of a women entrepreneurs in conducting online business which include among others; to ensure the availability of products, on-time delivery; the quality of products and the suitability of the products ordered. Following this, the present research aims to analyze role perception in the context of responsibility of a taxpayer orin some research it is referred to as civic duties as taxpayers.

2.4.3 Situational Factor

The last element in the MARS model is situational factors, which are environmental conditions outside of the individual's immediate control (time, people, budget, and physical work facilities). Situational factors are factors beyond the control of the people. According to McShane & Glinow (2005), situational factor is needed to strengthen the motivation and ability to influence performance. It is referred to as a situation in which the environment can influence the performance of an individual. Furthermore, prior findings indicated that the relationship between situational factors and behavioural intention is mediated through a number of different individual motivation and ability (Maurer, et.al., 2003). Although there are several alternative pathways between situational factors and behavioural intention, the present research regards situational factors as an antecedent of intermediary (motivation and ability) rather than simply as an independent variable of behavioural intention.

Past studies that have incorporated the MARS model of individual behavior and performance into their research framework utilized the situational variable based on its relevance and suitability. These studies identified external environmental factors critical to the individual or the firm as the situational factors that significantly influence behavior or performance. For example, Zhou J.H. et. al. (2013; 2013a) conducted two studies that adopted the MARS model and used situational variables to assess the downstream of the customer and the competitor in the first study, while the second study analyzed situational constructs by examining government assistance, membership in industry associations, trade barriers, uncertainty of export markets, and customer requirements. Similarly, Abi Dzarr Alghifari Wijanarko & Welly (2015) studied procrastination behavior among students and used situational factors to examine the physical facilities of the institution, the role of professors and lecturers, as well as the role of academic advisors. Inggrita Gusti Sari Nasution et al. (2014) focused on the role perception variable and used the relevant definition of situational factors that encompassed all environmental factors that influence the success of an entrepreneur, such as government support, financial access, and support from families and colleagues.

However, due to practical constraints, the researchers focused only on access to information and technology, increasing numbers of social media users, and increased purchasing power of consumers. Tsay H.H. (2015) studied the learning behavior of information system developers and defined situational factors as environmental conditions outside of the individual's immediate control (e.g., time, people, budget, and physical work facilities). Factors such as work support from the organization, supervisor, co-workers, family, and friends were used to analyze the situational variable.

Overall, the past studies have utilized the MARS model and situational factors to assess the external environment and its influence on individual behavior. In particular, these studies have analyzed situational factors that are relevant and suitable for their specific research objectives. The current study aims to follow this approach by analyzing situational factors that may influence taxpayers' behavior to comply with tax laws. By examining factors beyond taxpayers' immediate control, the study seeks to identify conditions that may either facilitate or constrain compliance behavior.

2.5 Rest's (1986) Ethical Decision-Making Model

Nearly all early research on tax compliance was conducted within the framework of Allingham and Sandmo (1972), where individuals were viewed as maximizing the expected utility of the tax evasion puzzle by weighing the benefits of cheating against the probability of detection and punishment. However, a few years later, researchers began to acknowledge that compliance could not be entirely explained by financial considerations alone. As a result, the economics-of-crime approach was extended to incorporate other variables, such as patriotism, altruism, fairness, morality, guilt, and ethics, which are now operated under the rubric of behavioral economics.

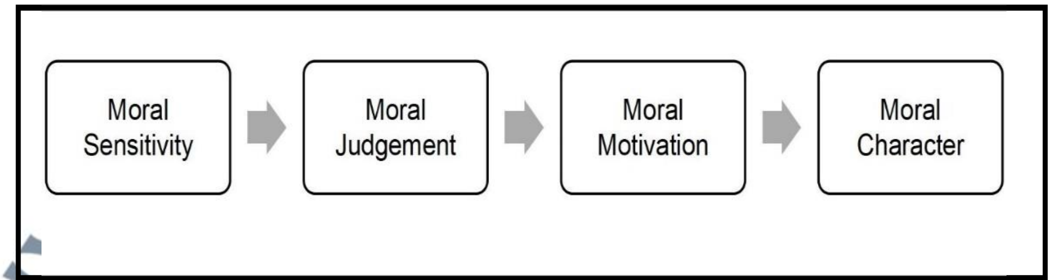
Ethics as an influence on tax compliance behaviour has been analyzed by a number of researchers. For example, Richardson & Sawyer (2001), as well as earlier work by Jackson (1986), acknowledged that the decision to comply with tax involves ethical judgment. Both reviewed papers confirmed that ethics is one of the important variables influencing tax compliance behaviour. This is further supported by Alm & Torgler (2011), who argued that ethics differ across individuals, explaining why the decision to comply with tax varies among individuals. Similarly, Wenzel (2007) defines tax ethics as a sense of moral obligation to pay taxes that affects tax compliance behaviour.

In discussing ethics, previous studies have explored ethics under two distinct realms: normative ethics and descriptive or empirical ethics. Normative ethics set out to answer, in a rational, coherent, anti-dogmatic, and argumentative way, what people should do. As a result, normative ethics focuses on the development of ethical theory, such as deontological, teleological, or utilitarian models (Leget & Borry, 2010).

In contrast, descriptive ethics, which typically falls within the realm of management and business, is concerned with the factual investigation of moral behaviour. The focus of descriptive ethics is on values, rules, preferences, and norms. Disciplines such as sociology, anthropology, and psychology contribute to descriptive ethics (Leget & Borry, 2010). The main objective of descriptive ethics is to establish the facts of the case, not what ethically ought to be the case. Therefore, normative ethics complements descriptive ethics by defining concepts, building valid arguments, and deriving practical conclusions (Leget & Borry, 2010).

Based on the review by O'Fallon & Butterfield (2005), descriptive ethics is a rapidly growing field. Before 1993, there were only 110 studies. However, the number of studies increased to 174 within a 19-year period, from 1994 to 2003.

Rest's Four Component Model is one of the prevalent descriptive theories. Various theoretical models were developed based on Rest's original framework (1986), including those by Jones (1991) and Triveno (1991). As the present study aims to understand the influence of ethics on the decision to comply with tax law, Rest's Four Component Model will be utilized. According to Rest (1986), individuals undergo four psychological processes to produce ethical behaviour. This sequential process includes moral awareness, moral judgment, moral intent, and moral behaviour.



Source: Crane & Matten (2007, p. 131).

Figure 2.2: Ethical Decision-Making Model

The first process involved in Rest's Ethical Decision-Making model is moral sensitivity. It is argued that, for an individual to make an ethical decision, the individual must recognize the moral dilemma that exists. A moral dilemma or ethical situation is one that has consequences for other people. This process involves a certain amount of thought in which an individual imagines the various possible actions and their effects on other people. Rest (1986) further argued that a lack of moral sensitivity in recognizing ethical situations may lead to unethical behaviour.

Once an individual becomes sensitive or aware of the ethical situation, the moral judgment process is likely to begin. Moral judgment, also referred to as moral evaluation or moral reasoning, is the ability to make a decision based on moral ideas (Rajeev, 2011). This process identifies the appropriate action that should be taken by an individual by applying moral standards to the situation (Rest, 1986). Ethical judgment is constituted in part by an individual's moral competency, as suggested by Kohlberg (1969).

The third stage of Rest's model is moral motivation. This step involves prioritizing the importance of moral values in comparison with other values (Rest & Narváez, 1994). Through the comparison of values, individuals develop their behavioral intentions regarding the ethical dilemma. Once the intentions have been decided, the individual must consider whether behaving morally is as important as behaving in a way that keeps the job (Bratton, 2016). Similar to Ajzen and Fishbein's (1970) argument, intentions play a crucial role in linking moral judgment to behavior in the ethical decision-making process.

The final stage in Rest's decision-making model is moral behavior or moral character. Moral behavior, also referred to as moral action, is defined as implementing and executing a plan of action based on having sufficient perseverance, strength of conviction, and implementation skills to be able to follow through on your intention to behave morally (Rest, 1986). In this stage, an individual's behavior is consistent with the moral intentions developed in the previous stage (Rest & Narváez, 1994). In this stage, individuals normally encounter pressures from the environment that can lead to unethical behavior.

In summary, Rest (1986) suggested that success in one component does not guarantee success in another component as each component in the model is conceptually distinct. The author further stressed that the order of the components in the model is logical rather than chronological. However, the Rest model is not without criticisms. For example, Saba (2016) argued that the Rest model presents a simplistic link between moral judgment and moral behavior, and critics have proved that moral judgment develops independently (Brown & Herrnstein, 1975). O'Fallon and Butterfield (2005) posit that the Rest model has not been completely tested empirically, as only a few studies have examined a few links, with more attention towards moral judgment and moral intent.

Despite several criticisms of Rest's framework, this model is acknowledged as one of the prominent models in descriptive ethics literature (O'Fallon & Butterfield, 2005). It has received considerable attention in many studies, for example, Hunter (1997), Bebeau (1994), and Ann et al. (2003). Based on the foregoing discussion, as the decision to comply with the tax law involves moral or ethical considerations and ethics have been empirically proven by past researchers as one of the significant variables impacting tax compliance behavior (see, for example, Ghosh & Crain, 1995; Reckers, Sanders & Roark, 1994; Song & Yarbrough, 1978; Trivedi et al., 2003, and Yetmar & Eastman, 2000), this study has selected the moral sensitivity element from Rest's (1986) Model to understand the ethical decision-making of individual taxpayers when performing their responsibility as a taxpayer. The ethical sensitivity in this study is operationalized using the Multidimensional Ethics Scale (MES), which is explained in the following subsection.

2.5.1 Multidimensional Ethics Scale

The Multidimensional Ethics Scale (MES) is a multi-item measurement tool for ethical judgment that was developed by Reidenbach & Robin (1988) and later refined in 1990. The original scale comprises 33 items that represent five different ethical philosophies: justice, relativism, egoism, utilitarianism, and deontology.

The first ethical philosophy is justice, which is based on the ideas of Aristotle. The central notion of this perspective is that equals should be treated equally and unequals should be treated unequally. Rawls (1999), a contemporary ethics philosopher, suggested that each individual owes a moral obligation to treat other people fairly and equally.

The second philosophy is relativism, which is based on the idea that ethical rules are specific to a culture, and that no universal ethical rules exist. Relativist schools of thought believe that ethical rules are embedded in specific cultures and that what is considered right for one community is not necessarily right for another community. As proposed by Herskovits and cited in Fennell and Malloy (1999), "judgments are based upon experience, and experience is interpreted by each individual in terms of their enculturation."

The third ethical philosophy is egoism which is an aspect of Teleological Ethics Theory (TET). Egoism proponents contend that an act is ethical when it promotes the individual's best long-term interests. If an action produces a greater ratio of good to evil for the individual in the long run than any other alternative, then the action is considered ethical conduct. Gert (1967) a famous egoist philosopher argued that human beings are concerned with their well-being and act accordingly.

The fourth philosophy is utilitarianism, which is another concept in TET. It is concerned with acting in a manner that will provide the greatest good for the greatest number of people. Proponents suggest that ethical behavior is the result of calculating and evaluating possible alternatives that will best serve this end. It has also been referred to as the cost-benefit analysis approach to action, which proposes that ethical conduct is about bringing the greatest good for the greatest number of people.

The final philosophy embedded in MES is deontology. The fundamental idea of deontology is one's duty to follow legitimate ethical rules. An action is deemed ethical if the decision maker's underlying principle perceives the action as morally right (Crane & Matten, 2007). Reidenbach & Robin (1988) later revised the 33-item measure to contain an eight-item measure tapping into three ethical dimensions: moral equity, relativism, and contractualism. The broad-based moral equity describes a construct that includes aspects of deontological and relativistic theories. Reidenbach & Robin (1988) claim that "decisions are evaluated in terms of their inherent fairness, justice, goodness, and rightness. Moreover, this dimension incorporates the idea of family acceptance." This factor consists of two items that were developed to represent a justice-based philosophy (fair or unfair, just or unjust) and a relativistic ethical philosophy (acceptable or unacceptable to family). Relativism, on the other hand, is concerned with the importance of culture and tradition in guiding what is right or wrong. The influences of culture overtake individual considerations. Finally, the contractualism dimension is deontological. It refers to an individual's perception of what is right or wrong based on an implied contract that exists between business and society. According to Scanlon (1982), "an act is wrong if its performance under the circumstances would be disallowed by any system of rules that no one could reasonably reject as a basis for informed, unforced, and general agreement."

MES has been used widely in business ethics study (See, for example, Christian & Gupta, 1993; Kujala & Kujala, 2011; Nguyen & Biderman, 2008) and this scale is also adopted in some tourism studies (For example, Fennell & Malloy, 1999; Hudson and Miller, 2005) and accounting studies (For example, Cohen, Pant & Sharp, 1993, 1995; 2001; Cruz, Shafer, & Strauser, 2000; Marques & Pereira, 2009; Suhaila Abdul Hamid, 2014).

Apart from being widely used, MES has the advantage of capturing a person’s belief in ethical judgment based on the different ethical philosophies. If compared to Defining Issues Test (DIT) which is much more limited to questions of justice, utility, and right-based morality, MES able to expand this. In making a moral judgment, individuals use more than one rationale, therefore ethical decision-making is appropriate to be measured as a multidimensional construct (Hernthorne, Robin & Reidenbach, 1992).

Despite the advantages of MES, it has also been criticized for some reasons. Hyman (1996) lists out four critics of MES which are ambiguous items, scale development, factor structure, and omitted ethical rationale. Kojala et al. (2010) in contrast argued that MES is lack of diversity. It overvalued masculine attributes. Grix et al. (2005) questioned the suitability of the constructs. As the constructs are made up of different dimensions of ethics and are presented in one single factor each. The authors further argued that it is impossible to tap an approach that is diverse and full of different ideas into a single factor. In addition to that, the face validity of the measurement together with an insufficient representation of deontological and theological dimensions is also been criticized. Skipper & Hyman (1993) mention that MES lacks a religious component.

Due to the number of critics, a few researchers attempted to validate and extend MES. Among them are Cohen et al. (1993) who revised MES into a 15-item scale representing all the five ethical philosophies in an accounting context. The study used a sample of accounting students and members of the American Accounting Association. The items showed high reliability with scores ranging from 0.86 to 0.96. The finalized 15-item scales consist of four items representing moral equity, two items to measure relativism, and three items each for the contractualism dimension, egoism, and utilitarianism.

In associating MES with tax context, Cruz et al. (2000) revised Cohen et al. (1993)'s version of MES. Cruz et al. (2000) analyzed the ethical judgment among the tax practitioners. All the five philosophies are confirmed by the study to have an influence on ethical decision-making among the tax agents. However, the major influence is derived from moral equity and contractualism. Cruz et al.,'s (2000) version of MES has been tested in tax study, it is therefore, appropriate for the present study to utilize this version. With high-reliability scores for the moral equity, contractualism, relativism, and utilitarianism dimensions, it proved that MES is a reliable measurement scale to gauge ethical sensitivity influences in taxpayer compliance behaviour.

2.6 Tax Compliance from Islamic, Christianity, Buddhism, and Hinduism Perspectives

Tax compliance or tax evasion is a well-established discipline that can be viewed from various disciplines such as law, public finance, economics, and accounting (McKerchar, 2010). However, there are still limited studies that address this phenomenon from religious viewpoints. The most comprehensive review of the ethics of tax evasion from a religious perspective was a thesis work of Martin Crowe (1944), as cited in Benk, McGee, & Yizbafi (2015). The thesis reviewed the theological and philosophical debate that had been ongoing, mostly within the Catholic Church, over the previous 500 years. Other studies that have incorporated the religiosity domain into their tax compliance studies are Yucedogru (2016), Mohd Rizal Palil et al. (2013), Nor Raihana Mohd Ali (2013), Tekeli (2011), and Tekeli (2013).

Notwithstanding studies that analyzed religiosity in general, some studies attempted to address the issue from various religious perspectives. For example, Cohn (1998) and Tamari explore tax evasion from the Jewish perspective, while Schansberg (1998) discusses tax evasion from the viewpoint of biblical literature, and Gronbacher (1998) argues from the Catholic perspective. While studies focused on Christianity, McGee (1999) elaborates on the issue by perceiving it from five different religious thoughts: Jewish, Christian, Muslim, Mormon, and Baha'i. A more recent study was by Benk et al. (2015), who undertook a comparative analysis of two different religions, Hinduism and Buddhism, which are the major religions in Asia.

For the current study, tax compliance or tax evasion is discussed through the perspectives of four major religions in Malaysia: Islam, Christianity, Hinduism, and Buddhism.

(i) *Islamic Perspective on taxation*

Tax has been differently defined by the previous Muslim scholars, for example,Imam Al-Ghazali and Imam Al-Juwaini define taxation as what the rulers obligate to rich people to collect what can make state and people interests fulfilled and when there is no fund in baitulmal. While Imam Al-Ghazali and Imam Al-Juwaini focus on the obligation of rich people, this is slightly in contrast with the definition provided by Yusuf Qardawi (2000), where taxation is defined as an obligation that taxpayers have and give it to the state without getting a refund from the state to finance public expenditures and to implement various economic, social and political development.

In Islamic law, there are three types of taxation which are jizya, kharaj, and ‘usyur. Jizya is an individual tax that must be paid by kafir zimmi that is those non-Muslims who live in an Islamic state and obey the government regulations in protecting life, safety, liberty, and other human rights, while kharaj is a type of landtax that is applied towards land that the Muslim obtain through war and then it is returned and worked by the owner and lastly ‘usyur which is trade tax or customs including import and export.

To clarify, Islamic teachings are clear in many issues in terms of Halal and Haram, where there are explicit texts in the Quran or Hadith. However, in contemporary issues like taxation, there are no explicit texts clarifying whether it is halal or haram. Therefore, Islam gave an opportunity for researchers to conduct due diligence (Al-Ttaffi & Hijatullah Abdul Jabbar (2015). The Standing Committee for Scientific Research and Fatwa STSR (1994) through a fatwa on tax towards Muslims stated that the collection of taxes and work in tax authorities are all forbidden (haram) and it is not permissible for the government to impose tax on its citizens. Furthermore, non-compliance could be viewed as permissible if it is imposed on Muslims. In a similar vein Ahmad (1999) in his book on Business Ethics in Islam argued that there is no duty to pay any tax that results in prices being raised, such as sales taxes, value-added taxes, or tariffs. This literature also further indicates that there is no duty to pay tax that is based on income. This opinion is based on the arguments as follow (a) Allah said in the Holy Quran": "Oh you have believed, do not consume one another's wealth unjustly but only (in lawful) business by mutual consent…" (Surah An-Nisa: 29) (b) Rasulullah s.a.w. said: "Do not despotically. A Muslim's wealth is not halal unless it is suitable with the owner's willingness (Hadith from Imam Ahmad) (c) Hadith from

Fathima bint Qais r.a that she heard Rasulullah say: "There is no obligation towards the wealth but zakat".

In contrast, some scholars suggest different views. This second opinion is in propositions that taxation can be a Muslim's duty when the state requires the funds. Prophet Muhammad said: "There is another obligation on your wealth apart from zakat". This argument is strengthened by the principle of fiqh which stated that: "the smaller can be sacrificed to avoid the greater one" (Khoirul Huda et al., 2016 pg.218). Jalili (2012) states that there is an absolute duty for Muslims to pay all taxes duty in cases where the government is a pure Islamic state that follows Sharia law. In cases where the state is not purely Muslim, or where it is a secular state, the obligation to pay taxes is less than absolute. In the other perspective, Abd Ar Rahman Muhammed Ibn Khaldun in his book Muqqadimah page 387 stated "Therefore please spread the taxation fairly and equally to all people without treating everyone more important than anyone else because of his position in the community or of his wealth…". Imam Malik as cited in Ziauddin Ahmed, Munawar Iqbal, & M. Fahim Khan (1983) page 129, quoted that, "If there were funds in the treasury or the needs of the army increased above the capacity of the treasury, the state has the right to levy taxes on the rich up to the level that satisfies that need immediately and until the revenues of the treasury appear. Zahra (1965) on the other hand posited that the imposition of tax could not mean that they replace the zakat, as zakat is worship and must be paid in all cases while tax should be imposed only when needed. While there are contradicting views on the imposing of taxes Qardawi (2000) outlined four conditions for imposing taxes which are (a) true needs of funds (b) just distribution of the burden (c) proceeds must benefit society (d) approval of the shura body.

In the Malaysian context, the Malaysian Islamic Development Department (JAKIM) in National Fatwa Committee Discussions 2015 is in the opinion that, it is permitted in Islam if the Government collect taxes to fulfill citizen masalih Dharuriyyat (the essential) and Hajiyya (the complementary) for example to fulfill social responsibility and the interest of the citizen. They further clarify that Ulama likeIbn Hazm, Ibn Taimiyah, Ibn al-Musili al-Syafi'I, Ibn Khaldun allowed the Government to impose taxes to the citizen sufficient to meet the public benefit (Jabatan Kemajuan Islam Malaysia, 2016).

(i) Christianity Perspectives on taxation

The most comprehensive study on the ethics of tax evasion from the Christian perspective was Michael Crow's 1944 study, as cited in McGee (1999). This study concluded that Christians should pay just taxes, and there is no ethical duty to pay unjust taxes. Schansberg (1998), as cited in McGee (2011, pg. 5), suggests a different view that one should usually comply with taxes but subject to certain exceptions, which he referred to in the Biblical passage, "When Jesus is asked whether people should pay taxes to Caesar, Jesus replied that we should give to Caesar the things that are Caesar's and give God the things that are God's." Some passages in the Bible may be interpreted to take an absolutist view. Romans 13:1-2, for example, is read by some to support the Divine Right of Kings, which holds that whoever is in charge of government is there with God's approval, and anyone who disputes that fact or who fails to obey is subject to damnation. It is a sin against God to break any law (McGee, Alver & Alver, 2008).

Gronbacher (1998) takes a slightly different position whereby, after reviewing Catholic literature, the author concludes that the traditional Catholic teaching on taxation is compatible with the classical liberal view that taxation should be kept to a minimum, and that the state should only implement activities that benefit all. Pennock (1998), a Christian scholar, on the other hand, posited that it is not unethical to refuse to pay tax if the proceeds are used to finance war.

(ii) Buddhism and Hinduism Perspectives on taxation

There are limited theoretical or empirical studies that address the issues of tax compliance from the perspectives of Buddhism and Hinduism. One of the empirical studies that includes the views of these two religions is undertaken by Benk et al. (2015). This study utilizes data from the World Values Survey conducted between 2010 and 2014. The findings reveal that Buddhists are opposed to tax evasion. Some variables tested against the attitude of tax cheating are found to be significant, including age, education level, income level, government responsibility, and confidence in democracy. The elderly, well-educated individuals, and those who have strong support for democracy tend to be more strongly opposed to cheating on taxes, while lower scores in government responsibility and respondents who rate themselves in a lower social class tend to report more acceptance of cheating on taxes.

From the perspective of Hinduism, taxes should be set and known to the taxpayers in terms of the amount and time to pay so that it becomes easier for the collectors to levy the appropriate tax for their benefits (Waldauer et al., 1996). Similarly, Bose (2012) found a significant association between the ethics of Hinduism and tax evasion. In a study by Azharul Islam, Md Harun Ur Rashid, Syed Zabid Hossain, and Rubayyat Hashmi (2020), Hinduism is negatively correlated with tax evasion.

Table 2.1: Summary on tax perception according to Islamic, Christianity, Buddhism and Hinduism perspectives

Islamic	It is permitted in Islam if the Government collect taxes to fulfill citizen masalih Dharuriyyat (the essential) and Hajiyya (the complementary) for example to fulfill social responsibility and the interest of the citizen.
Christianity	Taxation should be kept to a minimum and that the State should only implement activities that benefit for all.
Buddhism	Buddhists opposed to tax evasion
Hinduism	Taxes should be set and known to the taxpayers in terms of the amount and time to pay so that it becomes easier for the collectors to levy the appropriate tax for their benefits

2.7 Hirschi's Social Control Theory

Tax evasion is illegal and has never been considered an ethical act. Numerous studies conducted over the past 20 years on tax evasion and ethics have highlighted the importance of ethical considerations in complying with tax laws. Some researchers go as far as classifying tax evasion as a crime. Burton et al. (2005), for example, believe that tax evasion is a form of white-collar crime and compare it to twenty other offenses, including rape, murder, and drug use. Similarly, criminologists have categorized tax evasion as a type of white-collar crime (Potas, 1993). In the Malaysian context, the Inland Revenue Board (IRB) is taking a more aggressive approach by pursuing criminal action against tax evaders (Aruna, 2012).

The Social-Control theory is a relevant theoretical framework to use in examining the relationship between religiosity and tax compliance. This theory posits that social control, which is a set of mechanisms that individuals and groups use to regulate behaviour and ensure conformity to social norms, can reduce the likelihood of deviant behaviour, including tax evasion. Religiosity is one of the factors that can provide social control as religious individuals are expected to conform to moral and ethical values and norms, including the duty to pay taxes. Thus, by incorporating religiosity as an additional variable to the original MARS model, this study aims to examine whether religious individuals are more likely to comply with tax laws due to the social control provided by their religious beliefs and practices. This can contribute to a better understanding of the role of religiosity in promoting tax compliance and inform policymakers and tax authorities in developing strategies to increase tax compliance among the population.

Social control theory, which was originally known as Social Bond Theory, was developed by Travis Hirschi in 1969. This theory is one of the most frequently tested in criminology and delinquency inquiry. Over the last 40 years, Hirschi's social control theory has received substantial empirical verification (see, for example, Cretacci, 2003; Huebner & Betts, 2002; Junger & Marshall, 1997; Longshore & Chao-Shih, 2004; Messina & Sheu, 1988; Wiatrowski, Griswold, & Roberts, 1981). The central question of this theory that makes it unique compared to previous control theories is why some people engage in deviant behavior while others do not. Fundamentally, Hirschi (1969) theorized that delinquency is a consequence of an individual's weaker or broken bond to society.

According to Hirschi's Causes of Delinquency (1969), there are four elements of the social bond: attachment, commitment, involvement, and belief. Attachment refers to the emotional ties that an individual has with various conventional institutions and people (Cretacci, 2003). The emotional attachment theoretically prevents individuals from engaging in any deviant act because they are more likely to care about normative expectations and do not wish to harm their relationships with others (Cretacci, 2003). Attachment can be to institutions such as parents, schools, and community organizations, such as mosques or churches.

The next element is commitment. Commitment refers to individual engagement in conventional goals and activities (Greenberg, 1999). When an individual has the motivation and ambition to achieve occupational and educational goals, the likelihood to engage in delinquent behaviour is lesser. Wiatrowski et al. (1981) added that adolescents who prioritize superficial and hedonistic aspects of life such as having a car, dating, smoking, or drinking are less likely to be committed to education.

The third element, involvement is the amount of time a person spent pursuing conventional aspirations (Cretacci, 2003). In pursuing ambition, the amount of time spent on activities in school, recreation and family rituals will restrain delinquency. This is because more time is focused on such activities, and they have lesser time to attach to delinquent actions.

Finally, the last element of social bonding is the belief in conventional norms. Hirschi (1969) posited that those who strongly believe in the moral validity of shared social values and norms are less likely to deviate from them. Religious institutions are assumed as the responsible organization to instill normative beliefs and foster individual attachment, commitment, and involvement within a larger society. Hefurther elaborates that, by strengthening an individual's bond to society, religious institutions should deter criminal behaviour (Baier & Wright, 2001).

While Hirschi's Social Control Theory did not initially include religiosity as an element, it has been acknowledged as important by other prominent theorists such as Durkheim. However, Hirschi did address religiosity in his later work, "Hellfire and Delinquency". The basic premise of social control theory is that individuals who are bonded to conventional social control will avoid delinquent behavior. Religion, as a form of social control, provides fundamental support to social values to deter deviant behavior. An individual's religiosity can function through the four elements of attachment to religion, commitment to religion, involvement in religion, and belief in conventional religions.

Attachment to religion refers to the emotional connection to religious institutions and individuals. Individuals who possess this emotional tie is expected to be less likely to involve in delinquent behaviour. Next, is the commitment to religion. This is where religion provides ambition and motivation toward success through conventional means of achievement. Commitment to religion deters individuals from engaging in a deviant behaviour that will affect their current position. Moreover, involvement denotes that individual who involve in religious activities are expected to protect individuals from delinquency. Religious involvement could foster the development of social networks that reduce criminal activities (Gottfredson & Hirschi, 1990). Finally, religious belief. Most religious beliefs encourage people to embrace the tenets of the religion with proscriptions against delinquent behaviour (Kim, 2003).

Based on the basic premise of social control theory, religious belief is theorized to be an element of social control that is able to restrain delinquent behaviour together with other domains such as family, school, and neighborhood.

Despite the failure of the Hellfire and Delinquency hypothesis to find an inverse relationship between religiosity and delinquency, other researchers who are interested to clarify the relationship between religious belief and delinquency have successfully found the association, for example, Burkett & White, (1974); Rohrbaugh & Jessor, (1975) and Elifson, Petersen & Hadaway, (1983). Therefore, as mentioned above religiosity is incorporated into the Social Control Theory with other domains such as family, school, and neighborhood.

The aim of the present study is to analyze the association between religiosity and tax compliance behavior. Tax evasion or non-compliance with tax is considered a deviant behavior or crime by past researchers, as discussed earlier. Therefore, the study aims to apply the Social Control Theory to the religiosity domain and analyze its impact on tax compliance behavior. Renowned scholars in tax compliance research, such as Alm & Torgler (2011) and Torgler (2006), have also acknowledged the association between religious membership and criminology studies.

As previously mentioned, the Social Control Theory comprises four elements: attachment, commitment, involvement, and belief. The current study aims to explore these components of the theory, with a specific focus on the religiosity aspect, to measure tax compliance behavior among taxpayers.

A critique of the literature that addresses the religion-deviance relationship is that the variables used to conceptualize religion are superficial in that they are often single-item indicators (Chard-Wierschem & Deborah., 1998), whereas religion has many facets and is thought to be multidimensional (Batson & Schoenrade, 1991). In addition, some have also pointedly argued that much of the prior research on religion suffers from the assumption that religion is one-dimensional or that it can be accurately conceptualized by utilizing some measure of church attendance (Evans, Cullens, Dunaway & Burton, 1995). From a sociological perspective, scholars agree with criminologists that the best measures of religion are multidimensional because religion is a multifaceted concept that cannot be adequately conceptualized by single- item constructs (King & Hunt, 1975, 1990).

Despite the acknowledgment that The Social Control Theory is the strongest criminological theory in existence, this theory also has faced number of criticisms. Matsueda (1989), criticize that Hirschi's Social Control Theory fails to explain the strength of the social bond varies between individual and different times. Second, Wiatrowski et al., (1981) argued that the theory does not acknowledge the effect of socio-economic status and the demographic factors of drug users such as age, gender, education, and others in the context of control mechanisms on drugs prevention.

Notwithstanding the number of criticisms on the theory, prior studies have proved that Hirschi's Social Control Theory has more empirical validity than the subculture and differential association theories. Unlike earlier theories such as strain theory and cultural theory, which are less capable of being empirically tested due to the inability to operationalize their major independent variable, Hirschi (1969) provides empirical measures for their major concepts (Kim, 2003). Furthermore, this theory has received substantial support and has been validated across a range of studies, making it one of the most influential and well-supported theories in criminology. Despite its limitations, the Social Control Theory provides a comprehensive framework for understanding the complex relationship between social bonds and deviant behavior, including tax evasion or non-compliance.

2.8 A Review of Relevant Past Studies

2.8.1 Tax Compliance Among High Net Worth Individuals (HNWIs)

The issue of tax compliance among high-net-worth individuals is a major concern for tax authorities across the globe. According to the OECD (2009), "high-net-worth individuals" refers to individuals at the top of the wealth distribution and thus includes both high-wealth individuals and high-income individuals. The OECD (2009) states that HNWIs pose significant challenges to tax administration due to the complexity of their tax affairs, their substantial revenue contributions, their opportunities for aggressive tax planning, and the impact of their compliance behavior on the integrity of the tax system.

Worldwide, the HNWI population between 2006-2007 was 6%, but emerging markets, particularly in the Middle East and Latin America, had the greatest regional HNWI population gains, increasing up to 15.6% (Merrill Lynch Cap Gemini, 2008). In the Malaysian context, according to the OECD (2013), an HNWI is an individual whose total net personal assets or total net joint assets with their spouse exceed RM3 million or its equivalent in foreign currencies, excluding the value of the individual's primary residence. The Knight Frank 10th Edition of the Wealth Report 2016, a real estate agency and residential property firm based in London, reported that the population of HNWIs in Malaysia in 2020 was 16,442 (The Star, 2016). Statistics obtained from the Inland Revenue Board of Malaysia (IRBM) show that although HNWIs comprised only 0.32% (total of HNWIs divided by the total of individual taxpayers), they contributed 11.95% of the total collection in 2013 of total ordinary individual taxpayers.

Tax compliance has been extensively researched, but studies on the compliance behavior of high-net-worth individuals (HNWI) are relatively scarce. There have been only a few studies on this topic, including those by Braithwaite et al. (2002), Al-Zaqeba & Al-Rashdan (2020), and Gangl & Torgler (2020). In Malaysia, there is also relatively limited published research on tax compliance among HNWI, with studies such as those by Rasyidah Che Rosli, Ling L.M., & Roslani Embi (2018).

Gangl and Torgler (2020) conducted a review of existing evidence from various academic fields, history, and practitioners. They concluded that the tax decisions of the wealthy are based on specific interrelated political, economic, social, and individual differences, which have associated psychological consequences.

Braithwaite et al. (2002) conducted a study based on risk ratings of 207 potential risk issues identified from 1997 and/or 1998 tax returns for 235 HNWIs and the entities they control. The study revealed that there are five red flag issues that alert tax officers to aggressive tax planning, including trust distributions (especially capital distributions in cash to the HNWI), capital loss creation (especially through asset sales, but not revenue loss creation), use of an offshore entity in a country that may be a tax haven, utilization of revenue losses via intra-group transfers (within the group of entities controlled by the HNWI), and other extraordinary risks that fall between the cracks.

In a more recent study by Al-Zaqeba and Al-Rashdan (2020), high-income individual taxpayers who work as medical doctors, engineers, and lawyers in Jordan were studied, and it was found that complexity negatively affected their attitude toward tax law, while fairness had a positive and significant effect on their attitude toward tax law. Their behavioral intention positively affected tax compliance behavior.

Zooming in on the Malaysian context, the study by Rasyidah Che Rosli, Ling L.M., and Roslani Embi (2018) is the first study to utilize actual audited data from tax authorities. The findings of the study confirmed that the source of income and the involvement of tax professionals influence tax compliance among HNWIs in Malaysia.

Going back to the definition of "high net worth individuals" posited by OECD (2009), which includes both high-wealth individuals and high-income individuals, professional groups like doctors, lawyers, and engineers are considered high net worth individuals. This has been mentioned in OECD (2009) where accountants, lawyers, and doctors' income are generally steadier than that of highly paid employees. In the study of Erard and Ho (2003), judges and lawyers rank fourth in the average level of non-compliance. Similarly, doctors and dentists rank high in terms of the average estimated dollar level of noncompliance. A consistent finding has been arrived at in the study of Artavanis, Morse, and Tsoutsoura (2015). This study concluded that doctors, lawyers, engineers, and accountants are among the highest tax evaders. These are services that require advanced degrees and certification, and their revenue depends on reputation.

2.8.2 The Influence of Motivation in Tax Compliance

The first element mentioned in the MARS model of individual behavior and performance is motivation. Motivation has been well researched for the last hundred years, with various models, theories, and concepts developed to discuss the issue. Motivation refers to the attribute that moves us to do or not do something (Broussard & Garrison, 2004). This definition is quite similar to the definition of Ryan & Deci (2000), where motivation means to be moved to do something, or as suggested by York (1976) where motivation is associated with the internal forces within an individual that push them to satisfy individual needs. Some researchers argue that motivation refers to the extent to which persistent effort is directed towards a goal (Dunnette et al., 1998). While various scholars attempt to define motivation differently, several studies have attempted to define motivation according to intrinsic and extrinsic motivation (See, for example, Gottfried, 1990; Landen & Willems, 1979; Latorre, Winsler, Carlton, & Winsler, 1998). According to Deci & Ryan (1985), behavior can be intrinsically motivated, extrinsically motivated, or amotivated. The Self-

Determination Theory (SDT) explains the idea that distinguishes the different types of motivation. They are of the opinion that different types of motivation are needed according to the different reasons or goals that give rise to an action. The SDT places the types of regulations on a continuum between self-determined (intrinsic motivation) and controlled forms (extrinsic motivation).

Based on the past studies which used MARS model as the underlying framework of the study, Abi Dzarr Alghifari Wijanarko & Welly (2015) and Tsay H.H. (2015) also defined motivation according to the intrinsic and extrinsic concepts. This proves that the concept of intrinsic and extrinsic motivation is an appropriate concept to be used in understanding motivation towards individual behaviour. More importantly, the current study is interested in the concept used in the study of Dwenger, Kleven, Rasul, & Rincke (2014) which studied motivation to comply with local church tax in Germany. The researcher used the intrinsic and extrinsic concepts of motivation in understanding the taxpayer compliance behaviour. Therefore, the present study aims to utilize this extrinsic and intrinsic concept in understanding the behaviour to comply with tax law.

2.8.2.1 Extrinsic and Intrinsic Motivation

In discussing motivation as a concept for predicting tax compliance behavior, a published study by Gangl, Hoffman, & Kirchler (2015) hypothesized that there are two groups of taxpayers: those with enforced motivation to comply and those with committed motivation to comply. The study used a sample of two groups of self-employed Austrian taxpayers and Dutch entrepreneurs. The results reveal that enforced motivation is negatively related to tax compliance, while committed motivation is positively related to tax compliance. This study, however, referred to motivation as a general concept, which is different from the current study that focuses on the concept of intrinsic and extrinsic motivation. This is because people are motivated either intrinsically or extrinsically (Ryan & Deci, 2000). Furthermore, Frey (1997) acknowledged the relevance of intrinsic and extrinsic motives in explaining compliance behavior.

The definition of intrinsic motivation has been discussed in numerous ways by various scholars. A renowned definition is suggested by Ryan & Deci (2000), which defines intrinsic motivation as motivation that originates from within the individual and results in enjoyment in the process of increasing one's competency. Baker (2004), on the other hand, defines intrinsic motivation as doing an activity or behavior voluntarily for its own sake and the inherent pleasure and satisfaction derived from participation. This definition is similar to that found in Amabile (1993), who states: "Intrinsic motivators are an endogenous part of a person's engagement in the activity; they arise from the person's feelings about the activity, and they are necessarily bound up with the work itself". Following the same wave of those definitions, Deci (1992) proposed that intrinsically motivated behaviors are performed out of interest and thus require no "reward" other than the spontaneous experience of interest and enjoyment that accompanies them.

Based on those definitions suggested by scholars, some keywords emerge in the definition, which are voluntarily, pleasure, enjoyment, interest, satisfaction, and no rewards. Therefore, it can be concluded that individuals who are intrinsically motivated perform something voluntarily without looking for a reward and they perform those actions to seek pleasure, enjoyment, and satisfaction.

In discussing intrinsic motivation and its relation to tax compliance, several theoretical papers have been published, such as Dwenger et al. (2014) and Halla (2010), which directly analyze the influence of intrinsic motivation on tax compliance. Dwenger et al. (2014) specifically examined the role of intrinsic motivation in compliance with the local German Protestant church tax and found evidence of a particular form of intrinsic motivation, where taxpayers have a desire to comply even in the absence of enforcement.

The Self-Determination Theory (Deci & Ryan, 1985) distinguishes between intrinsic and extrinsic motivation. Intrinsic motivation refers to doing something because it is inherently interesting or enjoyable, while extrinsic motivation refers to doing something because it leads to a separable outcome. Teo, Lim, & Lai (1999) provide a similar definition, where extrinsic motivation is defined as the performance of an activity because it is perceived to be instrumental in achieving valued outcomes that are distinct from the activity itself. Individuals are motivated extrinsically when they are driven by external factors, such as rewards and recognition, to do something.

In analyzing the role of extrinsic motivation towards tax compliance, some empirical evidence has been observed (See, for example, Dwenger et al.,2014 & Smith & Stalans, 1991). In the study of Dwenger et al. (2014), the findings confirmedthat recognition through social rewards for compliance causes the extrinsically motivated to further decrease their underpayments. Another recent study is undertaken by Rillstone (2015) who found that the use of rewards could be more effective to improve and enhance compliance behaviour. So far, very little attention has been paid to the role of intrinsic and extrinsic motivation towards tax compliance particularly in the context of Malaysia. Therefore, the present study aims to close this limitation by examining the role of intrinsic and extrinsic motivation towards compliance behaviour in the context of Malaysian taxpayers.

2.8.2.1.1 Intrinsic Motivation

There have been numerous studies that have linked intrinsic motivation with the concept of tax morale (e.g., Cummings et al., 2006; Frey, 1997; Torgler, 2005). Tax morale refers to an individual's intrinsic motivation to pay taxes (Torgler 2003a, 2003b, 2004; Cummings et al., 2006; Torgler & Schneider, 2006). Taxpayers who have high tax morale comply voluntarily because they believe that paying taxes is their civic duty and that it contributes to the betterment of society. In contrast, those with low tax morale may feel guilt or shame if they fail to comply, or they may be motivated solely by the fear of punishment. Reciprocity is another intrinsic motivation that can drive tax compliance behavior. People who have high tax morale may be motivated to pay taxes in exchange for the benefits that the state provides to them (Luttmer & Singhal, 2014). Intrinsic motivations, such as feelings of pride, positive self-image, and a sense of civic duty, are among the key drivers of tax compliance behavior (Andreoni et al., 1998).

One of the earliest tax morale studies was undertaken in the 1960s by the "Cologne school of tax psychology" (Schmölders, 1959), which tried to connect the economics and social psychology perspectives. It emphasizes that economic phenomena should not be comprehended only from the traditional neoclassical point of view. Tax morale is found to be an integral attitude that was related to tax evasion.

The tax morale theme has been well researched by Torgler (Torgler, 2002, 2003a, 2004b, 2005, 2007). Torgler analyzed the influence of tax morale on tax compliance from various angles and perspectives. Attempts were made by Torgler to study tax morale from cultural perspectives (Alm & Torgler, 2006; Torgler, 2003, 2004b, 2005; Torgler & Schaltegger, 2006; Torgler & Schneider, 2006) and the influence of variables such as institutions, religiosity, democracy, trust, fiscal policy, corruption, and governance quality on tax morale (Torgler, 2003c, 2003d, 2004b, 2005, 2007). Some researchers have also examined the influence of various variables on tax morale, such as public spending inefficiency (Barone & Mocetti, 2011), policymakers' effectiveness (Anno, 2009), tax administration (Pommerehne & Frey, 1992), tax enforcement (Fillipin, Fiorio, & Viviano, 2013), decentralization (Guth, Levatti & Sausgruber, 2005), and religion (Eiya et al., 2016; Nor Raihana Mohd Ali & Pope, 2014).

This study, however, attempts to limit the scope of study to the variable of trust only. To the researcher's knowledge, this variable has not been widely explored in the tax compliance literature, especially in the context of Malaysia.

2.8.2.1.1.1 Trust

"Virtually every commercial transaction has within itself an element of trust, certainly any transaction conducted over a period of time" (Arrow, 1972 pg 376).

As highlighted by Arrow (1972), the element of trust is a fundamental factor inalmost all commercial transactions. The parties involved a demand for trust for them to be part of the transaction. A tax matter is also a commercial transaction. The taxpayer seeks trust for them to comply with the tax. The factor of trust as a predictor in the behaviour to comply with tax law has been researched by number of scholars (See, for example, Feld & Frey, 2007; Fjeldstad, Semboja & Saalam, 2001; Gangl et al., 2015; Hammar, Jagers, & Nordblom, 2009; Kirchler, Hoelzl, & Wahl, 2008; Kogler et al., 2013; Lavoie, 2009; Lisi, 2014; Murphy, 2004; Scholz & Lubell, 1998; van Dijke & Verboon, 2010; Wahl, Kastlunger, & Kirchler, 2010; Bornman, 2014).

Kirchler et al. (2008) proposed the Slippery Slope Framework, which identifies trust in tax authorities as one of the crucial determinants of tax compliance. According to the framework, tax authorities must be trusted by the community to enhance voluntary compliance. Kirchler describes the relationship between tax authorities and taxpayers as a "Service Client" relationship, where tax authorities serve the community and are also part of the same community as the taxpayers.

In contrast, Feld and Frey (2007) view the relationship between tax authorities and the public as a "psychological contract," characterized by strong emotional ties and loyalties. Taxpayers expect to be respected, and if tax authorities demand honest income reporting, it is essential for them to treat taxpayers with respect.

Both Kirchler et al. and Feld and Frey highlight the importance of trust and respectful treatment in fostering tax compliance. This underscores the need for tax authorities to establish and maintain positive relationships with taxpayers based on mutual trust and respect.

Another researcher that mentioned about trust is Torgler, (2003b). In his study,he termed voluntary taxpayers as "intrinsic taxpayers". This intrinsic taxpayer is the taxpayers who have feelings of obligation. They are sensitive to institutional factors, especially government institutions. These individuals expect to be well treated by the authorities. The behaviour of these "intrinsic taxpayers" largely depends on the amount of trust they hold towards the political system. The lack of trust can undermine the collected tax revenue. This is consistent with the quotes by Benjamin Franklin as cited in Torgler, (2003b) page 195 who said:

> " Much of the Strength and Efficiency of any Government, in procuring and securing Happiness to the People, depends on… the general opinion of the Goodness of that Government"

The author further mentioned that "tax is a price paid for government positive actions" (Torgler, 2003b, pg 196). Thus, if the government acts trustworthily, the public is more willing to comply with the tax law.

Kirchler et al. (2008) and Torgler (2003b) have revealed the importance of trust in shaping compliance behavior among taxpayers. Their findings confirmed that high voluntary compliance can be achieved if a high level of trust is observed. Similar findings were revealed by van Dijke and Verboon (2010), who conducted a combination of experimental and field studies using a sample of undergraduate students. Another experimental study was carried out by Wahl et al. (2010) who analyzed the variable of trust under the Slippery Slope Framework. This computer-aided experiment also produced comparable findings where a positive effect of trust was observed on tax payment. Hammar et al. (2009) also confirmed earlier findings. Using Swedish individual survey data, they analyzed the perception of tax evasion of ten different taxes. The findings revealed that distrust in politicians has an effect on motivation to pay tax.

Based on the reviewed literature above, all the studies confirmed that trust towards authorities is a significant predictor of tax compliance behavior. Regardless of the difference in methodology, the findings were consistent. However, in the context of Malaysia, there is still limited research that attempts to examine the role of trust in authorities or trust in government in influencing taxpayers to comply with tax laws. Therefore, the present study aims to explore the role of trust as a proxy for intrinsic motivation to predict the influence of motivation on taxpayers' compliance behavior.

2.8.2.1.2 Extrinsic Motivation

Past research that has examined the influence of extrinsic motivation on compliance behavior has generally agreed that it plays a significant role in tax compliance (see, for example, Alm et al., 1992; Bornman & Stack, 2015; Dwenger et al., 2014; Falkinger & Walther, 1991; Feld & Frey, 2007; Frey, 1997; Sutinen, 1999). Dwenger et al. (2014) studied intrinsic and extrinsic motives for tax compliance in the context of a local church in Germany. The study used data from church district records that contained information on the true church taxes paid by each individual and state income tax records containing true taxes owed. The findings of the study showed that deterrence and reward incentives have a significant effect on compliance behavior. These findings are consistent with those of Bornman and Stack (2015), which found that rewards are the most effective strategy for encouraging tax compliance. Rillstone (2015), through an interview study, also found that rewards could be a more effective means of improving compliance. This is also consistent with the study by Brockmann et al. (2016), who conducted a laboratory experiment comparing tax compliance under a "deterrence" baseline to tax compliance under two "reward" treatments: a "donation" treatment giving taxpayers a say in the spending purposes of their payments, and a "lucky" treatment giving taxpayers the (highly unlikely) chance of winning a lottery. The study found that reward treatments significantly affect tax behavior.

Alm et al., (1992) investigated the impact of positive inducement on compliance behavior using an experimental approach. The results confirmed that positive inducement has a significant and positive impact on compliance behavior. Feld (2009) expressed a similar perspective, where rewards are perceived as a good acknowledgment for being a good taxpayer. The reward may take the form of a direct monetary payment or a gift. Feld (2009) regards a gift as an exchange of a relationship between the taxpayer and the state, which may be in the form of free entry to museums, exhibitions, and other cultural activities undertaken by the state or a reduction in public transport fees (e.g., 50% off).

While previous studies focused on rewards and penalties as forms of extrinsic motivation, Sutinen's (1999) study offers a different perspective by considering social influence as another form of extrinsic motivation. Enforcement authorities and peer groups are examples of social influence that can affect compliance behavior. The study provides evidence supporting the notion that individuals are more non-compliant when their community and peer groups are non-compliant.

To contribute to the existing literature on tax compliance behaviour, this study aims to investigate the influence of extrinsic motivation on taxpayers' compliance behaviour in Malaysia, with a focus on rewards. By using the MARS model of individual behaviour and performance as a theoretical framework, this study seeks to shed light on the role of rewards in shaping taxpayers' compliance behaviour.

2.8.3 The Influence of Ability in Tax Compliance Studies

The second element mentioned in the MARS model of individual behaviour and performance is ability. McShane & Glinow (2005) define ability as both natural aptitudes and learned capabilities required to successfully complete a task.

Aptitudes refer to natural talents that help individuals to learn specific tasks more quickly and perform them better while learned capabilities are the skills and knowledge that an individual currently possesses. According to this model, aptitudes and learned capabilities are closely related to competencies. Competencies as according to Spencer & Spencer (1993) are characteristics of a person that result in a superior performance. Loo & Ho (2005) who studied competencies among the taxpayers relate competencies with functional tax literacy. Functional tax literacy is defined as the ability of a taxpayer to file tax returns and calculate his or her tax liability independently and it encompasses the comprehension of some tax jargon and having fundamental tax knowledge on what constitutes taxable income, allowable deductions, relief, and rebates (Madi & Amrizah, 2003). As past studies that adopted MARS model, as well as competency study on tax, refers ability or competency as taxknowledge or tax literacy, therefore the present study also used the same path. This is relevant to other tax studies, for example, Siti Syaqilah Hambali & Amrizah Kamaluddin (2017) who studied taxpayer's competency levels on Goods and Service Tax (GST) also refers competency as literacy and awareness.

Previous studies on tax knowledge have provided mixed evidence in assessingthe influence of tax knowledge on tax compliance behaviour. Some studies confirmed that tax knowledge has a significant impact on tax compliance behaviour (See, for example, Eriksen & Fallan, 1996; Loo E.C et al., 2009; Mohd Rizal Palil, 2010; Fauziati et al., 2016, Amankwaah et. al., 2019) while other research proved otherwise (See, for example, Mei, Carrol, & Chin-fatt, 2012).

In the studies of Eriksen & Fallan (1996), a quasi-experimental method was adopted. Pre-testing and post-testing of two students' groups were carried out. The control group were those students going to take marketing as an elective subject in the second year of their BA education while the experimental group consisted of students who had selected tax law as an elective. The pre-test was conducted at the start of the students' academic year and the post-test at the end of that year. Tax knowledge was measured in the test concerning tax allowances and tax liabilities. The findings confirmed that knowledge has a significant impact on compliance behaviour.

Mei et al. (2012), however, produced contrasting results in their study in New Zealand. Using a pre-testing and post-testing experiment with second-year accountancy major students who were taking the compulsory introductory taxation paper, the experiment aimed to test whether an increase in knowledge of the principles of taxation had any influence on their attitudes towards tax compliance. The pre-test was conducted on 113 students, and 83 students were included in the post-test. The questions concerning tax knowledge included principles of taxation and some specific knowledge of tax law.

In the context of Malaysia, with the implementation of the self-assessment system (SAS), taxpayers are demanded to compute the tax payable by themselves. Therefore, taxpayers are expected to have reasonable knowledge of the tax laws. To the best of the researchers' knowledge, published studies that examine the influence of tax knowledge on compliance behavior are still considered few in Malaysia (Amrizah & Madi, 2005; Loo, McKerchar & Hansford, 2009; Loo E.C. & Juan K.H., 2005; Madi et al., 2010; Madi & Amrizah, 2003; Mohd Rizal Palil, 2010).

One of the studies that analyze the role of tax knowledge is by Madi & Amrizah (2003). In their study, they reveal that functional literacy is one influence on compliance level. Functional literacy refers to the ability of the taxpayer to file tax returns and calculate their tax liability independently. It encompasses the comprehension of some jargon in tax and having fundamental tax knowledge on what constitutes taxable income, allowable deductions, relief, and rebates.

The result of the study is in line with the study by Mohd Rizal Palil (2010), where tax knowledge is found to have a significant impact on tax compliance. This study was conducted through a national mail survey. The study measured tax knowledge through taxpayers' responsibilities and rights, knowledge about employment income, dividends and interest, personal relief, child relief, rebates, and awareness of offenses, penalties, and fines.

A similar finding was derived by Loo E.C. (2009). In this study, a mixed method was adopted, whereby a survey, experiment, and a case study were employed as the instruments of the study. Tax knowledge was constructed in the survey by the knowledge of relief and rebates, tax computation, and knowledge of extension and deduction. A quasi-experimental research approach was used for the experiment using two different simulation packages in which two main groups of undergraduate students were involved. A case study, on the other hand, was conducted to address the common shortcomings in tax compliance research which, amongst others, are self-reported, simulated, or hypothetical behavior. The results confirmed that tax knowledge emerged as the most effective in determining individual taxpayers' compliance behavior.

Loo & Juan (2005) also examined the influence of tax knowledge in their earlier study. This study, however, employed a different sample of the study. The study focused on white-collar salaried individuals. The study examined the individual's competency particularly concerning knowledge of chargeable income and exemptions as well as relief, rebates, and tax credits. The sample was chosen among those who hold middle and senior positions in commerce and industries in the State of Melaka. The results of the study revealed that the respondents' tax knowledge on personal taxation might be considered relatively low.

Natrah Saad (2014) conducted another similar study that examined the taxpayer's level of tax knowledge, but in a different setting. This study employed a qualitative approach involving 30 participants who were interviewed via telephone. The respondents comprised those from eight different regions in New Zealand. From the interviews, it can be concluded that taxpayers appeared to have inadequate knowledge of the technical aspects of the income tax system.

Considering all of this evidence, it seems that the ability, which is represented by knowledge of tax, is crucial to be studied to determine voluntary compliance behavior. Furthermore, previous findings agree that the competency component to perform tax could be associated closely with tax literacy or tax knowledge. Further, the definition of ability presented earlier includes the component of knowledge, skills, and aptitudes, and values, thus the selection of tax knowledge variable to represent the ability domain is well-suited. Therefore, it is significant to conduct the current study to provide new knowledge to the study of the ability of a taxpayer, particularly in Malaysia.

2.8.4 The Influence of Role Perception towards Tax Compliance

Motivation and ability are important determinants of behavior construction. In addition to having great motivation and being competent, role perception is another important contributor to individual behavior, as proposed by the MARS model. According to McShane and Glinow (2005), role perception refers to the extent to which people understand the job roles assigned to them or expected of them. Role perception is important because it guides employees' direction of effort and improves coordination in an organization.

To the researcher's best knowledge, no study has examined the influence of role perception on behavior to comply with tax among individual taxpayers. However, there is one study by Yetmar and Eastman (2000) that studied the influence of role conflict and role ambiguity in predicting the ethical sensitivity among tax practitioners. The present study, however, is different in the context of the study. The present study is only interested in understanding the influence of role perception among individual taxpayers

As no literature discusses the link between role perception and tax compliance, it is crucial to review past studies that have adopted the MARS model. In Tsay H.H. (2015), the context of role perception is discussed through the role of information system developers as change agents. Zhou J.H. et al. (2013) examined the factors that influence the aquatic enterprises' conduction of routine self-inspection. In this study, the role of the managers' perception of the firm's strategic orientation was used to represent the role perception variable. Zhou J.H. et al. (2013) have also conducted another study that adopted the MARS model of individual behavior but in a different context of study. The focus of this study was to examine the determinants of firm behavior on the implementation of voluntary traceability systems. In this study, the role perception variable was proxied by the manager's individual morals and a sense of responsibility. In a totally different discipline from what has been explored by Zhou J.H. et al. (2013), Abi Dzarr Alghifari Wijanarko & Welly (2015) assessed the influence of the MARS model of individual behavior and performance in measuring the procrastination behavior among academic students. Here, the role of students was used as a representation of the role perception variable. The influence of the MARS model of individual behavior and performance was analyzed against the performance of women entrepreneurs in Inggrita Gusti Sari Nasution et al. (2014). In this study, the responsibility of women entrepreneurs is to ensure the availability of products, on-time delivery, and the quality of the products, and suitability of the products ordered was used to represent the role perception variable. These past studies linked the variable of the role perception with the construct of their study according to the suitability and relevancy of the study. Hence, this study intends to follow the same practice too.

Looking back at the definition of role perception, which is described as the extent to which people understand the job duties or roles assigned to them or expected of them by McShane & Glinow (2005), the researcher aims to explore the duties and roles of a taxpayer as part of their duty as a citizen. This is because as citizens, they are responsible for complying with the laws established by the government, including tax laws. As mentioned by Green (2009 p.232):

"paying taxes may or may not be a patriotic act-that depends on how one defines patriotism. But it is certainly a duty of citizenship."

Green (2009) further posits that, taxes are just like the fuel that runs the engine of liberal democracy. Here it means, for a government to operate, the government needs financial support, and it is the duty of the citizen to pay taxes to the government. This is supported by Martinez (1995 p.540), who mentioned that:

"It is axiomatic that any government needs financial support of its citizens whether voluntarily or involuntarily obtained, to function efficiently or even to function at all.

Even though studies reveal that individuals will try to maximize their own well-being by avoiding tax whenever possible (Allingham & Sandmo, 1972; Srinivasan, 1973), citizens generally meet their citizenship obligations by paying taxes, which goes against their short-term interest. Scholz & Pinney (2016) argue that individuals fulfill their obligations because they have a sense of duty to obey, even if doing so goes against their short-term interest. Frey (1997) also shares a similar perception, arguing that taxpayers who have intrinsic motivation to comply with taxes are driven by their civic virtue. The duty to obey tax laws may depend on whether citizens have a moral duty to comply with the law in general. Psychologist Tom Tyler reports in his book Why People Obey the Law that "citizens seem to view breaking the law as a violation of their personal morality." This view suggests that citizens should obey the law not just because of the law itself, but because of the moral beliefs they subscribe to. Peters (1991) shares a similar view, agreeing that individual citizens do not like taxes, but most accept that taxes are necessary and inevitable (see Freedman, 2004).

Feld & Frey (2002) introduce the concept of civic duty, proposing that citizens are motivated not just by a concern to maximize their own well-being, but by a sense of civic duty. They clarify this concept by suggesting that people are partially motivated by loyalty to their country or state. Orviska & Hudson (2003), on the other hand, argue against Stiglitz's (1986) theory that people could theoretically avoid all taxes. They believe that this is unlikely because some people would still choose to pay taxes out of a sense of civic duty.

A number of studies have explored the concept of civic duty or the duty of a citizen in relation to tax compliance (Martinez, 1994; Orviska & Hudson, 2003; Scholz & Pinney, 2016). In Orviska and Hudson's study (2003), the concept of civic duty was incorporated into the analysis of tax evasion. The empirical work was based on survey data from the British Social Attitudes Survey, which included a wide range of questions on attitudes. The regression results showed that the sense of civic duty tends to have a primary impact on tax evasion.

Another significant study that examined the relationship between duty, fear, and tax compliance was conducted by Scholz & Pinney (2016). The authors tested the hypothesis that citizens' beliefs about their duty to obey state laws are influenced by the information they process and their judgments about the fear of getting caught and being punished. The results revealed that the risk of being caught is more closely related to the duty to pay taxes.

Nor Raihana Mohd Ali and Pope (2014) found that in the Malaysian context, religiosity has an influence on compliance behavior, and taxpayers' strong sense of civic duties and responsibilities to contribute to others are the main reasons for paying taxes. While this study focuses specifically on the role of religion, it sheds new light on the role of civic duties in compliance behavior. Moreover, few studies have examined the relationship between civic duties and compliance behavior in the Malaysian context. Therefore, this study aims to fill this gap by analyzing the effect of civic duties as a proxy for the role perception variable in the MARS model of individual behavior and performance.

2.8.5 The Influence of Situational Factors on Tax Compliance

Situational factors are another highlighted factor mentioned in the MARS model of individual behaviour and performance. These are the domains from the external environment that might influence one behaviour. In discussing the influence of situational factors on tax compliance behaviour, some studies have attempted to identify the relationships (Song & Yarbrough 2016; Trivedi et al.,2003).

In Song & Yarbrough (2016), situational factors were investigated together with legal environment factors and tax ethics and opportunity factor. These factors are tested against tax compliance behaviour. For situational factors, the researchers include variables like level of income, unemployment rate, tax rates, and the effectiveness of tax administration agencies.

In the study of Kirchler (2016), the researcher mentioned that the social-psychological model proposed by Weigel et al. (1987) and Webley (1991) includes situational instigation and situational constraints as part of the framework of the model. Situational instigation includes factors such as financial strain and social norms, while situational constraints include the opportunity to evade, legal rigor of tax investigations and fines, social controls, and social disapproval of evasion.

Hays (2000) and Trivedi et al. (2003) are two studies that examined the influence of situational variables on tax compliance behavior. Hays included overall attitude towards paying income taxes, law changes, moral intensity, expectations of audit, and additional Inland Revenue Service assessments as situational variables. On the other hand, Trivedi et al. used a laboratory experiment with monetary incentives to examine the impact of situational factors such as the presence or absence of audit, tax inequity, and peer reporting behavior on tax compliance behavior.

Past studies have proved that situational conditions are also a significant predictor towards the behaviour to comply with tax, which is in contrast with the standard Economic Utility theory that assumes an individuals' preferences not to pay taxes. These past studies are in agreement with other behaviourist that identifies other possible reasons that induce taxpayers to evade, like in these cases, situational conditions is another possible reason for tax evasion. However, there remains a paucity of studies investigating situational factors as moderator in the prediction of tax compliance behaviour. Therefore, the present study aims to fill the gap by analyzing situational factors as moderator in understanding tax compliance behaviour.

By referring to the past studies, there are some factors proxies to situational factorsthat are commonly agreed by past researchers. For example, financial strain or level ofincome (See, for example, Kirchler, 2016; Song & Yarbrough, 1978), presence or absence of audit (See, for example, Hays, 2000; Trivedi et al., 2003) and peer reporting behaviour or social controls (See, for example, Kirchler, 2016; Trivedi et al.,2003). However, the present study will only concentrate on the financial strain and peer reporting behaviour or social controls.

Weigel et al, (1987) and Webley et.al., (1991) as cited in Kirchler, (2016) suggested a socio-psychological model to explain the evasion behaviour based on various frameworks proposed by Groenland & Van Veldhoven (1983); Song & Yarbrough (1978); Spicer (1975) and Strumpel, (1969) agreed that financial strain is an important determinant to evasion behaviour. Meanwhile, concerning peer influence, Alm, Bloomquist & Mckee, 2017, Jackson & Miliron (1986), and Richardson & Sawyer (2001) confirmed in their review that, peer influence constitutes an important link with tax compliance behaviour. Taxpayers who have peers that refuse to be compliant with likely to also engage in such behaviour. Furthermore, peers influence as a determinant to tax compliance behaviour is an area that is still yet to be closely investigated.

Thus far, too little attention has been paid to these two variables especially in the context of Malaysian taxpayers. Therefore, the present study provides an opportunity to advance the understanding of financial strain and peer reporting behaviour as proxies to situational factors in predicting taxpayers' behaviour to comply with the tax law.

2.8.5.1 Financial Strain in Influencing Tax Compliance Behaviour

The first situational factor examined in this study is financial strain. Several studies have explored the relationship between financial strain and tax compliance behavior. Overall, past studies have presented uncertain evidence on the association between financial strain (or, in some other studies, financial satisfaction, financial condition, and economic hardship) and compliance behavior.

Financial strain is believed to predict tax compliance behavior when individuals face financial distress that requires them to prioritize their individual needs. When facing financial distress, an individual may choose to fulfill their basic individual needs instead of paying taxes (Mohd Rizal Palil, 2010). This view is consistent with the perspective of Torgler (2003a), who suggested that individuals experiencing financial dissatisfaction might feel distressed when they have to choose between paying taxes and achieving their desired financial state. Bloomquist (2003) highlights the two primary categories of taxpayer stress, one of which is financial strain.

Research on the influence of financial strain on taxpayers' compliance behavior began as early as 1997, with studies by Besley, Preston, & Ridge (1997) and Wearing & Headey (1997). The former study examined the case of a poll tax in England and found that economic hardship was a factor in non-compliance, while the latter study found no evidence to support financial strain as a justification for tax evasion. By the early 2000s, there was increasing interest in this topic. Torgler, for example, conducted over ten studies that included the financial satisfaction domain. In one such study, Torgler (2003c) used World Values Survey (WVS) data from Canada and found that financial satisfaction had a significant positive effect on tax morale, while higher income had a negative effect. The coefficients for financial satisfaction showed that an increase of one unit raised the share of individuals showing the highest tax morale by around 3 percentage points. In 2004, Torgler (2004b) analyzed micro-data of individuals throughout Asia using WVS data and found that if a household's financial situation was poor, tax payments might be seen as a hard restriction on their ability to pursue other options. That same year, Torgler and his associates, Alm (2004), examined individuals in Spain and the US using WVS data, and then extended the multivariate analysis to 14 other countries with representative national samples consisting of at least 1000 individuals in each country. The study reported that higher financial satisfaction leads to higher intrinsic motivation to pay taxes. A similar result was found in Torgler (2005), which used two data sets (WVS and Latinobarometro) and covered 10 countries (1995-1997), including Puerto Rico and the Dominican Republic.

Torgler conducted additional studies in 2006 (Torgler, 2006; Torgler & Schneider, 2006). In Torgler (2006), he used WVS data from 40 societies around the world and found that an increase in financial satisfaction by one unit increased the share of individuals who argued that tax evasion is never justifiable by around 1.3 percentage points. Similarly, using the WVS data set together with the European Values Survey in Switzerland, Belgium, and Spain, financial satisfaction also showed a positive effect on tax morale. Overall, all of Torgler's analyses on the influence of financial satisfaction on tax morale produced the same result: financial satisfaction has a positive effect on tax morale.

In recent years, several authors have attempted to analyze the determinants of financial strain in predicting tax compliance behavior (Alabede, Zaimah Zainol Ariffin, & Kamil Md Idris, 2011; Lago-Peñas & Lago-Peñas, 2010; Mohd Rizal Palil, 2010). Mohd Rizal Palil (2010), through a national mail survey throughout Malaysia, concluded that taxpayers who face personal financial problems are more prone to evade taxes, which is consistent with previous studies. Similarly, Lago-Peñas & Lago-Peñas (2010), who utilized second-wave data from the European Social Survey (ESS), reported similar findings. A slightly different study was carried out by Alabede et al. (2011), where the financial condition of individual taxpayers was analyzed as a moderating role in taxpayers' attitude and compliance behavior. In contrast to earlier findings, this study revealed that financial condition is not a significant moderator of taxpayer attitude and compliance behavior.

The previous findings suggest that financial strain is an important factor in predicting tax compliance behavior, but the impact of financial strain on tax compliance is not entirely clear. As a result, the current study aims to evaluate the role of financial strain as a situational factor in tax compliance behavior.

2.8.5.2 Peer Reporting Behaviour in Influencing Tax Compliance Behaviour

The second proxy for situational factors in this study is the reporting behavior of peers. Peer effects have been proven to be an influential contributor to the behavior of others. Numerous studies across disciplines, such as the influence of peers towards delinquency (see, for example, Warr & Stafford, 1991), adolescent smoking behavior (see, for example, Gecková et al., 2005), substance use (see, for example, Andrews, Tildesley, Hops, & Li, 2002), and youth violence (see, for example, Ferguson, San Miguel, & Hartley, 2009), have demonstrated the significance of the influence of peers on behavior. In tax studies, the effects of peers have been examined in several studies (see, for example, Chan et al., 2000; Kahan, 1997; Lefebvre, Pestieau, Riedl, & Villeval, 2011; Luttmer & Singhal, 2014; Wakolbinger & Haigner, 2009). These studies have referred to peer influence as peer effects (see, for example, Lefebvre, Pestieau, Riedl & Villeval, 2011; Luttmer & Singhal, 2014), peer influence (see, for example, Chau & Leung, 2009), social influence (see, for example, Kahan, 1997; Lefebvre et al., 2011), or reference group influence (see, for example, Coleman & Freeman, 2002), which refers to the influence of others on one's behavior. In Jackson & Miliron's (1986) study, peers are usually referred to as taxpayers' associates, which include friends, relatives, and colleagues. Therefore, this paper will use this definition of peers throughout this dissertation.

The importance of peers in tax compliance or tax evasion behavior has been highlighted in a systematic review study by Jackson & Miliron (1986) and later by Richardson & Sawyer (2001). These studies found a significant relationship between tax compliance and peers' influence, with taxpayers who engage with non-compliant peers being more likely to adopt similar behavior. Kirchler (2007) also emphasized the impact of the group a taxpayer is associated with on their tax compliance behavior. Moreover, research by Guala and Mittone (2010) demonstrated that taxpayers are influenced by the behavior of their peers, and that this influence is stronger in contexts where taxpayers have weaker social ties to institutions and authorities. In addition, a study by Kirchler et al. (2008) found that social norms related to tax compliance have a significant impact on taxpayers' behavior, and that these norms are shaped by the taxpayers' social environment, including their peers.

The Fischer Model, within the attitudes and perception domain, acknowledges the impact of peers on tax compliance behavior. Torgler (2003b) introduced the concept of the "social taxpayer," referring to taxpayers who are influenced by social norms and are more likely to pay taxes if they perceive others to be doing the same. This aligns with Frey's (2006) study that examined pro-social behavior and tax morale using survey data from the European Values Survey (EVS) 1999/2000. The results indicated that taxpayers' perception of others' behavior significantly affects their tax compliance behavior. If taxpayers believe that tax evasion is common, tax morale decreases, but if they believe others to be honest, tax morale increases.

In a laboratory experiment conducted by Trivedi et al. (2003), it was confirmed that peer reports can influence subjects' compliance decisions. The experiment involved students from a Canadian university. Wakolbinger & Haigner (2009) analyzed another experiment that revealed the strong impact of peers on compliance behavior. The researcher conducted four experimental treatments on 40 respondents and found that providing information about peers reduces tax compliance significantly. The researcher established these findings by comparing compliance rates of respondents who did not have access to any information about the behavior of others with those who were either informed about the compliance rates from peers or who received advice from a peer group that had participated in the experiment before.

In the study by Luttmer & Singhal (2014), peer influence is seen as a form of tax morale mechanism. It is considered a channel through which tax morale operates. The researchers believe that peers' compliance directly affects an individual's own compliance, as individuals may wish to conform to others' behaviour. On the other hand, the study by Chan et al. (2000) indicates that peer acceptance in tax compliance is more prevalent in a collectivist culture. This is consistent with the findings of Alm, Bloomquist, & Mckee (2016), who found a significant impact of neighbors on individual filing and reporting decisions.

While the majority of studies have found a significant relationship between tax compliance behaviour and peers' influence, the studies of Hite (1988) and Elffers (1991) provided different findings. Hite (1988) examined the role of peer compliance in shaping tax behaviour among Americans through survey and experimental measures. The results showed that peer compliance was significantly and positively related to self-reports of past noncompliance, but not to the experimental measure. Similarly, Elffers (1991) studied the Netherlands and found that higher perceptions of peer non-compliance were significantly and positively related to taxpayer noncompliance, but only for self-reports of past non-compliant behaviour. The findings confirmed that peers had no effect on compliance behaviour where an experimental measure of hypothetical compliance was used.

The Theory of Planned Behaviour (Ajzen, 1991) also mentions the predictor of peers' influence as subjective norms. In this theory, subjective norms refer to the influence of important others on the intention to perform a behaviour since an individual's belief is formed from the belief of people important to them. Several researchers have adopted this theory and examined the influence of peers on compliance behaviour (See, for example, Bobek & Hatfield, 2003; Suhaila Abdul Hamid, 2014; Natrah Saad, 2011; Smart, 2013). All of these studies confirmed peers' influence as a predictor of compliance behaviour, with a small effect found in the studies of Suhaila Abdul Hamid (2013), who tested it on tax practitioners, and a significant influential predictor in the study of Natrah Saad (2010) and Smart (2013).

Wenzel (2004) attempted to relate the influence of peers to self-categorization theory in his study. According to him, members of the same social category hold similar views and perceptions, making people more likely to be influenced by others who are considered a member of one's self-category. Such influence means that the views and behavioral tendencies of fellow group members are internalized as one's true personal convictions. In contrast, if the influence source is not considered part of one's self-category or group with which one identifies, there is no expectation to agree because "they are different." These studies adopt data from The Community, Hopes, Fears and Actions Survey (Braithwaite, et al., 2001). The results confirmed that people are strongly influenced by the group of people to whom the norms are attributed. When one identifies oneself with a group, the group becomes one's reference. One expects to agree with other members and is motivated to bring one's behavior in line with the prototypical behaviors, norms, and values of this self-category (Turner, 1987).

It is important to note that while there is a significant body of research supporting the influence of peers on tax compliance behaviour, there are also studies that have found little to no effect of peer influence on compliance behaviour.

Nonetheless, the overall consensus in the literature indicates that peers' influence is an important predictor of tax compliance behaviour, and it is crucial to consider this factor when designing tax compliance policies and interventions. By understanding the mechanisms through which peers influence behaviour, policymakers can develop strategies that utilize social norms and group dynamics to encourage compliance behaviour and deter tax evasion.

2.8.6 The Influence of Religion in Tax Compliance Behaviour

As discussed previously, the MARS model of individual behaviour and performance, suggested by McShane & Glinow (2005), establishes a link between the variables of motivation, ability, role perception, and situational factors towards an individual's behaviour. The present study aims to validate a link between all these factors and tax compliance behaviour. In addition, this study attempts to explore the effect of an additional construct, religion, on tax compliance behaviour.

The definition of religion has been proposed widely across the globe. One of the earliest definitions was suggested by Tylor (1871) in his minimum definition but is still relevant: "the belief in spiritual beings." Another renowned definition was proposed by Durkheim (1912), who defined religion as "a unified system of beliefs and practices relative to sacred things, i.e., things set apart and forbidden – beliefs and practices which unite into one single moral community called a Church, all those who adhere to them." Another relevant definition was coined by Worthington et al. (2001), who describe religiosity as "the degree to which a person adheres to his or her religious values, beliefs, and uses them in daily living."

Religion includes a belief in the right behaviour and forms habits of thought common to all human beings (Torgler, 2003d). Individuals with high religious values are expected to prevent negative attitudes and encourage positive attitudes (Nor Raihana Mohd Ali & Pope, 2014). This is in line with some studies that have confirmed the influence of religiosity on deviant behaviour conduct (see, for example, Cochran et al., 1988; Rostosky et al., 2004; Stack et al., 2004). This concept has been mentioned in Rational Choice Theory. Religious people would anticipate a reduction in deviant behaviour, and highly religious people would face psychological shame by committing any deviant conduct. Furthermore, Adam Smith (1976) in his Theory of Moral Sentiments also mentioned religiosity from a rational point of view and noted that religiosity acts as a kind of internal moral enforcement mechanism (for a broad discussion, see Anderson, 1988). As such, religion socializes people in such a way as to discourage deviant behaviour (Stack & Kposowa, 2006). Tittle & Welsch (1983) in their study on the influence of religiosity on deviant behaviour included tax evasion as part of deviant behaviour, along with theft, illegal gambling, pot-smoking, and assault.

In Islam, it is compulsory for Muslims to give ‘zakat’, while in Christianity, followers must give tithe. It is a form of donation to help the needy, as they believe that by helping others through giving, they will receive more blessings from God. In Kitab Al-Imara (The Book on Government), a translation of Sahih Muslim, Chapter 8 discusses the topic of obedience to the ruler (Abdul Hadi Siddique, 2005). It has been narrated on the authority of Abu Huraira that the Messenger of Allah (May peace be upon him) said: "It is obligatory for you to listen to the ruler and obey him in adversity and prosperity, in pleasure and displeasure, and even when another person is given (rather undue) preference over you" (page 4524). A similar concept can be applied to the responsibility of paying taxes. Apart from a responsibility to God, individuals also have an obligation towards their country. To ensure the country prospers and develops, individuals must contribute to income tax.

Among the earlier studies that examined the effect of religiosity on tax compliance behavior are those reported by Tittle & Welsch (1983) and Grasmick, Kinsey, & Cochran (1991). In Tittle & Welsch (1983), the relationship between religiosity and nine types of deviant behavior, including tax evasion, among a sample of juveniles was examined. The findings revealed that individual religiosity appears to inhibit deviant behavior, including tax evasion, most effectively in environments characterized by general normative ambiguity, low social interaction, and a relatively high proportion of religious non-affiliated individuals. On the other hand, Grasmick et al. (1991), via a sample of adults from the Oklahoma City Survey, examined the effect of religion on compliance with the law among adults. Data were collected on three offenses: theft, cheating on one's income taxes, and littering, and the findings confirmed that religion promotes compliance with the law.

Extensive research has been conducted by Torgler to examine the effect of religiosity on tax compliance behavior. He used data from various sources, such as the World Values Survey (WVS) and European Values Study (EVS), to cover a wide range of study areas, including Canada, Switzerland, Belgium, Spain, the United States, Turkey, and various Asian countries. The findings of these studies consistently showed that religiosity had a positive impact on taxpayers' morale.

Another study by Richardson in 2008 analyzed the impact of religious variables on tax evasion across 47 countries. The results showed that the level of religiosity was inversely related to tax evasion. This finding was consistent with Stack & Kposowa's study in 2006, which also used data from the WVS in 36 nations to examine the impact of religiosity on tax fraud acceptability (TFA). The results of this study showed that the higher the level of religiosity, the lower the level of TFA.

Tekeli (2011) also included religiosity in his comparative tax morale analysis between Turkey and Japan. The findings showed that in Turkey, religiosity was positively correlated with tax morale, while in Japan, there was a negative correlation. In another comparative study conducted by Tekeli in 2013, which included the religiosity domain in analyzing tax morale in Turkey and Italy, the study concluded that tax cheating was considered immoral for religious individuals in Turkey but not in Italy.

To the researcher's knowledge, there are limited studies that examine the influence of religion on tax compliance behavior in the context of Malaysia (for example, Mohd Rizal Palil et al., 2013; Nor Raihana Mohd Ali & Pope, 2014). Both studies confirmed the link between religion and tax compliance behavior. The study by Mohd Rizal Palil et al. (2013), which surveyed individuals pursuing an MBA program, confirmed that religious values play a significant role in tax compliance behavior. In contrast, the study by Nor Raihana Mohd Ali & Pope (2014) found a minimal but statistically significant positive impact between religion and tax compliance behavior. Given these limited studies that have analyzed religiosity as part of the construct of individual tax compliance behavior and the mixed evidence found in the Malaysian context, the present study is relevant to confirm previous evidence.

2.8.7 The Influence of Ethical Sensitivity in Influencing Tax Compliance Behaviour

As discussed in the previous section, the original MARS model of individual behaviour and performance (McShane & Von Glinow, 2005) consists of four elements, which are motivation, ability, role perception, and situational factors. This study attempted to analyze the relation of all these variables towards predicting tax compliance behaviour. In addition to the four variables, the study also attempts to extend another two variables to be tested towards tax compliance behaviour, namely religiosity and ethical sensitivity. The previous section has reviewed relevant literature on religiosity; hence the current section is therefore to preview some relevant past studies on ethical sensitivity and tax compliance behaviour.

Before discussing the concept of ethical sensitivity and its influence on tax compliance behavior, it is essential to understand the concept of ethics. Oxford Dictionary defines ethics as moral principles that govern a person's behavior or the conducting of an activity. Pojman & Fieser (2017, pg. 2) provide another definition of ethics: "Ethics is a branch of philosophy that deals with how we ought to live, with the idea of the Good and with concepts such as 'right' and 'wrong.'" Many definitions of ethics are consistent with one another, as they revolve around the idea of moral principles, good and bad, and right and wrong.

Ethical sensitivity, on the other hand, refers to an individual's ability to recognize and interpret ethical issues and dilemmas. Treviño and Weaver (2003) define ethical sensitivity as "the degree to which an individual is capable of recognizing the presence and nature of ethical issues" (p. 417). It is an important concept in the study of ethics and decision-making, as individuals who are more ethically sensitive are more likely to recognize and respond to ethical dilemmas in an appropriate manner. In the context of tax compliance behaviour, ethical sensitivity may influence an individual's decision to comply with tax regulations and avoid engaging in tax evasion or fraud. The more ethically sensitive an individual is, the more likely they are to recognize the importance of paying taxes and the negative consequences of non-compliance.

The decision to pay taxes involves ethical judgment, which requires individuals to choose between what is right and what is wrong. This idea has been acknowledged by Jackson & Miliron (1986) in their review of prior tax compliance studies, and later by Richardson & Sawyer (2001), who both confirmed ethics as a variable influencing taxpayer compliance. Another argument by Alm & Torgler (2012) suggests that taxpayers are not always self-interested individuals, as portrayed in the neo-classical paradigm. There are many other factors that can help explain an individual's compliance behavior. Furthermore, individual ethics vary across individuals, which may explain the differences in tax compliance decisions among individuals.

Realizing the significance of ethics as another possible dimension in understanding the tax compliance framework, some studies have investigated the importance of ethics in tax compliance. Some researchers investigated ethics with tax compliance behaviour, while some others attempted to correlate tax ethics with other variables. There are also some studies whose primary objective is to reveal whether tax evasion is ethical or unethical, and there are studies that aimed to identify the level of tax ethics.

One of the earlier studies aimed at identifying the level of tax ethics was conducted by Song & Yarbrough (1978) in North Carolina. Using surveys as the instrument, the study found that the level of tax ethics was "barely passing" with a score of 60.3 out of 100. Reckers et al. (1994) conducted an empirical study that examined the influence of ethical beliefs on tax compliance decisions. The study found that tax ethics are highly significant in tax evasion decisions. Another study conducted in the 90s by Ghosh & Crain (1995) was an experimental study that utilized undergraduate business students from major US universities. The study reported that taxpayers with more ethical standards are less likely to intentionally underreport their taxes, while those with lower ethical standards are more likely to intentionally underreport and risk being audited and penalized.

In a similar vein, Trivedi (2003) tested moral reasoning (also be referred to as ethical measures) on tax compliance. This laboratory experimental study employed Defining Issues Test (DIT) as its measurement. The research was conducted in a Canadian university also using students as its subjects. The findings reveal that moral reasoning is significant in predicting tax compliance behaviour.

Besides moral reasoning, ethics has also been examined with other variables. For instance, in the work of Yetmar & Eastman (2000), five variables were tested against ethical sensitivity, which are role conflict, role ambiguity, job satisfaction, professional commitment, and ethical orientation. The data was collected from a sample of tax practitioners registered with the American Institute of Certified Public Accountant designation. The findings revealed that only job satisfaction influenced tax ethics. Doyle et al. (2013), who also used tax practitioners as their sample, investigated the role of firm size in tax ethics. This study, which employed interviews and surveys using the DIT test, indicated that tax practitioners recognized that the ethical issues faced by large international firms and smaller, locally based tax practices were different and may be dealt with differently but did not necessarily lead to a different outcome ethically.

Another study that attempted to examine the association of ethics with other variables is by Wenzel (2001), who tested ethics against social norms. Using a large sample of taxpayers, the findings confirmed that social norms are a significant determinant of tax ethics. Another interesting finding drawn from this study is that the level of identification was also significantly correlated with personal ethics. Another study by Wenzel (2005) focused on ethics as a significant predictor of tax compliance. This study utilized a cross-lagged panel analysis for data from a 2-wave survey. With a pool of 7754 samples, the study demonstrated that tax ethics have a significant effect on tax compliance.

A renowned study that examined tax ethics across nations was reported by McGee. The study undertook more than 10 studies across countries (See McGee, 2011;McGee, et al., 2008; McGee & Jain, 2012; McGee & Tyler, 2006; McGee, et al., 2005;Ross & McGee, 2011). The study updated and expanded Martin Crowe

(1944)’sdissertation on 500 years of theological and philosophical debate. He presented the three views on the ethics of tax evasion and developed a survey instrument with 18 statements. Almost all subjects involved are accounting and business undergraduates and graduates. From these studies, most of the findings concluded similar results which is most of the student’s view that tax evasion is ethical in some cases and unethical in some cases. It is worth noting that McGee's studies were conducted with a specific focus on the cultural and religious influences on tax ethics. McGee found that cultural and religious factors had a significant impact on individuals' perceptions of the ethics of tax evasion, with some cultures and religions being more tolerant of tax evasion than others. For instance, McGee found that individuals from collectivist cultures tended to view tax evasion as more acceptable than individuals from individualistic cultures. Furthermore, McGee's studies also found that religiosity played a significant role in shaping individuals' tax ethics, with more religious individuals generally being less tolerant of tax evasion.

In the Malaysian context, only a few studies have attempted to investigate the role of ethics or ethical sensitivity in tax compliance behavior. For example, Singh (1999) investigated the factors that influence ethical decision-making by accountants in a tax compliance conflict situation. The findings confirmed that moral development is a significant interaction variable when it interacts with other variables.

Rosmaria Jaaffar @ Harun et al., (2011) also utilized a sample of students to examine the difference in opinion on tax ethics. However, in this study, the Accounting and Business Studies students were chosen as the subjects. The findings reported that there is a difference in opinion between the accounting students with the business students. The accounting students seem to believe that tax evasion is never ethical. Theng T.D. (2012) also carried out tax ethics study which aims to understand the Malaysian professionals' perception on ethics to tax evasion. A professional group of accountant, lawyer, engineers, and doctor was chosen as the sample of the study. The findings confirmed that Malaysian professionals perceived tax evasion as ethically justified depending on circumstances. Suhaila Abdul Hamid, (2014) undertakes another study that examined ethical sensitivity among Malaysian and New Zealand tax practitioners. The findings reported that there is a difference in ethics perception between Malaysian and New Zealand tax practitioners.

In summary, a number of studies have examined the role of ethics or ethical sensitivity in predicting tax compliance behavior. Ethics has been acknowledged as a significant factor in explaining compliance behavior for the last 40 years, and studies in this area have continued to grow until recent years. Recognizing the importance of ethics in better understanding taxpayer compliance behavior, this study aims to follow this path. However, most of the previous studies have used students as the sample of the study, who are not real taxpayers. Therefore, this study aims to address this limitation by using responses from actual individual taxpayers. The study will use the Multi-Dimensional Ethics Scale (MES), which has been proven to be a significant measurement in tax ethics studies. To the researcher's knowledge, there are limited studies in tax compliance that have utilized this scale to understand taxpayers' behavior, especially in the Malaysian taxpayer context. One study, however, has applied MES to measure ethical sensitivity among tax practitioners (Suhaila Abdul Hamid, 2014). The present study aims to fill this gap by examining ethical sensitivity among Malaysian taxpayers using the MES.

2.9 Conclusion

In this chapter, relevant theories, concepts, and literature reviews are presented to provide a better understanding of the factors that influence tax compliance behavior. The discussion in Chapter 2 forms the framework of the study that will be further explored in Chapter 3.

Based on the literature review, it is evident that tax compliance is a multifaceted issue that has been widely debated from both economic and non-economic perspectives. However, this study adopts a fiscal psychological approach to analyze the determinants of tax compliance behavior among taxpayers. This approach is recommended by previous studies such as Suhaila Abdul Hamid (2014), Smart (2013), and Nor Raihana Mohd Ali (2013) as a combination of economic and behavioral approaches may provide a better understanding of tax compliance behavior.

The present study is unique as it adopts an organizational behavior model that has not been previously used in any tax-related studies. The discussion of all four variables of the models, together with past studies that have adopted the MARS model, has been presented in this chapter.

In associating the model towards understanding tax compliance behavior, the researcher has presented relevant literature on the topic. Some variables of the model have already been examined in the tax context, and the nature of past studies has been discussed in this chapter.

Apart from the original four variables of the model, the study aims to extend it by incorporating two additional significant variables, namely religiosity and ethical sensitivity. The review of past literature on both variables, as well as their influences on tax compliance behavior, has been comprehensively discussed in this chapter.

The conceptual framework, which extends the MARS model, as well as the hypotheses and methodology of the research, will be discussed in Chapter 3.