

## Exploring the Influence of Demographic Characteristics of Malaysian Citizens Towards Tax Evasion

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### Abstract

The higher number of tax evasion cases and increase in the statistics of unpaid tax in Malaysia shows that Malaysian citizens still rationalize that the act of tax evasion as tolerable and acceptable. This study examines the linkages between citizens' of Malaysia attitudes toward tax evasion with their demographic profile. This survey was undertaken in Malaysia, involving a representative sample of 173 of citizens. The scope of this study is limited to the salary earning citizens and retirees only. The salary earning and retirees are chosen as they are the potential taxpayers that may pay tax in future and thus their opinions seem reliable. This study found that Malaysian citizens find it acceptable to evade tax on all sizes of income regardless whether it is "a small part", "a large part", or "all part" of their income. From the demographic profile factor, it was found that only age and nature of employment have a significant difference on the attitudes towards tax evasion. On the other hand, the respondents' gender, level of income and level of education seem to bear no significant difference to their attitudes towards tax evasion. In relation to age, this study found out that older people of above 55 are more opposed to tax evasion compared to citizens in the range of age 25 to 34 and 45 to 54. Such findings are expected as older people tend to become more compliant as they respect the law and the government compared to young people (Ross and McGee, 2011). Secondly, from this study, it appears that retirees are more opposed to tax evasion and there have a two-way tied for the least opposed to tax evasion which is self-employed taxpayers and employers. Retirees might be the ones opposed the most to tax evasion due to their age. Older people tend to respect the authority and law, hence are more averse. Self-employed people might be the ones who are the least opposed to tax evasion that could be due to availability of opportunities to evade tax is larger compared to other groups. In this study, it is also found that employers are the one who are the least oppose to tax evasion. Perhaps, employers earning high income may think that the tax system would reap all their hard work. Besides, employers may perceive that there are too many red tapes that might be a hassle for the employers to comply, thus they tend to evade tax. This study has provided useful insights to facilitate tax authorities in imposing actions and strategies regarding tax evasion.

**Keywords:** Demographic profile; Attitudes towards tax evasion.



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### 1. Introduction

Tax is one of the revenue sources that contribute to the largest income for Malaysian government. Specifically, individual taxpayers play the main roles in contributing to the nation revenue out of other taxes such as petroleum, company, goods and service tax (GST) and etc. Thus, tax compliance is very crucial. Unfortunately, based on the tax audit cases from the Inland Revenue Board Malaysia (IRBM), it was reported that there have been many cases of under-reported income in Malaysia. In year 2012, IRB reported that they managed to solve 1.9 million tax evasion cases amounting to RM2.94 billion (IRBM, 2012). Besides that, IRB reported that over a five year period of 2009 to 2013, the statistics of unpaid taxes including penalties amounted to RM385.83 million (IRBM, 2009).

The increase and the high number of tax evasion cases and the statistics of unpaid tax proved that many Malaysian citizens still rationalize this act as acceptable (Mohamad *et al.*, 2016). Knowing the consequences of tax evasion, the Malaysian tax authority has initiated many strategies to deter tax evasion cases. One of the strategies is the change from the Official Assessment System (OAS) to the Self-Assessment System (SAS) in 2004. The implementation of SAS has significantly changed the taxpayers' responsibility. This system has also improved the efficiency of the taxpayers, since the taxpayers do not need to supply supporting documents and evidences on their

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income and expenses when submitting their tax returns of which was a hassle for the taxpayers to deal with [Palil and Mustapha \(2011\)](#). However, the use of SAS as a tool to overcome the arising cases of tax evasion in Malaysia has not fully demonstrated its effectiveness due to several reasons. First, SAS was implemented to transfer the burden of tax authority to the taxpayers was believed to be providing opportunities for the tax evaders to manipulate their reported earnings in order to reduce their tax liability ([Saad, 2009](#)). Other than that, additional compliance cost such as money, energy and time may be needed in order to learn the new system which pressures taxpayers in complying with tax obligation ([Ningsih et al., 2018](#)). Finally, sanctions imposed on tax evasion cases are modest ([Md. Yusop, 2011](#)), unless if the case involved is serious where the ultimate punishment to the tax evader is imprisonment ([Othman, 2011](#)).

Based on the Theory of Behavioral model, there are two basic norms that may affect citizens' tax compliance attitude towards tax obligation: internal and external ([Helhel and Ahmed, 2014](#)). Internal norms include demographic characteristics of the taxpayers and their perception towards the tax system whilst external norms includes the approach used by the tax authority to deal with the taxpayers, the legal arrangement and the political confidence in public's opinions, among others. Thus, this study intends to explore the influence of demographic factors that trigger the citizens' attitudes towards tax evasion to gauge how Malaysian citizens' respond towards tax obligation.

## 2. Literature Review

### 2.1 Overview of the Malaysian Tax System

The tax system in Malaysia was first introduced by the British colonial in 1948 in the Peninsular Malaysia whilst in Sabah and Sarawak, it was introduced in 1957 and 1961 respectively ([Saad, 2009](#)). Prior to 1967, Peninsular Malaysia, Sabah and Sarawak have its own tax law and have a different Income Tax Ordinance. Thus, the Income Tax Act (1967) was introduced in order to coordinate the ordinance in the Peninsular, Sabah and Sarawak ([Al-Mamun et al., 2014](#)).

When the tax system was implemented, the Malaysian government was using the Official Assessment System (OAS). Under this system, the taxpayers were needed to submit relevant information with regards to their income and expenses to the Inland Revenue Board (IRB) for computation of their tax liabilities.

Since the implementation of the Self-Assessment Tax System (SAS) for salary earning taxpayers, taxpayers were required to self-assess, file and compute the tax liability on their own. The taxpayers are expected to have a basic knowledge in tax in fulfilling their tax obligation and answerable in case of tax audit ([Saad, 2009](#)). With the implementation of SAS, it provides IRB officers more time to do enforcement activities on other issues that are more important such as auditing and investigations ([Sapiei and Kasipillai, 2013](#)). The role of IRB has changed from being a tax assessor to a tax auditor over time. Succinctly, SAS has imposed a new compliance cost to the taxpayers.

### 2.2. Theory of Planned Behaviour (TPB)

[Ajzen \(1991\)](#), develops a theory that proposed a model that measures how human actions are guided and predicted. According to this theory, the intention of an individual may be the best predictor on their behaviour. The intention of an individual to perform an activity or event is determined by three variables namely, attitude, perceived control and subjective norm. As such, attitude can be defined as assessment of ideas, events, objects or people, which can be either positive or negative feelings towards behaviour. Meanwhile, perceived control refers to an individual's belief about an activity or event that might influence his direction of behaviour. In comparison, subjective norm is the normal activity or event that individuals often do given a certain situation. This norm shapes the individual's behavioural intention, which can be divided into two categories which are internal and external norms ([Helhel and Ahmed, 2014](#)).

The perception of taxpayers on a tax system and demographic profile would be considered as internal norm, whilst tax knowledge, tax system and technique, legal arrangements and approach of tax administration to taxpayers would be considered as external norm. Evidence by [Helhel and Ahmed \(2014\)](#) found that the tax penalties and auditing has not act as deterrent factors for tax evaders although both objective are to enhance compliance. Thus, other factors may contribute against tax compliance such as demographic profile of taxpayers such as age, gender, level of education, the tax system and tax administration, the thought of others' attitudes and economics, and political situations.

### 2.3. Attitude Towards Tax Evasion

Attitude is defined as "a mental position with respect to or a feeling or an emotion toward a fact or state" ([John, 2012](#)). Attitude is shaped by the innate motivation to react or to do something ([Torgler and Schneider, 2005](#)). Meanwhile, [Balan \(2013\)](#) defined attitude as an individual's belief on something that he holds which subsequently influence his action. Attitude towards tax evasion is defined as a frame of mind or personality to behave in favourably or unfavourably towards cheating tax law ([Alabede et al., 2011](#)). Evasion, on the other hand, is a wilful act made by the taxpayers to avoid and deceive the tax officers ([Kasipillai et al., 2000](#)), defined tax evasion as a situation where the taxpayers intentionally avoiding the tax liability by using illegal ways that contradict the law. Citizens often tend to rationalize the act of evasion as significantly influenced by how they perceive the crime of tax evasion at large.

Citizens' attitudes towards tax evasion may be influenced by several factors. [Kasipillai and Jabbar \(2006\)](#), stated that non-compliance factors are divided into two categories: tax and non-tax factors. The tax dimension factor is

something that is related to the tax system such as penalty, tax audit and tax complexity among others. The non-tax dimension factor is something outside the tax system such as demographic profile, and government's policy.

In a prior study on Hong Kong citizens' attitudes, [Simmons and Cheng \(1996\)](#) have found that a large scale of tax evasion may not be considered acceptable when they analysed the demographic profile and how the citizens perceived the tax system structure such as fairness and complexity that characterised their attitudes towards tax evasion. Apparently, evasion of small scale out of their income that was below 10% was considered as acceptable for lower income group rather than higher income group.

In another study, [Gupta and McGee \(2010\)](#) examined the link between attitudes toward tax evasion with demographic profile in Australasia and did a comparative study with other countries which are New Zealand and Australia. It was found that graduate students were more tax compliance rather than the undergraduate students. The law major students were more against tax evasion compared to students of other majors such as accounting, medical, business and economics. It may be due to law majors having a greater respect to the law in a country and the government authority. The study also found that tax evasion was similar in New Zealand and Australia.

## 2.4. Demographic Profile

Demographic profile is a structure of a population. After reviewing the related literature, this study focuses on five variables of demographic profile. The variables are age, gender, level of education, level of income and nature of employment that may influence the citizens' attitudes towards tax evasion.

### 2.4.1. Age

Different age may contribute to different perception in tax compliance. Younger people may have different perspectives on how the tax system functions and benefits them compared to older people. Generally, younger people is more aggressive and tend to rebel to express their feelings compared to the older people who rationalize their act before doing something. [Helhel and Ahmed \(2014\)](#), prescribed younger people as risk takers, thus providing bigger potential for the young taxpayers to evade tax. While the young generation were found to be risk takers, the older people were observed to have greater respect towards the authorities and they were expected to be more ethical and compliance with the tax system ([McGee, 2008](#)).

Prior studies have found a significant difference between age and taxpayers' attitudes ([Gupta and McGee, 2010](#); [Helhel and Ahmed, 2014](#); [McGee and Ross, 2014](#)). Further, [Russo \(2013\)](#) indicated that older people were likely to oppose tax evasion compared to young people when the relationship of age and ethical behaviour was further examined by [Perryer and Jordan \(2002\)](#). However, their findings were inconsistent with [Ross and McGee \(2011\)](#) that found no significant difference between age and taxpayers' attitudes. [Simmons and Cheng \(1996\)](#) also found that the respondents' age has no relationship to their attitudes towards tax evasion while [Oberholzer and Stack \(2014\)](#) found that age has a strong relationship towards attitude on tax evasion. Following to the above arguments, first research hypothesis is developed:

*H1a: Attitudes towards tax evasion differs by age.*

### 2.4.2. Gender

Gender consists of females and males, and both genders assumed that their gender is more ethical than the opposite sex ([Kidwell et al., 1987](#)). Females are less likely to report wrongdoers' activities although they know it is against the law compared to men. However, they are no difference in doing delinquent action between both genders ([Jensen and Eve, 1976](#)). This may be due to the possibility that females are more concerned and values the relationship, soft hearted and sympathetic, while males are more concerned about equity, rights and power ([Gilligan, 1993](#)). [Peterson et al. \(2001\)](#), found that men have higher ethical attitudes compared to females. [Gupta \(2009\)](#) examined the difference between gender and the perception of tax evasion as a crime. He found that there was a significant difference between both genders as male did not perceive tax evasion as a serious crime compared to females.

Previous studies have found that women were more significantly opposed to tax evasion compared to men ([Gupta and McGee, 2010](#); [Helhel and Ahmed, 2014](#); [McGee, 2008](#); [McGee and Ross, 2014](#); [Ross and McGee, 2011](#)). Their finding confirmed the findings in [Webley et al. \(1991\)](#) and contradicted to the findings in other studies where found gender did not have any relationship towards the attitudes of tax evasion ([Oberholzer, 2014](#); [Peterson et al., 2001](#); [Simmons and Cheng, 1996](#)). [Al-Mamun et al. \(2014\)](#), stated that there was no statistical difference in tax compliance between the males and females. Thus, this leads to the following hypothesis.

*H1b: Attitudes towards tax evasion differs by gender.*

### 2.4.3. Level of Education

Education is the light of every individual, which may make a difference in their opinions with regard to tax evasion. Knowledge about tax is important as it determines the preferences and attitudes towards tax ([Eriksen and Fallan, 1996](#)). A high level of education may differentiate an individual's behaviour towards another with regards to certain issues. Better-educated people may have a greater understanding on the function of taxation and how the tax system works, and would be expected to be more tax compliance since they have more respect to the law and authority ([McGee and Ross, 2014](#); [Russo, 2013](#); [Simmons and Cheng, 1996](#); [Torgler and Schneider, 2005](#)). [Kasipillai et al. \(2000\)](#), affirmed that knowledge is essential as it increases the level of tax compliance.

However, looking into a different perspective, better-educated people may have a tendency to evade tax. This is due to two factors. First, with the knowledge that they have, they would know the ins and outs on how to evade tax (Torgler and Schneider, 2005). This argument is consistent with Helhel and Ahmed (2014) that stated the increased fiscal knowledge would lead taxpayers to utilise the opportunities for tax avoidance and tax evasion. Secondly, people with higher level of education would have a high tendency of getting a better job and earn more than less educated people. Thus, they would bear more burdens as they have to pay a higher income tax rate. This leads them to feel exploited and thus, lead them to evade tax.

McGee and Ross (2014), found that less educated people opposed more to tax evasion compared to highly educated people. Such results were in contrast with Kasipillai *et al.* (2003) that found that less educated people were more likely to evade tax. Meanwhile, Torgler and Schneider (2005) in their study found that people with higher level of education have lower tax compliance.

Simmons and Cheng (1996) and Cannari and D'Alessio (2007) found no relationship between attitudes on tax evasion and level of education while other studies found a significant difference between level of education with the attitude of the taxpayers in evading tax (Al-Mamun *et al.*, 2014; Oberholzer and Stack, 2014; Ross and McGee, 2011; Torgler and Schneider, 2005). Gupta (2009), examined the relationship between level of education and perception of tax evasion. He found a significant difference between the perceptions of tax evasion as a serious crime with the level of education. His study revealed that people who were more educated perceived the crime as more serious compared to people with lower level of education. Thus, this leads to the following research hypothesis.

**H1c:** *Attitude toward evasion differs by level of education.*

#### 2.4.4. Nature of Employment

There is probability that employment status affects taxpayers' reaction to tax evasion. In this study, the nature of employment are classified into five variables namely, self-employed, employer, employee, unemployed and retired workers.

Self-employed people have a greater chance to evade tax as they can manipulate their deductible deduction and under report their actual income compared to salary earning employees as they have limited conditions that allow them to evade tax due to the consistent income that they earned.

There are several factors that led the self-employed people having a greater chance of evading tax. Russo (2013) indicated that it would be easier for the self-employed people to evade tax because the income received was not subjected to automatic tax withdrawals. Besides that, self-employed people have a greater tendencies to evade tax due to the tax compliance cost that they have to incur which may lead to greater non-tax compliance as they perceive complying with the tax system as burdensome and not worth their money (Simmons and Cheng, 1996; Torgler and Schneider, 2005), while many envisage that there are higher tendencies of self-employed people to evade tax. However, Ross and McGee (2011) found that self-employed people were ranked 2nd place and firmly opposed to tax evasion. The relative ranking might be unexpected, as self-employed people have to submit their tax directly to the government and therefore, have greater opportunity to evade tax. They also found that retired people opposed to tax evasion which could be attributed by their age since older people tend to respect the law and obey the rules compared to the younger generation.

Some studies found significant differences between employment status and attitudes towards tax evasion (Gupta, 2009; McGee and Ross, 2014; Ross and McGee, 2011). McGee and Ross (2014) found that housewives were less likely to do tax evasion, followed by part timers and retired workers, students, self-employed, full time employees and unemployed individuals. Such findings were similar to Ross and McGee (2011) that found highly significant difference in employment status whereby, in their study, housewives represented the group that most opposed to tax evasion while part timers and unemployed people represented the group that least opposed to tax evasion. In contrary, Simmons and Cheng (1996) found that there was no significant difference of the attitudes of taxpayers in different categories of nature of employment. Thus, this leads to the following research hypothesis,

**H1d:** *Attitude towards tax evasion differs by nature of employment.*

#### 2.4.5. Level of Income

The income earned by taxpayers may influence the attitude of the taxpayers to evade tax. There is a close relationship between income earned and the tax evasion attitude of taxpayers (Tabandeh *et al.*, 2012). The main reason why this occurred can be explained by the amount of tax rate imposed by the government. If the increase of income is followed by the increments of tax rate, the taxpayers would become demotivated to pay as part of his hard work was being taken from them. Hence, they tend to find means to avoid or evade the tax, thus leading to the increase in tax evasion. The decrease of tax rate would encourage the taxpayer to pay the tax willingly and hence, decrease tax evasion.

Malaysia has taken many initiatives to combat tax evasion and tax avoidance since its existence. Since the last 10 years, the Malaysian government has reduced the tax rate imposed on the taxpayers in order to motivate them to pay tax. Thus, the income of the taxpayers have negative relationship with tax evasion and the increase of income followed by the lower tax rate would lead to low tax evasion (Tabandeh *et al.*, 2012).

"Economic necessity implies an increased willingness to evade tax as the marginal utility of each tax dollar evaded would be greater for poor than for rich people" (Simmons and Cheng, 1996). This implies that the lower income group tends to rationalize their attitude to evade tax compared to the rich people because of the marginal utility of each dollar from avoiding tax represents a greater amount of money to poor people compared to the rich.

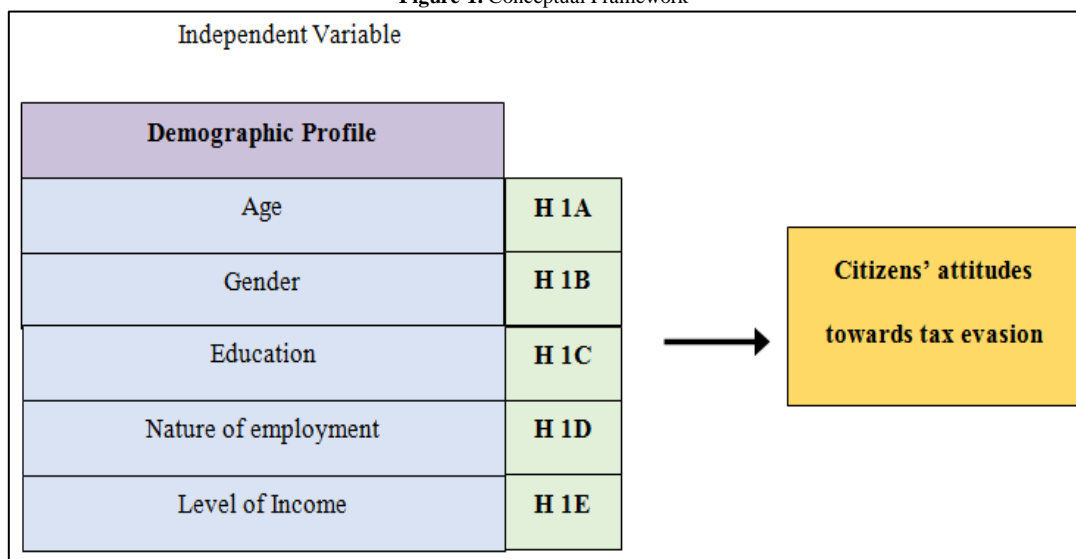
Gupta (2009) and Benk *et al.* (2015) found that there is no significant relationship between the income level and the perception of tax evasion. Meanwhile, Simmons and Cheng (1996) study conducted in Hong Kong found that tax evasion on lower level income group was considered acceptable compared to higher income group. McGee and Ross (2014); Ross and McGee (2011) also found a significant difference between different categories of income but failed to determine the reasons on this occurrence. However, one possible explanation as to why this happen may be because those of a high income level may feel that the benefits that they received is less than the amount of tax that they have paid. Low income earners, in contrary, may have low respect to the authority (Ross and McGee, 2011). Thus, this leads to the following research hypothesis.

**H1e:** Attitudes toward tax evasion differs based on level of income.

### 2.5. Conceptual Framework

Figure 1 presents the conceptual framework of this study. This framework consists of independent variables and dependent variables. The independent variables are demographic profile by age, gender, level of education, nature of employment and level of income. The dependent variable is the attitudes of the citizens towards tax evasion. This study aims to determine the citizens’ attitudes towards tax evasion in Malaysian context.

Figure-1. Conceptual Framework



### 3. Research Methodology

The population of this study is the individual citizens in Malaysia. The targeted respondents are the salary earning citizens and retirees throughout Malaysia. This sample are chosen as they are likely to be involved and have knowledge in decision to pay tax (Badu, 2015). The research instrument in this study is a questionnaire survey. The questionnaire is developed based on adopting a few studies in the literature done by Simmons and Cheng (1996), and Ross and McGee (2011). Section A entails the demographic profile of the respondents. Section B requests the respondents to respond to the questions related to their attitudes towards tax evasion.

### 4. Results and Discussion

This chapter presents the data analyses and discussion on the findings. T-test and ANOVA were used to analyse the acceptance of tax evasion behaviour and the demographic profile that affects the citizens’ attitudes towards tax evasion.

#### 4.1. Descriptive Analysis of Respondents’ Profile

A total of 173 respondents participated in this study. The respondents’ profile includes age, gender, level of education, nature of employment and level of income. Majority of the respondents are aged between 25 to 34 comprising of 54.3%, followed by respondents aged between 35 to 44 which comprise of 22.5%, 7.5% respondents aged between 45 to 54, 6.9% respondents are aged between 15 to 24, 5.2% respondents are aged 65 or above and 3.5% respondents are aged between 55 to 64.

The respondents are dominated by females with a total 55.5% compared to the male respondents, which is 44.5%. The results show that slightly more than half of the respondents have Bachelors degree which comprise of 63.6%, followed by secondary school (16.2%), Masters degree (13.3%) and diploma level (6.9%).

In this study, 63.6% of the respondents are employed, 19.1% is self-employed, 10.4% is an employers, and 6.9% is a retiree. Out of the 173 respondents, 53.8% respondents earn less than RM3,500 per month, followed by 12.7% of the respondents earning between RM3,500 to RM3,999, 11% respondents earn between RM4,000 to RM4,999 and RM5,000- RM 5,999, 6.9% of the respondents earn RM8,000 and above, 2.9% of the respondents earn between RM6,000 to RM6,999 and 1.7% of the respondents earn between RM7,000 to RM7,999.

This study also requested the respondents to state the commencement period of their earning or income as well as the prior tax information. In this study, most of the respondents started to earn their income during the period between 2010 to 2015 which comprise of 42.8%, followed by 32.9% respondents earning between 2000 to 2009, while the remaining started to earn their income in the year 1999 and below, which comprises of 24.3% respondents.

## 4.2. Citizens' Attitudes Towards Tax Evasion

The measurement of the dependent variable is adopted from [Simmons and Cheng \(1996\)](#) from the article "*Citizens' Attitudes towards Tax Evasion in Hong Kong*", which requested the citizens' opinion on the acceptability of tax evasion of Malaysian citizens on three sizes of tax evasion, which are "a small part", "a large part", and "all part" of their income. These three items were measured using a 4-point Likert Scale ranging from very unacceptable (1); unacceptable (2); acceptable (3) and very acceptable (4). These three questions of acceptance of tax evasion were measured using statistic of frequency in obtaining the mean score and standard deviation. These statistics were then used for the purpose of data analysis. One sample T-test was conducted to test whether there is any significant difference between the mean scores on the acceptance of tax evasion based on the sizes of income.

[Table 4.1](#) presents the results on analysing citizens' attitudes towards tax evasion. The results show that the Malaysia citizens find it acceptable to evade tax on all sizes of income whether "a small part", "a large part", or "all part" of their income. The mean score for each acceptance on tax evasion on (a) all income (ATT 1) is 2.07, (b) large part of income (ATT 2) is 2.28, and (c) small part of income (ATT 3) is 2.76 which is more than 2. The overall mean score is above 2 points that can be accepted as "acceptable" than to be "unacceptable". However, evading a small part (under 10%) of income is considered more acceptable compared to a large part of the taxpayers' income and all of their income.

To get further evidence, one sample T-Test was conducted. Based on [Table 4.2](#), one sample t-test shows that there is a statistically significant difference between acceptance of tax evasion based on the size of income with  $t(172)=30.93$ ,  $p<0.001$  for ATT1,  $t(172)=33.635$ ,  $p<0.001$  for ATT2,  $t(172)=41.597$ ,  $p<0.001$  for ATT3 of which their p-value is below 0.05. Such result is inconsistent with [Simmons and Cheng \(1996\)](#) that found their respondents found it acceptable to evade tax only on a small part (under 10% ) of their income.

**Table-4.1.** Acceptance of Tax Evasion

	Variable	Mean	Stan. Dev
A taxpayer evade tax on			
a) all of his income	ATT 1	2.07	0.880
b) A large part of his income	ATT 2	2.28	0.893
c) A small part (under 10%) of his income	ATT 3	2.76	0.874
Mean Acceptance of Tax Evasion		2.37	0.882

**Table-4.2.** One Sample Test- Acceptance of Tax Evasion

	t	df	P-value	Mean difference
A taxpayer evades tax on				
a) all of his income	30.933	172	0.000	2.069
b) a large part of his income	33.635	172	0.000	2.283
c) a small part (under 10%) of his income	41.597	172	0.000	2.763

## 4.3. Independent Sample T-Test and Anova Analysis

An independent sample T-test and One-way Analyses of Variance (ANOVA) were conducted to examine whether there is any significant difference between the independent variables (demographic factor) and dependent variable. Independent sample T-test was used to test Hypothesis 1b since the independent variable has only 2 groups. Meanwhile, the ANOVA is suitable to compare the mean score if the independent variable has more than 2 groups ([Field, 2013](#)). ANOVA was used to test the research hypothesis 1a, 1c, 1d and 1e.

### 4.3.1. Age

ANOVA test was conducted to examine whether there is any significant difference between age group in relation to the citizens' attitudes towards tax evasion. Based on the descriptive analysis in [Table 4.6](#), it shows that old citizens aged between 65 or above are more opposed to tax evasion (mean score=3.3), followed by younger citizens aged between 15 to 24 (mean score=6.0), 35 to 44 (mean score=7.00), 25 to 34 (mean score=7.4), and 55 to 64 (mean score=8.0). The respondents aged between 45 to 54 (mean score=8.3) is the least that opposed tax evasion.

A Homogeneity of Variance Test was conducted using the Levene's test to determine whether the equal assumption has been met ([Field, 2013](#)). Based on [Table 4.4](#), the result shows that the p-value is less than 0.05 ( $p=0.035$ ). This shows that the equal variance assumption was violated. Thus, Robust Tests of Equality of Means using Brown-Forsythe and Welch procedure was used to check the F-ratio ([Field, 2013](#)).

**Table-4.3.** Descriptive Analysis: Ranking By Age- Citizens Attitude Towards Tax Evasio

Rank	Age	Mean	Std Dev.	n
1	55 or above	5.2	12.65	15
2	15-24	6.0	2.37	12
3	35-44	7.0	2.08	39
4	25-34	7.4	2.33	94
5	45-54	8.3	1.55	13
Significant Differences in Mean Score				
		p value		
25-34 v. 55 or above		0.045		
45-54 v. 55 or above		0.007		

**Table-4.4.** Test Homogeneity of Variances

Levene Statistic	df1	df2	Sig
1.577	4	168	0.183

Based on Post-hoc Games–Howell tests, it reveals statistically the significant differences between citizens aged between 15 to 24 and 65 and above ( $p=0.030$ ), 25 to 34 and 65 and above ( $p=0.00$ ), 35 to 44 and 65 and above ( $p=0.00$ ), 45 to 54 and 65 and above ( $p=0.00$ ) as well as 55 to 64 and 65 and above ( $p=0.002$ ) because their p-value is less than 0.05. There are no significant differences between the other groups since ( $p>0.05$ ) (Field, 2013).

In sum, the results indicate that there is a significant difference between age and citizens' attitude towards tax evasion  $F(5, 27.34) = 23.89$ ,  $p<0.001$ . The result is consistent with previous studies (Gupta and McGee, 2010; Helhel and Ahmed, 2014; McGee and Ross, 2014; Oberholzer and Stack, 2014). Multiple comparison result shows that there is significant difference between citizens whose aged 65 and above with all other range of age. This indicates that older people are more opposed to tax evasion than young people because they have more respect to the law and government and more ethical. Such result is consistent with Ross and McGee (2011) study. Hence, research hypothesis 1a that states citizens' attitudes towards tax evasion differ by age is supported in this study.

#### 4.3.2. Gender

Based on Table 4.5, the Levene's test was conducted to determine whether the assumptions of equal variances have been met. For the Levene's Test, the p value  $> 0.05$  ( $p=0.3$ ), thus the assumptions of equal variances have been met. This study then proceeded to performing a T-test for Equality of Means. The result shows the p-value  $> 0.05$  ( $p= 0.802$ ) which reveals that there is no significant difference between the males and the females ( $t=-0.252$ ,  $df=171$ ,  $p>0.05$ ). This result is consistent with previous studies (Al-Mamun et al., 2014; Oberholzer and Stack, 2014; Simmons and Cheng, 1996). Such findings could be due to the same perception towards the tax system by both genders. Hence, research hypothesis 1b that states citizens' attitudes towards tax evasion differ by genders is rejected in this study.

**Table-4.5.** Independent Samples Test

	Levene's Test		T-test for Equality of Means		
	F	Sig.	t	df	Sig.
Equal variances assumed	1.080	.300	-.252	171	0.802

#### 4.3.3. Level of Education

A One-way Analyses of Variance (ANOVA) test was conducted to examine whether there is any significant difference between levels of education group in relation to the citizens' attitudes towards tax evasion. The descriptive analysis in this study shows that citizens who have a Masters degree opposed more to tax evasion (mean score=6.5), followed by those with diploma (mean score=6.8) and Bachelors degree (mean score=7.0). Citizens with secondary school level of education is the least to oppose to tax evasion (mean score=8.1).

A Homogeneity of Variance Test was conducted using Levene's test to determine whether the equal assumption has been met (Field, 2013). Based on Table 4.6, the result shows that p-value is more than 0.05 ( $p= 0.359$ ). This shows that the equal variances assumption has been met. Thus, ANOVA analysis was used to check the F-ratio.

**Table-4.6.** Test Homogeneity of Variances- Level Of Education

Levene Statistic	df1	df2	Sig
1.079	3	169	0.359

Based on the ANOVA analysis in Table 4.7, the results reveal that there is no significant difference ( $p>0.05$ ) between level of education and citizens' attitudes towards tax evasion which  $F(3, 169) = 2.531$ ,  $p=0.059$  at alpha ( $\alpha$ )

5% level of significance. The post hoc test was conducted in order to identify which groups differ significantly. The suitable post hoc tests is Gabriel procedure as the sample size for each group is slightly different (Field, 2013). Based on Table 4.8, Post-hoc Gabriel Table tests revealed no statistically significant differences between groups since ( $p > 0.05$ ).

**Table-4.7.** Anova: Level Of Education And Citizens Attitudes Towards Tax Evasion

	Sum of Squares	Df	Mean Square	F	Sig
Between Groups	41.35	3	13.784	2.531	0.059
Within Groups	920.336	169	5.446		
Total	961.688	172			

**Table-4.8.** Multiple Comparison-Level of education

(I) Level of Education	(J) Level of Education	Mean Difference (I-J)	Std. Error	Sig.	95% Confidence Interval	
					Lower Bound	Upper Bound
Secondary School	Diploma	1.39286	0.80517	.387	-.7044	3.4901
	Bachelor's Degree	1.11558	0.49396	.106	-.1328	2.3640
	Master's Degree	1.66460	0.65671	.070	-.0807	3.4099
Diploma	Secondary School	-1.39286	0.80517	.387	-3.4901	0.7044
	Bachelor's Degree	-0.27727	0.70945	.998	-1.9634	1.4088
	Master's Degree	0.27174	0.83102	1.000	-1.9112	2.4547
Bachelor's Degree	Secondary School	-1.11558	0.49396	.106	-2.3640	0.1328
	Diploma	0.27727	0.70945	.998	-1.4088	1.9634
	Master's Degree	0.54901	0.53505	.852	-.7851	1.8832
Master's Degree	Secondary School	-1.66460	0.65671	.070	-3.4099	0.0807
	Diploma	-0.27174	0.83102	1.000	-2.4547	1.9112
	Bachelor's Degree	-0.54901	0.53505	.852	-1.8832	.7851

In sum, when comparing the mean score, the results show that although citizens with higher level education opposed more to tax evasion compared to citizens with lower level education, the results indicate that there is no significant difference between level of education and citizens' attitude towards tax evasion with  $F(3, 169) = 2.531$ ,  $p = 0.059$ . Multiple comparisons result also shows that there is no significant difference between the groups in level of education with one and another. Such result is consistent with the study by Simmons and Cheng (1996) and Cannari and D'Alessio (2007). One might expect that citizens with better education would oppose more to tax evasion as they are more aware on the benefits and the cost of tax. However, no significant difference is found. The similar attitude obtained in this study might be due to that some people may evade tax out of knowledge, and some people may use the knowledge to manipulate and therefore, proofs that there is no significant difference between different levels of education. Hence, hypothesis 1c that states citizens' attitudes toward evasion differ by level of education is rejected.

### 4.3.4. Nature of Employment

ANOVA test was conducted to examine whether there is any significant difference between the nature of employment in relation to the citizens' attitudes towards tax evasion. In this study, the result shows that retirees are the ones who opposed most to tax evasion (mean score=4.7), followed by employee (mean score=7.2). At third place, there is a two-way tie which is for-employer and self-employed (mean score= 7.5).

A Homogeneity of Variance Test was conducted using Levene's test to determine whether the equal assumption has been met (Field, 2013). Based on Table 4.9 the result shows that p-value is more than 0.05 ( $p = 0.567$ ). This shows that the equal variance assumption has been met. Thus, ANOVA analysis was used to check the F-ratio.

**Table-4.9.** Test Homogeneity of Variances-Nature of Employment

Levene Statistic	df1	df2	Sig
0.678	3	169	0.567

Based on the ANOVA analysis in Table 4.10, the results reveal that there is a statistically significant difference ( $p < 0.05$ ) between nature of employment and citizens' attitudes towards tax evasion which  $F(3, 169) = 5.159$ ,  $p = 0.002$  at alpha ( $\alpha$ ) 5% level of significance. Thus, the post hoc test was conducted in order to identify which individual groups differ significantly.



**Table-4.10.** Anova Nature of Employment And Citizens Attitudes Towards Tax Evasion

	Sum of Squares	Df	Mean Square	F	Sig
Between Groups	80.679	3	26.893	5.159	0.002
Within Groups	881.009	169	5.213		
Total	961.688	172			

In order to know which group of nature of employment differs, the post hoc test was used to provide further comparisons. The suitable post hoc test used was Gabriel procedure as the sample size for each group is slightly different (Field, 2013). In this study, Post-hoc Gabriel Table tests reveal statistically significant differences between citizens' nature of employment between self-employed and retirees ( $p=0.001$ ), employer and retired ( $p=0.006$ ), as well as employee and retirees ( $p=0.000$ ) since  $p>0.05$ . There is no significant difference between the other groups since  $p>0.05$ .

In sum, the results indicate that there is a significant difference between nature of employment and citizens' attitudes towards tax evasion which  $F(3, 169) = 5.159$ ,  $p=0.002$ . Such result is similar to the results of previous studies (Gupta, 2009; McGee and Ross, 2014; Ross and McGee, 2011). Multiple comparison result shows that there is significant difference between retirees with all other range of nature of employment. This indicates that retirees are more opposed to tax evasion compared to the other groups. Retirees may be the ones who opposed most to tax evasion due to their age. Older people tend to respect the authority and law and hence, are risk averse towards tax evasion. Self-employed people may be the one who are the least opposed to tax evasion due to the availability of opportunities to evade tax which is larger compared to the other groups. In this study, employers also opposed the least to tax evasion. Perhaps, this is because employers have greater income and may think that the tax system is keeping all their hard work and thus, evading tax. Besides, there are too many red tapes that might be a hassle for the employers to comply. Hence, hypothesis 2d that states citizens' attitudes towards tax evasion differ by nature of employment is supported in this study.

#### 4.3.5. Level of Income

ANOVA test was conducted to examine whether there is a significant difference between levels of income group in relation to the citizens' attitudes towards tax evasion. In this study, the result shows that people with level of income RM8,000 and above are the ones that opposed the most to tax evasion (mean score=5.8), followed by those with an income between RM7,000 to RM7,999 (mean score=6.0) and those with an income between RM5,000 to RM5,999 (mean score=6.2). Meanwhile, for the fourth place, there is a two-way tie respondents with an income between RM 4,000 to RM4,999 and less than RM3,500 (mean score=7.3), followed by those with an income between RM 6,000 to RM 6,999 (mean score=7.4). The group that opposed the least on tax evasion is the respondents that earned an income between RM3,500 to RM3,999 (mean score=7.7).

A Homogeneity of Variance Test was conducted using Levene's test to determine whether the equal assumption has been met (Field, 2013). Based on Table 4.11, the result shows that the p-value is more than 0.05 ( $p=0.476$ ). This shows that the equal variances assumption has been met. Thus, ANOVA was used to check the F-ratio.

**Table-4.11.** Test Homogeneity of Variances

Levene Statistic	df1	df2	Sig
0.929	6	166	0.476

Based on the ANOVA analysis in Table 4.12, the results reveal that there is no significant difference ( $p>0.05$ ) between level of income and citizens' attitudes towards tax evasion which  $F(6, 166) = 1.617$ ,  $p=0.145$  at alpha ( $\alpha$ ) 5% level of significance.

**Table 4.12.** Anova: Level of Income And Citizens' Attitudes Towards Tax Evasion

	Sum of Squares	Df	Mean Square	F	Sig
Between Groups	53.094	6	8.849	1.617	0.145
Within Groups	908.594	166	5.473		
Total	961.688	172			

The post hoc test was conducted in order to identify which groups differ significantly. The suitable post hoc tests used is Gabriel procedure as the sample size for each group is slightly different (Field, 2013). In this study, the Post-hoc Gabriel Table tests reveal no statistically significant difference between group since ( $p>0.05$ ).

In sum, the results indicate that there is no significant difference between level of income and citizens' attitudes towards tax evasion which  $F(6, 166) = 1.617$ ,  $p=0.145$ . This result is similar to the previous studies (Benk et al., 2015; Gupta, 2009). However, the result shows that citizens with an income of RM8,000 and above opposed more to tax evasion compared to other levels of income category (mean score=5.8). The reason that could justify this occurrence may be due to that citizens with high level of income category might know what tax officers expect of them, thus increase the level of tax compliance. Hence, research hypothesis 2e, that states citizens' attitudes toward tax evasion differ based on level of income, is rejected in this study.

## 5. Conclusion

T-test, ANOVA and simple linear regression were used to determine any difference or relationship that is significant at 5% level. Based on the results, the study shows that there is a significant difference in age and nature of employment on the citizens' attitudes towards tax evasion. Meanwhile, other variables such as gender, level of education and level of income are not significant. This study also reveals that the citizens in Malaysia find it acceptable to evade tax on all size of income whether it is "a small part", "a large part", or "all part" of their income.

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