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Determinants of Tax Compliance among Micro Business: Malaysian Perspective

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Abstract

The landscape of Micro, Small, and Medium Enterprises (MSMEs) worldwide has grown considerably well since 2016 until 2021. In Malaysia, micro-businesses were prominent as they accounted for the largest share of MSMEs components. However, the majority of micro-businesses owners are operating in the informal sector and some do not even register their businesses with the government. This may lead to difficulties for the tax authority in collecting taxes from them. Therefore, this study is vital to identify what are the possible factors that influence the tax compliance of micro-businesses in Malaysia. This study focused on the influence of tax morale, simplicity, and knowledge on tax compliance. An online questionnaire was distributed to micro-business owners, and 152 micro-business owners responded. The researcher used simple random sampling technique to collect data focusing on micro-business owners in Malaysia. This study employed the Statistical Package for the Social Sciences (SPSS) to analyse the data in order to derive useful information. Based on these 152 respondents, the study revealed that tax morale, tax simplicity, and tax knowledge have a positive and significant impact on tax compliance. The findings are crucial for the policymakers to improve the current tax policies. More effective tax education programmes should be crafted to convey tax knowledge and awareness to business owners, especially among those in the informal sector. It is advisable for future researchers to concentrate on other substantial variables that may affect tax compliance. Apart from that, the research methodology also needs to be diversified such as to include focus group discussions and field experiments to obtain more useful findings related to the issue of tax compliance among micro-business owners.

Keywords: Micro Business, Tax Authority, Tax Compliance, Policy Makers, Tax Education

Introduction

Taxation is considered as the main source of revenue for any government (Hassan, 2017), and Malaysia is no exception. According to Tanzi & Shome (1992), taxation has played a crucial role in civilized communities since their inception thousands of years ago and it is one of the

most significant aspects in controlling national income, particularly in industrialized countries. In Malaysia, the main source of tax income is from direct tax which is collected by the Inland Revenue Board of Malaysia (IRBM) and the collection from direct tax contributes more than half of the Federal Government's revenue (Mohamad et al., 2016). Tax revenues are critical since they pay all government services as well as civil servant pay. All of the tax revenue is used by the government to fund all necessary public infrastructures and government administrations. Tax revenue is particularly important since it can help to eliminate budget deficits and boost economic growth and wealth. These taxes, however, are considered as financial hardship on enterprises. As a result, they strive to come up with various strategies to decrease taxes or, even worse, to avoid paying taxes without IRBM's knowledge.

It was highlighted by Allingham (1972); Ghani et al (2020), that despite the fact that tax is a major source of revenue for many governments, reducing tax evasion and increasing tax collection remains a difficult task. Furthermore, to be compliance with tax rules and regulation is a person's choice, in which it may change depending on the circumstances ahead. Taxpayer may comply voluntarily or involuntarily due to the penalties imposed for non-compliance. Tax compliance has always been an area of discussion among policy makers, tax authority and taxpayers, and society in general (Isa, 2014). Tax non-compliance among individual as well as companies also resulted to lower tax collection of the government's revenue. As highlighted by the Chief Executive Officer (CEO) of IRBM during the Malaysian Tax Conference 2018, to ensure higher voluntary compliance among any taxpayers, there is a need to have an effective tax awareness by focusing on several aspects such as morale of the taxpayers, knowledge of the taxpayers, and also the simplicity of the tax system itself (LHDN, 2019).

The underlying reason to carry out this study is due to the huge number of business establishments being micro-businesses. According to The Edge (2019), there are 694,000 micro businesses in Malaysia which are defined as micro-enterprises or micro-business with five or fewer number of employees. Although these businesses are categorized as micro-business, they are also generating an income which is subject to tax. Their sales turnover also can go up to RM 300,000 per assessment year which is reach the taxable amount (The Unconventional Role of SMEs and Micro-Enterprises for Economic Development, 2019). However, from the unpublished data of the IRBM (2019), there are still many small businesses that do not submit their tax returns to IRBM. In addition, according to the LHDN Framework: Tackling Issues of Shadow Economy (2019), majority of the micro business owners that do not have license are engaged in informal sector or known as shadow economy. Businesses that did not declare economic activity is often referred to as the shadow economy (Nchor, 2021). Referring to the LHDN Framework: Tackling Issues of Shadow Economy (2019), it encompasses all forms of tax evasion, from casual moonlighting and cash-in-hand jobs to organized crime. In this study, from works of literature, there are three factors claimed by previous studies that influence tax compliance among micro-business owners in Malaysia which is tax morale, tax simplicity, and tax knowledge.

Furthermore, there are limited published research studies in this subject, particularly in Malaysia, on the factors influencing tax compliance among micro-business owners. It is intended that this study would provide some ideas and evidence for future research on the difficulties of tax compliance among Malaysian micro-business owners. Low tax compliance

suggests that something needs to be done to improve Malaysia's tax system and tax policy in order for the country to achieve a developed country status in the future.

Literature Review

Tax Compliance

Tax compliance is a big issue for many tax authorities, and persuading people to comply with tax regulations, despite the fact that "tax laws are not always precise," is a difficult challenge (James & Alley, 1999). Tax compliance has been divided into two categories: compliance in terms of administration and compliance in terms of filling out tax returns accurately. In strictly administrative terms, tax compliance entails registering or informing tax authorities of one's status as a taxpayer, filing an annual tax return if required, and adhering to the required payment deadlines (Lai & Obid, 2004). In order to complete the tax returns and accompanying tax documents, a degree of honesty, appropriate tax knowledge and capability to use that information, timeliness, correctness, and proper records are required. Several authors, such as Allingham and Sandmo (1972); Lewis (1982), characterise and explain tax compliance as the result of interrelationships among variables such as perceived equity, efficiency, and incidence as per public finance views.

Many studies identified the relationship between tax awareness and tax compliance as positively related (Nurkhin et al., 2018). Awareness can be triggered by various elements such as knowledge, morale, complexity and simplicity of a subject, and others. Participation and awareness of the taxpayer to pay tax obligation will greatly affect tax compliance (Nurkhin et al., 2018). If the taxpayers implementing the taxation liabilities are sincere and honest and realise how important taxes are for the growth and development of the region, then there will be no non-compliance in paying taxes. In a study of the influence of tax knowledge and awareness on tax compliance among investors in Kenya, it was found that firms that possessed higher tax knowledge and awareness portrayed a high level of voluntary tax compliance.

Tax Morale

Tax morale is the fundamental drive to pay taxes that stems from the moral obligation to do so and the belief that paying taxes will help contribute to a better society as defined by (Cummings et al., 2006). When taxpayers believe that paying tax benefits society, they are more likely to comply with the law, and vice versa. Generally, tax morale and tax compliance sometimes were misinterpreted as coequal, in fact, Kirchgassner (2010) had differentiated tax morale and tax compliance by clearly saying that tax morale is an attitude whilst tax compliance is an action. There are two approaches in defining the concept of tax morale. The first approach is based on the 'Kantian' morality approach where in an initial point in perceiving fairness of the tax regime, taxpayers may ponder themselves first. If they perceived unfairness, or more precisely, if they do not anticipate any profits, they are most likely to engage in tax non-compliance and justify this action as self-defense. Secondly, based on the holistic approach, one may show decent concern for the welfare of others in the general society. Hence, under this approach, the taxpayer may evade tax if the non-compliance brings benefits to society as a whole.

Tax Simplicity

Tax simplification could improve the voluntary compliance behaviour and also increase tax revenue. In a tax system, tax complexity appears to be a barrier, and it is frequently cited as one of the elements that may affect tax compliance. A simplified tax system, on the other hand, reduces complexity and may boost tax compliance (Isa, 2014). Tax laws should be simple, clear and easy so that taxpayers are able to understand the rules, thus can comply with it. In Malaysia, Self-Assessment System (SAS) was implemented by IRBM for corporations in 2001 and was then extended to individual taxpayers, such as sole proprietors, partnerships, cooperatives and salaried workers in 2004. Uncomplicated tax returns, according to evidence, poses a significant impact in encouraging tax compliance (Silvani & Baer, 1997). It has also been suggested that simplifying tax rules in Self-Assessment System (SAS) may encourage taxpayer compliance because the legislation and tax system would be easier to grasp and understand. Thus, taxpayers would be much willing to disclose their income and compute their own tax responsibilities appropriately.

Uncomplicated tax returns, according to evidence, poses a significant impact in encouraging tax compliance (Silvani & Baer, 1997). It has also been suggested that simplifying tax rules in Self-Assessment System (SAS) may encourage taxpayer compliance because the legislation and tax system would be easier to grasp and understand. According to Isa (2014), tax complexity is one of the primary compliance variable challenges found by tax auditors among corporate taxpayers. There are three areas highlighted as complexity encounters which are tax computation, tax ambiguity and record keeping. From another point of view, previous studies have evidence that the complexity of reporting requirements has a high association with errors detected by auditors. This finding by Long (1988); Isa (2014) is perhaps to be logically expected by tax authorities. If any errors are found in tax returns, and the same problems occur year after year among various taxpayers, it is likely that the wordings or sentences in the tax return format are at least partially to blame.

Tax Knowledge

Tax knowledge, is a level of understanding basic tax concepts that includes tax law and financial knowledge that taxpayers must understand in order to meet their tax duties. Previous research by Fallan (1999) concluded that there is a relationship between tax knowledge and tax compliance, where an increase of tax knowledge level can lead to the increase of tax compliance level. Gore and Wong (1998); Setyonugroho (2013) divided tax knowledge into categories which are procedural knowledge by knowing how and declarative knowledge by knowing that. According to some studies, one way to deal with this problem is to provide tax education. Tax knowledge is an essential element in a voluntary compliance tax system (Jeyapalan, 2003b), particularly in determining an accurate tax liability. Osebe (2013) also highlighted that education enables taxpayers to understand the tax system and to be knowledgeable of their tax obligations and rights. Research by Eriksen and Fallan (1996) discovered that people are more likely to respect the tax system if they have a reasonable grasp of the laws, hence they become more compliant.

Various studies have demonstrated the impact of knowledge on compliance behaviour (Ali et. al., 2007). Tax knowledge are separated into two categories: knowledge gained through common or formal education and knowledge expressly oriented towards potential tax

evasion chances. For the first category, taxpayers' educational attainment has a significant impact in their overall comprehension of taxation, particularly as it relates to tax laws and regulations (Eriksen & Fallan, 1996). Previous research has shown that general tax knowledge is linked to taxpayers' ability to comprehend tax laws and regulations, as well as their capacity to comply with them.

Theory of Planned Behaviour

According to Ajzen (1991), attitude towards the behaviour is the individual's nature and the perceived social pressure makes up the behaviour of an individual. The positive or negative factor is the individual's choice of evaluation of performing the behaviour. Ajzen (1991) explained that three determinants that will give an impact on the behavioural intention are the attitude, the subjective norm and also the perceived behavioural control. Attitude is referred to the opinion of ourselves about the behaviour itself. Subjective norm refers to the opinion of other or anyone about the behaviour, and perceived behavioural control refers to self-efficacy in relation to the behaviour. Thus, taxpayers have the ability to perform certain behaviours depending on the fact that those taxpayers have a purpose of either to evade tax or comply with tax.

The individual's attitude towards the activity is the first personal component. Attitudes are tendencies to respond either positively or negatively to an object, a group, a location, or to perform something in a specific situation. A person's attitude is an emotion or way of thinking that influences their actions or behaviour towards something. Furthermore, people's attitudes are a reflection of their beliefs about the outcome. It is assumed that by acting in their behavioural aim, they will gain some rewards. Their feelings define their attitude, which in turn defines their actions. As a result, attitude in this study depicts how taxpayers perceive and expect to feel after paying their tax obligations.

The second factor that influences intention is social. The feeling of social pressure to perform or not perform the conduct under discussion is social in character. Subjective norms are a social component that deals with perceived normative prescription. Subjective norms are a set of guidelines established by other people that compel someone to act in a certain way (Ajzen, 1991).

According to Ajzen (1991), the perception of conscience, or ability to perform or not to perform the behaviour, is the third factor of intention. Perceived behavioural control is the name given to this aspect. This control is more susceptible to character problems, and environmental obstructions can obstruct behaviour performance. Lastly, all of the determinant elements interact to predict intention, including attitude towards conduct, subjective norms, and perceived behavioural control. The intention will then become a reality.

Economic Deterrence Theory

Becker (1968) established the Economic Deterrence Theory, which is a criminology theory. This hypothesis is predicated on the idea that if the risk of committing a crime surpasses the reward of committing the crime, the individual will be discouraged from doing so. This assumes that everyone understands the distinction between right and wrong, as well as the repercussions of wrong or criminal behaviour. This model includes the concept of an

economically reasonable taxpayer who will avoid taxes if the payoff from fleeing is greater than the expected cost of getting caught. (Allingham & Sandmo, 1972).

Hypothesis Development

Tax Compliance and Tax Morale

One of the concerns addressed in the research of tax compliance is people's perceptions of the government and the tax system. This is referred to as tax morale, which differs from tax compliance behaviour, where tax morale is viewed as a sense of faith in the government or the tax authority. Tax morale is the intrinsic motivation to pay taxes, arising from the morale obligation to pay taxes and the trust in contributing to society by paying taxes as defined by (Cummings et al., 2006).

When taxpayers believe that paying tax benefits society, they are more likely to comply with the law, and vice versa. Tax morale is also positively connected with happiness. People who pay taxes because they like the sensation of fulfilling a morale commitment to society will be intrinsically motivated to do so, which will lead to positive hedonic effects, making them feel good and happier and encouraging them to be tax compliant. Therefore, another hypothesis for this study is:

H1: There is a positive relationship between tax morale and tax compliance among micro-business owners in Malaysia.

Tax Compliance and Tax Simplicity

Due to the massive quantity of paperwork that must be completed in order to comply with tax duties, the income tax system was also viewed as a difficult system, exacerbating the problem of tax complexity (Saad, 2014). According to Silvani and Baer (1997), When a tax system is simplified, it has fewer taxes, fewer rates for each tax, and fewer exemptions, relief, and rebates. A less complicated and simpler tax structure may improve tax compliance, and vice versa.

Numerous studies on tax complexity and tax simplicity have been conducted by various researchers such as (Jabbar, 2016; Ghani et al., 2020; Hamid et al., 2018; Isa, 2014). Tax complexity is one of the key compliance characteristics found by tax auditors among corporate taxpayers (Isa, 2014). Tax simplicity is another factor which can affect the level of tax compliance. According to Richardson (2008), tax complexity and tax simplicity is among the main factors that can affect the level of tax compliance among taxpayers. Therefore, one of the hypotheses for this study is:

H2: There is a positive relationship between tax simplicity and tax compliance among micro-business owners in Malaysia.

Tax Compliance and Tax Knowledge

Due to the quick evolution of SAS from its beginning to the present, a thorough understanding of tax legislation and rules is essential to ensure higher tax compliance. Therefore, tax knowledge is very crucial in developing the sense of tax compliance among self-employed individuals. Previous studies have proven that knowledge has influenced compliance behaviour (Ali et. al., 2007). In the first case, the level of education received by taxpayers is

an important factor that contributed to the general understanding about taxation especially regarding the laws and regulations of taxation (Eriksen & Fallan, 1996). Eriksen and Fallan (1996: 387) claimed that knowledge about tax law is assumed to be important for preferences and attitudes towards taxation. They suggested that fiscal knowledge correlates with attitudes towards taxation, especially in SAS era. Having said that, better taxation knowledge will improve the behaviour of tax compliance and thus will reduce the inclination to evade taxes. This result is consistent with Lewis's (1982) previous research, which found that a lack of tax awareness is linked to a negative attitude toward taxation. Therefore, the hypotheses for this study will be as follows:

H3: There is a positive relationship between tax knowledge and tax compliance among micro business owner in Malaysia.

Methodology

The data that was used in this study is primary data, which was originally collected for the specific purpose of this research. The chosen method of collecting primary data is a questionnaire method, which was done by using a self-administered written survey. This questionnaire was distributed via one channel which is through online survey form that is Google Forms. The questionnaire for this study was created by replicating numerous other surveys from previous studies. The questionnaire for tax morale was adopted from (Kempe et al., 2020). Some of the questions for tax simplicity and tax knowledge in the sections were adopted from papers of other researchers such as (Ghani et al., 2020; Hamid et al., 2020). Therefore, the reliability of the questionnaire is confirmed. However, a few questions were created from the researcher's own ideas, particularly for the independent variable, to round out the set of questions and allow the analysis to be credible and relevant to the sample population.

The questionnaire items were divided into 3 parts which are tax morale, tax simplicity, and tax knowledge. The tax morale items will test on the motivation of the micro-business to pay tax. On the other hand, tax simplicity will test the respondents on the perception of tax system, either it is easy or difficult to assess their own tax. The tax compliance will test on the micro-business owner's understanding on the tax system in Malaysia and their compliance towards taxation system in Malaysia. Finally, the tax knowledge will measure the taxpayers' knowledge about tax and the IRBM monitoring programs.

The questionnaires were distributed to about 300 targeted respondents whose telephone numbers, Facebook, Instagram and Twitter address are available on their social media profile or business card. All the data collected from the questionnaire were organized and coded systematically in the template generated by using Microsoft Excel. Next, the data was analysed using Statistical Package for Social Sciences (SPSS) program for Windows Software version 26.0. Moreover, reliability analysis using the Cronbach's Alpha value was used to measure the reliability for independent variables.

Results and Discussions

Cronbach's alpha (α) was used in this study to assess reliability. Cronbach's alpha values commonly range from 0 to 1.

Table 1

Reliability Statistics by Dimensions

Dimension	No. of Statements	Cronbach's Alpha
Tax compliance	10	0.79
Tax morale	10	0.87
Tax simplicity	11	0.82
Tax knowledge	9	0.84

The Cronbach's alpha values are high, ranging from 0.82 (tax simplicity) to 0.87 (tax morale), implying that the various statements reliably measure the perceptions of the respondents on the three dimensions related to the micro-business owners in Malaysia. Based on Table 1, the reliability for the dependent variable is confirmed that the Cronbach's alpha coefficient is showing a = 0.79.

Pearsons' Product-Moment Correlations Coefficient

Correlation analyses were carried out to determine the relationships, if any, between variables of tax morale, tax simplicity, and tax knowledge. As the variable values are found to be normally distributed, the analyses were carried out using the Pearson Coefficient Correlation, a parametric correlation tool. Bivariate analysis was performed to assess the correlation between two variables. For this study, Pearson's correlation test was utilised to examine the correlation and assess the strength and the direction of the *linear relationship between the two variables. Pearson's correlation value ranges from -1 to +1. Positive value indicates positive correlation between two variables, whilst negative value indicates negative relationship between the two variables. The stronger is the value to +1 or -1, the stronger the correlation.

Table 2

Correlation between variables

Correlations		Tax morale	Tax simplicity	Tax knowledge	Tax compliance
Tax morale	Pearson Correlation	1			
Tax simplicity	Pearson Correlation	.505**	1		
Tax knowledge	Pearson Correlation	.634**	.750**	1	
Tax compliance	Pearson Correlation	.731**	.811**	.933**	1

** . Correlation is significant at the 0.01 level (2-tailed).

Regression Analysis

Table 3

Model Summary of Regression

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.963 ^a	.928	.926	.18755

a. Predictors: (Constant), tax morale, tax simplicity, tax knowledge

The variance in the dependent variable (tax compliance) is indicated by the value of R Square. A total of three independent variables is explained by 92.8% variance (R square), which shows that 92.8% of the variation in the level of tax compliance is explained by the variation in factors of tax morale, tax simplicity, and tax knowledge.

In order to determine whether there is a linear relationship between all of the independent variables considered together and the dependent variable, F-test was conducted to show the overall significance of the model. The null hypothesis showed that there is no linear relationship while the alternate hypothesis shows at least one of the independent variables affects the dependent variable. The hypothesis is as below:

$$H_0: \beta_1 = \beta_2 = \beta_3 = \beta_4 = 0$$

$$H_1: \text{at least one } \beta_1 \neq 0$$

Table 4

Durbin Watson Table

Model Summary^b						
Model	R	R Square	Adjusted R Square	R	Std. Error of the Estimate	Durbin-Watson
1	.963 ^a	.928	.926		.18755	1.706
a. Predictors: (Constant), tax_knowledge, tax_morale, tax_simplicity						
b. Dependent Variable: tax_compliance						

The Durbin Watson statistic is a test for autocorrelation in the residuals from a statistical regression analysis. The Durbin-Watson statistic will always have a value between 0 and 4. A value of 2.0 means that there is no autocorrelation detected in the sample. Values from 0 to less than 2 indicate positive autocorrelation and values from 2 to 4 indicate negative autocorrelation. Based on Table 4 above, the value for Durbin Watson for this research is 1.706, which is between the value of 0 to 2. That means, there is a positive autocorrelation between the variables.

Table 5

ANOVA Table

ANOVA						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	66.901	3	22.300	634.007	.000 ^b
	Residual	5.206	148	.035		
	Total	72.107	151			
a. Dependent Variable: tax_compliance						
b. Predictors: (Constant), tax_knowledge, tax_morale, tax_simplicity						

Based on Table 5 above, the F test statistic is 634.007. The F critical value is obtained from the F distribution table, with 3 and 148 degrees of freedom ($\alpha = .5$), which is 2.60. Since F test statistic is greater than F critical value ($253.128 > 2.60$), the F test statistic falls in the rejection region. Hence, the null hypothesis is rejected ($p = .005, p < .5$). Since there is evidence that at least one of the independent variables affects the dependent variable. The individual regression coefficient was analysed to discover which independent variable is affecting the dependent variable.

Table 6

Estimated Regression Equation

Variable	Unstandardized Coefficient Beta	Coefficient Std Error	Standardized Coefficient Beta	t-value	p-value
(Constant)	-0.133	0.106		-1.257	.211
Tax morale	0.218	0.028	.222	7.772	0.000
Tax simplicity	0.266	0.037	.241	7.207	0.000
Tax knowledge	0.529	0.032	.611	16.367	0.000
F	634.007				0.000*
R ²	0.928				

* Significant at 0.001

The regression equation is statistically significant at 0.01 ($p < 0.01$), implying that there is an association between tax compliance and any or all of the independent variables. However, the R-square value being 0.928 means that the three independent variables as a whole account for 93 percent of the variation in the dependent variable (tax compliance). Hence, the effect of tax morale, tax simplicity, and tax knowledge as a whole on tax compliance value is very high.

Table 6 above shows tax morale, tax simplicity, and tax knowledge trust identified as statistically significant at Sig. level below 0.001. In terms of Standardised Coefficients Beta, tax knowledge has the largest value (0.611), followed by tax simplicity (0.241), and tax morale (0.222). Hence, these three independent variables are considered as statistically significant to the equation. All three variables showed positive relationship towards tax compliance. The Unstandardised Coefficients B value was used to form an equation for the model.

From the results shown in Table 9 above, the regression equation was formed as per below:

$$\text{*Tax Compliance} = -0.133 + 0.218 (\text{tax morale}) + 0.266 (\text{tax simplicity}) + 0.529 (\text{tax knowledge})$$

In terms of B value for the independent variables, tax knowledge has the highest significant positive relationship with tax compliance among micro-business owners (B=0.529), followed by tax simplicity (B= 0.266), and tax knowledge (B=0.218).

From the equation above, it can be concluded that 1 unit increase in tax morale will result in 0.218 increase in tax compliance among micro-business owners when other variables are being controlled; 1 unit increase in tax simplicity will result in 0.266 increase in tax compliance among micro-business owners when other variables are being controlled; and 1 unit increase in tax knowledge will result in 0.529 increase in tax compliance among micro-business owners when other variables are being controlled.

Based on the above findings, it is parallel with the study by Cummings et al (2006) whereby tax morale positively influences the level of tax compliance among micro-business owners. Last but not least, this study is also similar to the findings by Silvani and Baer (1997) whereby tax simplicity and tax knowledge positively influence the level of tax compliance among micro-business owners. The results of hypothesis testing can be summarized as Table 7 below:

Table

Result of Hypothesis Testing

Hypotheses	Results
<i>H1: There is a positive relationship between tax morale and tax compliance among micro-business owner in Malaysia.</i>	Supported
<i>H2: There is a positive relationship between tax complexities and tax compliance among micro-business owner in Malaysia.</i>	Supported
<i>H3: There is a positive relationship between tax knowledge and tax compliance among micro-business owner in Malaysia.</i>	Supported

Conclusion

In recent years, tax non-compliance problems, whether deliberate or unintentional, appear to have increased. The tax authority has been working hard to eliminate tax non-compliance and has aimed to increase voluntary compliance (Ghani et al., 2012). The major goal of this study is to look at the factors that influence tax compliance among micro-business owners in Malaysia. To fulfil the basic objectives, three specific objectives were developed to investigate the impact of relevant tax compliance elements such as tax morale, tax simplicity, and tax knowledge on tax compliance among Malaysian micro-business owners.

The first objective of this study was to identify the relationship between tax morale and tax compliance among micro-business owners in Malaysia. The objective was met when the hypothesis testing revealed that there is a positive relationship between tax morale and tax compliance among Malaysian micro-business owners. As a result of the findings, it can be inferred that a rise in tax morale may lead to an increase in tax compliance. This finding is similar to the findings by various research where tax morale leads to an increase in tax

compliance (Torgler, 2013; Kemme, 2020). Although the previous research was done in big business, the relationship between tax morale and tax compliance is similar among micro-business owners in Malaysia.

The second objective, which was to identify the relationship between tax simplicity and tax compliance among Malaysian micro-business owners, was also met when the hypothesis testing revealed that there is a positive relationship between tax simplicity and tax compliance among Malaysian micro-business owners. This finding suggested that a simpler tax system might potentially reduce complexity while also increasing tax compliance (Isa, 2014).

The third objective of this study, which was to identify the relationship between tax knowledge and tax compliance among Malaysian micro-business owners, was met when the hypothesis testing revealed that there is a positive relationship between tax knowledge and tax compliance among Malaysian micro-business owners. As a result, an increase in a taxpayer's tax knowledge will inevitably lead to an increase in tax compliance (Setyonugroho, 2013).

According to the study's conclusions, IRBM should focus on three elements to increase tax compliance, particularly among Malaysian micro-business owners: tax morale, tax simplicity, and tax knowledge. In order to boost revenue collection, IRBM should also focus on increasing tax knowledge and understanding among all taxpayers. This research could help IRBM improve tax compliance among Malaysians, particularly those who run micro-businesses. Many of the respondents in this study were uncertain about tax compliance. Based on the findings of this study, it can be concluded that IRBM may need to revisit the tactics to assess their success in terms of reaching all target respondents. Some respondents also advised that the taxation system's simplicity and morale boost to comply with taxation are strengthened by additional IRBM-managed programmes. Furthermore, this research may provide academics with insight on what to look for when gauging tax compliance. For tax compliance and non-compliance, past studies have employed a variety of measurements. This study broadened the scope of the measurement to include micro-business owners.

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