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## Determinants of Tax Compliance among Higher Income Group Earners using Social Influence Theory

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### Abstract

The higher-income group earners in Malaysia contribute a significant amount of direct revenue to the government. Hence, it is vital to measure their level of tax compliance by evaluating the variable that determines their compliance behaviour. The purpose of this research, guided by the Social Influence Theory (SIT), is to analyse the impact of morale, social dynamics, and knowledge on tax compliance among the higher income group earners. This study employed a quantitative approach, and the questionnaires were distributed to the higher income group earners in Klang Valley with a total of 116 returned valid responses. The result indicated that there is a significant positive relationship between tax knowledge and tax compliance. Meanwhile, the tax moral and social dynamic elements show an insignificant relationship with tax compliance, implying that such perceptions could not encourage compliance. As a result, these findings may provide some useful information on the psychological aspects that influence the social structure and government income. This highlights the necessity for the government and tax authorities to implement and build a more efficient tax system that effectively includes the wealthiest in the tax system while also raising the country's economic and social position.

**Keywords:** Morale, Social Dynamics, Knowledge, Tax Compliance, Higher-Income Group

### Introduction

The revenue derived from the collection of taxes from individual taxpayers, particularly higher-income group earners, was a substantial source of government income that finances investments, infrastructures, human resources, and services in ensuring the country's economic viability. Thus, the issues of tax compliance and noncompliance with tax regulations are growing issues throughout the globe, threatening governments' capacity to collect revenue. According to Rosli et al (2018), higher-income groups have a tendency for tax evasion through aggressive tax planning. Besides, high-income earners who pay more taxes are more likely to evade tax by choosing to be underreporting their income to stay in the top tier of the next lower income bracket and avoid paying their fair share of tax or pay lower taxes (Durham et al., 2014; Iraman et al., 2021).

Based on the Department of Statistics in Malaysia (DOSM) household income and basic amenities survey of 2019, the level of group income has been divided into the top 20% (T20) with income above RM10,960, medium 40% (M40) with income between RM4,850 and RM10,959, and the bottom 40% (B40) with income up to RM4,849. The T20 income group tax rate increased from 24.5 percent to 30 percent in five tax bands (Inland Revenue Board of Malaysia 2020) during the 2020 budget. Based on the report by Public Finance Statistics (2021), estimated tax revenue derived from individual tax showing a declining trend stood at RM35,906 million, which was decreased as compared to the budget 2020 forecast at RM37,363 million. The number of Malaysian taxpayers, M40, appears enormous, but the financial impact of the country's T20 wealthiest individuals' tax payments may be far larger. T20 income level with a threshold of more than RM10,960 is deemed to be a higher earner in Malaysia with diverse opportunities, incentive structures, social environments, and individual dispositions that influence their tax behaviour. Thus, this study will focus on this T20 income group which will be indicated as the higher income group earners. Taxpayers will pay income-based taxes if they feel the government spends wisely and efficiently. High-income people will be opposed to progressive taxes if they perceive no return benefit (Berens and von Schiller, 2016). The higher income group pays a substantial share of the country's taxes and has become a target group to share with the lower earner.

There are many factors that contributed to tax compliance which have been discussed tremendously in previous studies. However, the previous study has mostly ignored specific taxpayer demographics in favor of analysing behaviour among the population at large. Most Malaysian studies focus on individual taxpayers (Ghani et al., 2020; Faizal et al., 2017) or corporate tax compliance (Abd Hamid et al., 2019; Ali et al., 2020). Furthermore, in the Malaysian context, there has been little research on tax compliance behaviour of higher-income groups earners. Therefore, this study aimed to analyse the impact of morale, social dynamics (the perceptions of fairness, and trust in authorities), and tax knowledge among higher-income groups earners.

Prior studies have identified morale and social norm constructs are the most influential factors in behaviour compliance (Andreoni et al., 1998; Bobek et al., 2007; Jimenez and Iyer, 2016). Social norms are internalised as personal norms, therefore, this suggests that modifying social norms may enhance tax compliance. The social dynamics concept in this paper are referring as taxpayers' perceptions of their tax burden and fair tax distribution as well as the degree of their trust and satisfaction with a government based on government spending. The taxpayer's perception of a fair tax system is important since the success of the tax system relies on a high level of tax compliance. Besides, Kouame (2021) indicated that trust in governmental institutions and the neighbourhood are important drivers of individual tax morale that encourages taxpayers to pay taxes voluntarily. Furthermore, Remali et al (2020), highlighted that tax fairness, tax knowledge, and tax complexity affect tax compliance. Having tax knowledge and rights increases tax compliance (Gangl et al., 2015b). Tax knowledge may protect people against exploitation and corruption by tax authorities, but it influences tax compliance more than corruption prevention. In addition, for further discussion in relation to morale, social dynamics and tax compliance, this study was guided by the Social Influence Theory (SIT) introduced by Kelman (1958), which suggested that attitudes and behaviours might alter on multiple levels and being discussed in detail in the following section.

## Literature Review and Hypothesis Development

### *Social Influence Theory (SIT)*

Kelman's theory is known as (The Social Influence Theory (SIT), 1958). There are three processes, namely compliance, identification, and internalisation, that allow for the social impact of others on an individual's attitudes, beliefs, and actions or behaviours. Compliance refers to the process by which compliance influences individual behaviour when it is implemented under observation. Meanwhile, identification occurs when an individual forms a self-defining connection with another person or organisation, and internalisation is perceived to be a group norm in which members share goals, beliefs, and values.

Social influence, according to Kelman (1958), can result in shifts in behaviour and activity, and it may take place on various scales. People are said to be compliant when they show signs of giving in to pressure and changing their behaviour in response to it, either in the hopes of being rewarded or to avoid being punished. This means that the positive feelings associated with giving in to pressure come from the social effect of doing so. In addition, the stability of compliance as a kind of social influence depends on monitoring by the people involved and external authority.

In addition, according to SIT, settling a dispute about, say, tax compliance, voluntary tax cooperation, or committed tax cooperation, depends on the integrity of the resolution process. Compliance is not always enhanced by social pressure. As Kelman (1958) argued, the communication process within a group is the bedrock upon which any shift in attitude is built. During this process, people are encouraged, their beliefs are reaffirmed, their worldviews are challenged, and they are compared to those of others. This procedure results in the formation of novel perspectives. The SIT model suggests that social influence which consists of compliance, identification and internalization processes of psychological attachments will affect a change of behaviours, thus providing a better explanation to reveal the taxpayer's behaviour on tax compliance.

### *Tax Compliance*

Tax compliance is being discussed progressively among tax professionals in Malaysia (Saad et al., 2021). Tax compliance by the higher-income group is crucial not only because their contributions are necessary for maintaining public budgets and social equality, but also because their non-compliance behaviour and perceptions of the unfairness of their contributions may create societal dissatisfaction (Gangl and Torgler, 2019; Saad et al., 2021). In addition, Nguyen et al (2020) determined that voluntary tax compliance has a higher impact on tax compliance than enforced compliance. Voluntary compliance serves the common benefit of society, whereas enforced compliance is when the taxpayers pay the tax due to audit and penalty imposed. This encourages taxpayers to act strategically if they find a means to avoid paying taxes (Wahl et al., 2010).

Prior research by Andreoni et al (1998) on morale and social dynamics also shows that higher-income earners are less compliant because of the burden of disproportionately progressive tax regimes. Later, Gangl and Torgler (2019) also claimed that almost all studies reported that the higher-income groups are (on average) less tax compliant than middle-class citizens due to political, economic conditions, social and individual factors. Meanwhile, Hofmann et al

(2017) indicated that lower-income people are less compliant because they are more concerned with after-tax income.

Sometimes taxpayers hide their tax evasion behaviour, thus recognising it may be difficult for tax regulators. Identifying the proportion of tax evasion among taxpayers may be difficult for tax regulators. Motivated tax evaders have caused this. In one survey, 13.4% of Indonesian taxpayers reported underreporting their income tax filings (Iraman et al., 2021). The study claimed that this behaviour depends on individual characteristics, such as gender, ethnicity, and employment status. Furthermore, weaknesses in the legal system and auditing practice may contribute to the increase in non-compliance behaviour. The other issue was that lower or middle-income taxpayers file their taxes on their own, but most of the higher-income group use tax experts' services (Gangl and Togler, 2019). Besides, this professional assistance not only results in less compliant tax returns but also produces social group dynamics that often propel attitudes to the unethical extreme.

All of the issues raised above need some strategic effort on the part of the tax authorities and government in order to improve tax compliance behaviour, mainly among higher-income earners, and reduce non-compliance issues. Increasing taxpayer compliance needs a concerted effort from all players.

#### *Tax Morale and Tax Compliance*

The willingness of individuals to pay taxes is defined as tax morale (Torgler, 2004). Tax morale is an individual's natural motivation to pay taxes and obligations that explain tax burden acceptance (Andriani et al., 2022). According to Luttmer and Singhal (2014), tax morale may be examined via an interview, by evaluating tax morale, and analysing their compliance. Individuals will comply if they believe it is the right thing to do, but if disobedience becomes trendy, compliance ethics will erode. According to Alm and Torgler (2011), if the government can impact how taxpayers regard moral compliance, such regulations might become a key instrument in the government's battle against tax evaders while encouraging compliance via moral behaviour.

The field of social psychology places a focus on the effects of the surrounding environment and urges individuals to demonstrate empathy and social responsibility. People who are unaffected by social reality do not behave as moral agents. Morality is viewed as social cognitive exchanges that are the result of affective and social influences (Bandura, 1999). Andriani (2015) investigated two key manifestations of prosocial behaviour on tax morale and public spirit, which is a favorable attitude adopted by residents to benefit the community. The study discovered that public spirit has a higher influence and that self-employed taxpayers require more public spirit to deal with tax compliance than civil servants, and it underlines the importance of rule of law for tax morale and prosocial behaviour even when institutions are weak.

Referring to Al-Zaqeba and Al-Rashdan (2020), they found that tax compliance among high-income groups of taxpayers in Jordan was significantly influenced by tax morale. Similarly, Ghani et al (2020) found that tax morale does positively influence the level of tax compliance among self-employed taxpayers in Malaysia. Besides, Kouame (2021) found that in Algeria, Ghana, Morocco, and Nigeria, trust in government institutions and the neighbourhood drives



tax morale. Contrary to these studies, Lois et al (2019) found that taxpayers are less compliant due to the tax administration, which is not considered trustworthy and impartial to taxpayers, creating the feeling that its practices are unfair. In general, the willingness of the taxpayers to comply could be due to different cultures, tax systems, and regions. Therefore, from the above discussion, the first hypothesis has been developed and suggested as below:

*H1: Tax morale has a significant positive relationship with tax compliance among the higher income group earners.*

#### *Perception of Fairness and Tax Compliance*

Andreoni et al (1998) asserted that one of the most important psychological factors associated with tax compliance is tax fairness. A fair tax system motivates a strong sense of trust, and this relationship leads to voluntary tax compliance (Faizal et al., 2017). A tax system that is regarded as fair by most taxpayers has a favorable and significant relationship with tax compliance even during difficult economic periods (Lois et al., 2019). Besides, Al-Zaqeba and Al-Rashdan (2020) claimed that the effect of fairness in the tax system significantly influences tax compliance among high-income groups earners in Jordan.

On the other hand, enforced compliant taxpayers pay taxes because they were encouraged by the potential of being audited and punished which has enforced taxpayers to act strategically if they discover a way to escape taxes unnoticed (Wahl et al., 2010). Taxpayers are concerned about the distribution of tax benefits. They could compare their benefits to their tax burden or to previous benefits. Taxpayers can evaluate their tax avoidance and evasion by examining fairness and comparing it to others and their own evasion options (Wenzel, 2017). Therefore, as claimed by Lois et al (2019), taxpayers are less compliant when they feel that the tax system is unfair. Similarly, Gilligan and Richardson (2005) emphasised if the tax system is unfair the taxpayers' willingness to be tax compliant tends to fade.

Social influence makes tax compliance less responsive to higher deterrence levels by making judgments based on peer influences. Perceptions of fairness and trust in the tax authority could boost tax compliance (Faizal et al., 2017). The compliance behaviour would improve if they were treated honestly and if they trusted the tax authority (Noguera et al., 2014). Feelings of injustice and defiance of the law may inspire the desire to avoid paying taxes. According to Besley et al (2019), social norms may also be impacted by the extent of corruption, the perception of the tax system's fairness, and trust in government accountability. Those with higher incomes feel they exerted more effort to obtain their financial success. They may also legitimise cheating in order to prevent an unequal transfer of wealth from tax income (Iraman et al., 2021; Batrancea et al., 2019). Therefore, from the above discussion, the second hypothesis has been developed and suggested as below.

*H2: Perception of fairness has a significant positive relationship with tax compliance among the higher income group earners.*

#### *Trust in Authorities and Tax Compliance*

Trustworthiness in the authority's spectrum in a situation where the taxpayers have a high level of trust in the authorities can strengthen the level of voluntary tax compliance. Tax compliance is a social contract between the government and taxpayers, therefore trust in the

government may shape it. Mas'ud et al (2019) stated that trust in authorities trumps authoritative power when understanding global tax compliance. The report emphasised the necessity of boosting trust in tax authorities to increase worldwide tax compliance. This means taxpayers trust the federal government to spend properly on infrastructure and public goods. According to Bornman (2015), high trust in authority supports voluntary tax compliance through legitimacy, procedural justice, and identification of social norms around tax compliance. The trait will boost authorities' credibility, which influences tax compliance. Furthermore, according to Güzel et al (2019), the effect of trust in the government on tax compliance is more through the perception of tax justice.

Taxpayers' confidence in authorities represents their impression of tax authorities functioning in good faith and for the greater good. Economic, sociodemographic, political, and cultural factors may all influence tax compliance intentions. Research conducted by Batrancea et al (2019) employing 44 countries from five continents discovered that confidence in authorities linked with tax compliance encourages high voluntary compliance among taxpayers, whereas strong authorities reflect greater enforced compliance. Meanwhile, Lisi (2014) discovered that in a society where tax authorities use clear and fair procedures, confidence and tax compliance are greater, which reduces tax evasion.

The role of authority is one kind of social influence that may sustain social control or cause social change. According to Gunn (2014), individuals feel it is vital to reinforce norms that prescribe resistance when dealing with instructions and requests that they consider illegal and largely on moral grounds. Disobedience promotes social change and prevents authority by weakening the legitimacy of its demand; it, therefore, becomes a civic obligation for people to engage in such behaviour. Social influence is dynamically shaped by different forms of power which are represented and linked to a certain level of accountability between people and authorities (Passini and Morselli, 2009). When a powerful person makes someone else accountable for the well-being of society, that person feels responsible as well. Based on the above discussion, the third hypothesis has been developed and suggested as below.

*H3: Trust in authorities has a significant positive relationship with tax compliance among the higher income group earners.*

#### *Tax Knowledge and Tax Compliance*

With excellent tax knowledge, taxpayers are more likely to comply with tax laws. Tax knowledge enables individuals to self-assess, disclose real income with truthful information, and pay taxes as required. Tax knowledge has the greatest impact on the self-assessment compliance behaviour of taxpayers (Bornman and Ramutumbu, 2019; Damajanti and Karim, 2017). Understanding basic fiscal knowledge, tax compliance procedures and responsibilities, and tax-specific laws and regulations will result in tax compliance. Pratama (2018) asserted that taxpayers with a higher income had greater tax awareness, and persons with a higher income were more influenced by tax than those with a lower income.

Bornman and Ramutumbu (2019) determined three aspects were identified as tax knowledge, which are general, procedural, and legal tax knowledge. General tax knowledge refers to the requirement to be fiscally conscious; procedural tax knowledge refers to the need to comprehend tax compliance procedures, and legal tax knowledge refers to the need

to be aware of rules. Therefore, it is incumbent upon taxpayers to possess a thorough familiarity with applicable tax laws and requirements. As Saad (2014) noted, the assumption that tax filings serve as assessment notifications encourages taxpayers to comply voluntarily. In other words, if taxpayers do not file a valid tax return by the deadline, penalties will be imposed.

Meanwhile, prior studies by Fauziati et al (2020); Ghani et al (2020), tax knowledge has no impact on tax compliance, thus, it is advisable to put some efforts to improve taxpayer awareness in order to increase tax compliance and the government's revenue. It appears that one's level of knowledge effects the social influence process, with highly competent people having less of an impact. Liao (2017) claimed that people's propensity to share information was affected by social impact factors such as their predicted rewards from doing so. When people are well-informed, they are more likely to express their aims and aspirations, be open to the perspectives of others, and act in accordance with the norms established by society. Based on the above arguments, therefore, the fourth hypothesis has been developed to estimate the relationship between tax knowledge and tax compliance.

*H4: Tax knowledge has a significant positive relationship with tax compliance among the higher income group earners.*

## **Research Method**

### *Population and Sample Selection*

This study's unit of analysis is a Klang Valley individual taxpayer in the higher income group earners. The higher income group earners were selected due to their greater income and consequently larger tax contributions; this group also comprised educated and professional individuals. According to the 2016 Household Income and Basic Amenities Survey Report, the median income of a higher income group (T20) individual is RM14,507, and their level of living is very likely to be significantly higher. The entire population of the T20 income group in Malaysia is 1.45 million (Department of Statistics Malaysia, 2019). This study focuses on individuals in the higher income group in Malaysia, with a focus on Klang Valley due to the region's larger concentration of a higher income group (T20) residents. This research makes use of a convenient sampling technique. In this study, the minimal sample size was determined using the G\*Power software analysis, in line with previous studies (Faul et al., 2007; Sarstedt et al., 2021). With 116 participants, the algorithm had 90% statistical power to identify an  $R^2$  value of 0.15 with a 5% margin of error. For this research, a total of 134 survey answers were received. Only 116 of the 134 returned surveys were useable, while 16 were excluded because they did not fall under the higher income range, and two were deemed to be faulty.

### *Data collection, Measurement and Analysis Techniques*

In this research, the link between morale, social dynamics, knowledge, and tax compliance was explored quantitatively. A self-administered online survey was undertaken in Klang Valley to gather information from the Malaysian higher income group utilising electronic and online platforms using Google Forms. The link to the Google Form containing the cover letter and surveys was sent through WhatsApp application, emails, and Facebook since this is the fastest way to gather responses (Ndashimye et al., 2022).



The questionnaire for this research was divided into three main sections. The first section contains demographic information, whereas the second section focuses on the dependent variable, tax compliance, which consists of seven questions adopted from (Wahl et al., 2010; Taylor, 2002). The third section then includes four independent variables (tax morale, perception of fairness, trust in authorities, and tax knowledge). Five questions from Torgler et al (2007) are used to measure tax morale, and five items from Gilligan and Richardson (2005) are used to measure the perception of fairness. The next independent variable is made up of five items taken from Wahl et al (2010) to measure trust in authorities and five items taken from Tallaha et al (2014); Lars (1999) to measure tax knowledge. The questionnaire used a five-point Likert scale ranging from 1 'strongly disagree' to 5 'strongly agree' to assess the respondents' behaviours.

The Skewness and Kurtosis test was used to perform a normality test on tax morale, perception of fairness, trust in authorities, and tax knowledge on tax compliance. The data were revealed to have a normal distribution since the skewness for this study ranges from -.254 to -.796, and the kurtosis ranges from -.405 to .076. The data were reliable, as evidenced by Cronbach's Alpha values ranging from 0.826 to 0.911 in this study, demonstrating that the multiple statements consistently measure the perceptions of the higher income group on the four dimensions connected to the determinants of tax compliance.

The data were analysed using the Statistical Package for Social Sciences (SPSS) system for Windows Platform version 28. Multiple regression analysis was carried out to examine the relationship between tax morale, perception of fairness, trust in authorities, and tax knowledge on tax compliance.

## **Findings and Discussions**

### *Demographic Analysis*

A total of 116 samples were obtained from the intended respondents in the higher income category. Table 1 indicates the respondents' demographic information in which 50% of the respondent were males and 50% were females. Most people in the higher income category (56.9% of all respondents) are between the ages of 36 and 45. The respondents with academic qualifications of professional/degree/degree in bachelor's/ master's accounting for 88.8% of the total sample. This stated that most higher income earners had a minimum qualification of a professional/bachelor's degree/master's degree. Meanwhile, most respondents (n=96, 81.9%) worked in the private sector, with 58.6% holding positions as managers or directors, another 24.1% holding top management roles, and the remainder holding officer or executive positions. Most respondents (n=93, 80.2%) had worked for more than 11 years.

Table 1

*Demographic information*

Variables	Category	Frequency	Percentage (%)
Gender	Male	58	50
	Female	58	50
Age	23-35 years	9	7.8
	36-45 years	66	56.9
	46-55 years	36	31
	Above 56	5	4.3
Academic Qualification	Certificate/Diploma	9	7.8
	Professional (i.e.: ACCA, CIMA/Bachelor's degree/Master's degree)	103	88.8
	Doctorate (PhD)	4	3.4
Organisation	Private Sector	95	81.9
	Public Sector	10	8.6
	Government Linked Company	11	9.5
Designation	Officer or Executive Level	20	17.2
	Manager or Managerial Level	68	58.6
	Top Management Level	28	24.1
Years of work experience	1-5 years	6	5.2
	6-10 years	17	14.7
	>11 years	93	80.2
Number of file income tax returns	Never	1	0.9
	Once	2	1.70
	2-10 times	37	31.9
	>10 times	76	65.5
T20	RM10,960 – RM15,039 (Tier 1)	87	75
	More than RM15,039 (Tier 2)	29	25

Table 1 also indicates that 113 respondents fulfilled their responsibilities in completing their income tax returns over the course of their work. Although all 116 respondents are classified as belonging to the higher income group, the group can be further divided according to the earnings tier introduced by the (Department of Statistics Malaysia, 2019). A total of 116 respondents earns an income ranging from RM10,960 to RM15,039 (Tier 1), with the remaining 29 respondents earning an income of RM15,039 or more (Tier 2). Based on the above demographic analysis, it can be said that this is a good sign of the respondent's capacity in providing reliable information for this study.

*Data Analysis*

This research used a multiple regression analysis to respond to the research objectives. The four independent variables were investigated using multiple regression analysis: tax morale, perception of fairness, trust in authorities, and tax knowledge, which significantly explained the motivation of tax compliance among the higher income group earners in Klang Valley. Table 2 reveals that there is a statistically significant correlation between the dependent

variable and the independent variables where the value of F, 20.904, is more than the value of F-critical (3.513) and the p-value is less than 0.01.

Table 2  
ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	927.522	4	231.880	20.904	<.001 <sup>b</sup>
	Residual	1231.271	111	11.093		
	Total	2158.793	115			

a. Dependent Variable: Total Tax Compliance

b. Predictors: (Constant), Total Knowledge, Total Fairness, Total Tax Morale, Total Trust

According to Table 3, the R-square value for this model is 0.430, indicating that the relationship between these four independent variables accounts for 43% of the variation in the dependent variable (tax compliance). In other words, the overall impact of tax morale, perception of fairness, trust in authorities, and tax knowledge on tax compliance is moderate.

Table 3  
Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.665 <sup>a</sup>	.430	.409	3.331

a. Predictors: (Constant), Total Knowledge, Total Fairness, Total Tax Morale, Total Trust

b. Dependent Variable: Total Tax Compliance

Table 4 indicates no multicollinearity issues as the tolerance value is above 0.2 Hair et al (2019) and VIF is less than 10 (Pallant, 2020). According to the statistic in Table 4, there is no significant positive relationship between tax morale and tax compliance ( $t$ -value=.531;  $p$ -value= .596 ( $p > 0.01$ )). Besides, there is no significant positive relationship between perception of fairness and tax compliance ( $t$ -value = 2.369;  $p$ -value = .020 ( $p > 0.01$ )). Consequently, the result also indicated that there is no significant positive relationship between trust in authorities and tax compliance ( $t$ -value = 1.414 and  $p$ -value= .160 ( $p > 0.01$ )). However, there is significant positive relationship between tax knowledge and tax compliance ( $t$ -value= 4.531;  $p$ -value = <.001).

Table 4

*Regression Result*

	Unstandardized Coefficient		Standardized Coefficient	t	Sig.	Collinearity Statistics	
	B	Std. Error	Beta			Tolerance	VIF
(Constant)	8.676	3.115		2.785	.006		
Tax Morale	.069	.131	.042	.531	.596	.809	1.236
Perceived Fairness	.257	.109	.271	2.369	.020	.393	2.545
Trust in authorities	.163	.115	.165	1.414	.160	.378	2.646
Tax Knowledge	.557	.123	.362	4.531	<.001	.806	1.240

a. Dependent Variable: Tax Compliance

**Discussions**

*Tax Morale on Tax Compliance*

The finding of this study suggests that the higher income group earners perceived that tax morale did not influence tax compliance. This result is consistent with the study by Lois et al (2019) where they claimed that taxpayers are less compliant due to the tax administration, which is not considered trustworthy and biased by taxpayers, creating the perception that its practices are unfair. Al-Zaqeba and Al-Rashdan (2020) showed that tax morale impacts tax compliance among high-income categories of taxpayers in Jordan, which contradicts the findings of this research. Income distribution affects the tax morality of taxpayers. Even low-income individuals would disclose their whole income since they would prefer to pay taxes than have a negative figure. Meanwhile, wealthier individuals would choose to pay zero taxes and actively defraud the government if the tax burden increased (Gangl and Toggler, 2019).

Furthermore, Lago-Penas and Lago-Penas (2010) research demonstrated that tax morale changes with socio-demographic variables and personal financial situations. The individuals who are among the wealthy or high income as the net contributors to interregional redistribution have lower tax morale. Besides, Mellon et al (2021) stated that, priming the behaviour of tax compliance among the wealthy could have strong short-term effects on their stated tax morale. Thus, this research also suggests that the government should focus on high-income taxpayers in order to boost tax morale. This might help to remove the impression that the taxpayers have done their best for society, but morale suffers when people believe they are not paying their fair share of taxes.

In the context of Social Influence Theory, moral decisions are the result of the interaction between societal and personal factors. When people are penalised for actions, they believe to be reasonable and righteous by society, conflicts between self- and social sanctioning occur (Bandura, 1999). Morally upright dissenters and nonconformists frequently find themselves in this circumstance. As such, the taxpayers may act to breach their motivation when they feel forced by society to act in a way that goes against their interests, consequently breaking their moral principles.

### *Perception of Fairness on Tax Compliance*

Besides tax morale, perceived fairness also does not encourage tax compliance among higher-income group earners. This finding is consistent with (Rosli et al., 2018; Saad et al., 2021). A few studies also indicated that taxpayers are less compliant when they believe that the tax system is unfair (Julius, 2016; Lois et al., 2019; Gilligan and Richardson, 2005). They have the potential to pay taxes but are unwilling to do so owing to a belief of unfairness; hence, they will attempt to avoid complying with the tax system. Meanwhile, Faizal and Palil (2015) stated that only procedural fairness has an impact on tax compliance behaviour, which indicates reward and punishment play a role in the acceptance of the perception of fairness with tax compliance.

In addition, Oladipo et al (2022) claimed that tax justice perception has a negative impact on tax compliance since it does not represent the practicality, ease, fairness, and efficacy of the tax system. However, social influence may impact perceptions and behaviour modification efforts, which entail converting effort on the desire to carry out beliefs on individual behaviours. Thus, it will impact compliance behaviour when a taxpayer adopts conformity with the hope of being accepted by another, even though the truth does not seem to be advantageous.

### *Trust in Authorities on Tax Compliance*

Nevertheless, the third hypothesis is also being rejected as the results also demonstrated an insignificant relationship between the perception of trust in authorities and tax compliance. According to Gangl et al (2015b), taxpayers who believe that paying taxes is a norm do not interact with the tax system on the basis of confidence and trust; instead, they comply with the spirit of the law. Meanwhile, Damayanti and Martono (2018) concluded that the power of the authorities has a greater impact on tax compliance than trust in the authorities. However, this is contradicted by a study by Mas'ud et al (2019) which implied that trust in authorities has a significant influence as compared to power.

Additionally, from the perspective of social influences theory, wealthy individuals in societies tend to actively participate in governance and with the community which gives them the impression that they serve the interests of a selected few (Christians, 2016). Thus, having a resource to preserve their own interests influenced their trust in the tax system, which they believe disproportionate influence can lead to the adoption and protection of harmful tax laws. However, it can also reduce taxpayers' desire to work with legislators and tax authorities. Hence, there is a need to nurture and establish confidence in authority aspects in order to improve compliance among higher-income group earners, since this group contributed substantially to the government revenue.

### *Tax Knowledge on Tax Compliance*

Higher-income group earners had a statistically significant and favorable connection between tax knowledge and tax compliance. Consequently, this provides statistical support for Hypothesis 4 and satisfies the study's purpose. This finding is consistent with the study findings of Al-Ttaffi and Bin-Nashwan (2022) which found that tax knowledge significantly influenced tax compliance behaviour. Consequently, it suggests that individuals are always affected by social influences that surround their environment, behaviours, attitudes, beliefs, and knowledge. Gangl et al (2015a) claimed that the knowledge of taxpayers' rights and equipped knowledge has a roughly threefold bigger impact on tax filing among wealthy taxpayers than the perception of corruption.



Moreover, Onu and Oats (2016) conducted research on the knowledge gap among taxpayers, which emerged when their behaviour changed. Leakage in tax communication, which is characteristic of the social influence process, causes the gap. Social characteristics affect the communication process when peer persuasion or knowledge sharing effect tax knowledge and promotes tax compliance behaviour. Besides, taxpayers are more willing to cooperate when ethical standards and societal advantages are raised. It is critical that the government and taxpayers reach an agreement on the sharing of assistance and knowledge that may enable this exchange in order to encourage tax compliance (Alkhatib et al., 2020).

### **Conclusion**

This study was performed to gain insight into the higher-income group earners, which inclusive of professionals, business, and organisational leaders. Theoretically, the higher income group earners have no difficulties paying taxes since their revenue is very high. The findings of this study revealed that tax knowledge has been shown to have an impact on tax compliance among the higher income group earners. However, the moral and social dynamics factors which constitute tax morale, perception of fairness, and trust in authorities do not motivate tax compliance. Even though the results do not confirm their role as factors in tax compliance, the discussion may give an overview in investigating the theory towards compliance among the higher income categories. Their contributions are vital to maintaining public finances and social equity, and their non-compliance and perceived (un)fairness may create societal dissatisfaction.

Other studies have already examined how political, social, economic, and psychological issues led to noncompliance among the wealthier group. To effectively include the wealthy in the tax system, it is important to comprehend the psychological factors that influence their tax compliance. Understanding taxpayer motives and morale will allow authorities to continue and expand revenue collection while decreasing the administrative load. Meanwhile, research into what people think about fairness perceptions might help policymakers improve the tax system and tax legislation while also winning taxpayer confidence. Subsequently, the improvement and revision of the tax system should be conveyed via information and knowledge sharing. As a result, the government may be able to enhance the tax communication process in order to provide taxpayers with more information. Besides, this study may inspire future researchers to conduct in-depth studies utilising a qualitative method on morale and social dynamics aspects that might contribute to government sources of revenue and societal well-being.

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