



### Abstract

This study examines the relationship between salaried taxpayers' compliance in filing BE Forms and Monthly Tax Deduction (MTD). Although MTD was introduced in 1995 to improve compliance and reduce lump-sum tax burdens, many taxpayers mistakenly perceive it as a final tax, leading to non-filing. Guided by the Theory of Planned Behaviour (TPB), the study analyzes seven (7) factors: knowledge, attitude, subjective norms, awareness, ease to use, usefulness, and user satisfaction.

Data from 110 respondents in Seremban and Klang Valley reveal that only perceived usefulness significantly influences compliance. The study recommends that IRBM enhance tax education and awareness to reduce unintentional non-compliance.

### Problem Statement

In 2022, IRBM recorded about 4.19 million individual tax filings, up from 3.45 million in 2013 - an increase of 735,000. However, this growth does not reflect the significant rise in salaried individuals subject to Monthly Tax Deduction (MTD), as filing rates remain relatively stagnant.

Even after excluding those eligible for MTD as Final Tax (MTDFT), many taxpayers still fail to submit Personal Income Tax (PIT) forms. This suggests misunderstandings or lack of awareness about MTD and MTDFT requirements. Such non-compliance may lead to tax leakage, highlighting the need to examine taxpayer behavior using the Theory of Planned Behavior.

### Research Questions

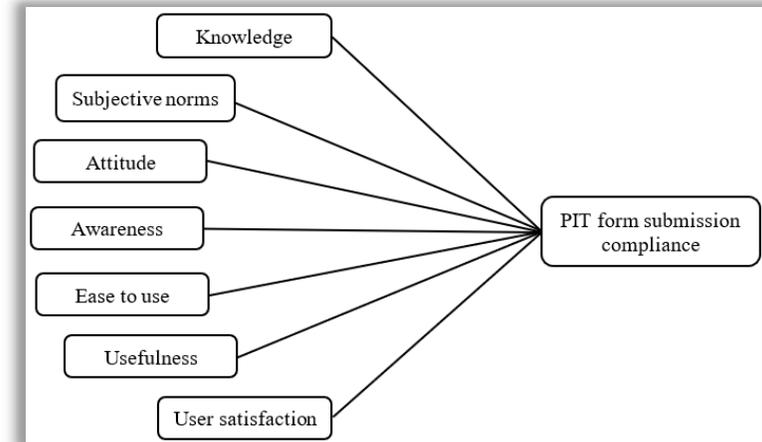
- 1 What is the relationship between MTD and PIT form submission compliance?
- 2 Does knowledge, attitude, subjective norms, awareness, ease of use, usefulness and user satisfaction effect PIT form submission?
- 3 What are the most influential factors affecting MTD and PIT form submission compliance?

### Research Objectives

- 1 To examine the relationship between Monthly Tax Deduction (MTD) and Personal Income Tax (PIT) form submission compliance.
- 2 To investigate the effects of knowledge, attitude, subjective norms, awareness, ease of use, usefulness, and user satisfaction on PIT form submission compliance.
- 3 To identify the most influential factors affecting compliance with Monthly Tax Deduction (MTD) and Personal Income Tax (PIT) form submission.

### Framework

Research framework for this study is based on Ajzen's theory - Theory of Planned Behavior (TPB) because it is used to forecast a person's behavior in particular. An individual's behavior intention is shaped by three fundamental factors: attitudes, social influence or subjective norms, and the issue of control or Perceived Behavioural Control (PBC). PBC itself focus on knowledge, awareness, ease to use, usefulness and user satisfaction as per illustration below.



*\*Proposed Research Model For Factors Influencing Compliance In Monthly Tax Deductions And Personal Income Tax Filing*

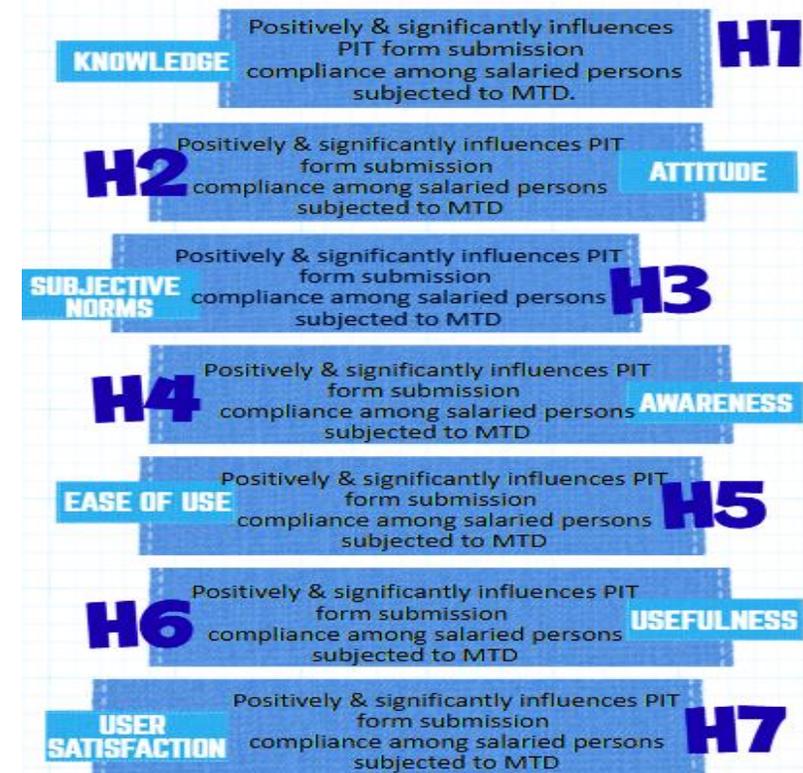
This study discusses MTD and PIT in general and the factors influencing compliance in MTD and PIT by analyzing how those independent variables affect the PIT form submission compliance. Since the aim of this study is to directly examine the actual compliance with PIT form submission and the interrelation factors between MTD and PIT compliance, the construct of intention was excluded.

# Methodology

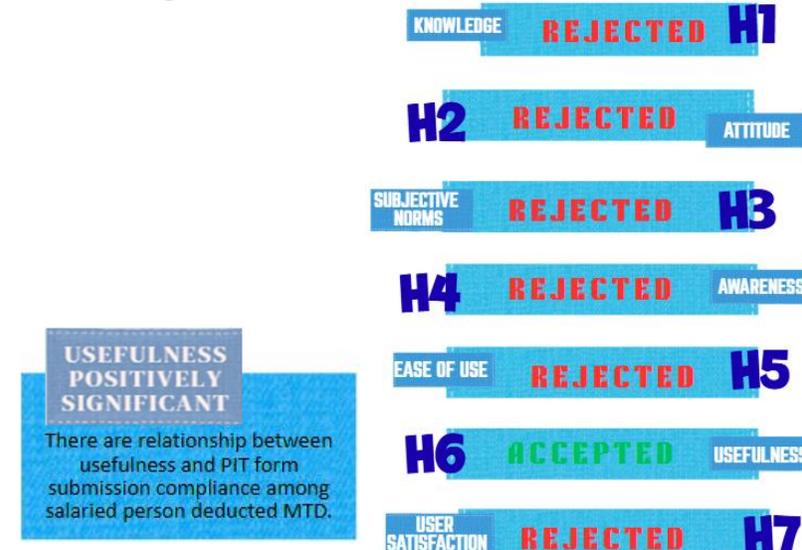
The population, sample frame, sampling strategy, data collection method, and variable measurement used were discussed in the study by explaining the theoretical framework that aids in the development of the hypothesis as well as the data analysis technique used to look at the data. In addition, it will look at each independent and dependent variable and provide further information on the methodology and research design used.

The study employs quantitative research, and three sections' questionnaire using Google Form were created to collect primary data using English and Bahasa Malaysia as an intermediary languages. Regardless of their backgrounds, 110 salaried people from Seremban and Klang Valley were randomly given the link to the online survey via email and the WhatsApp messenger.

Seven (7) hypotheses have been developed as below:



# Findings



(i) According to TPB theory, users' intentions to embrace and utilise a system are significantly influenced by perceived usefulness (Davis, 1989) which is related to MTD. In addition, numerous studies have shown that taxpayers' perceptions of the value of tax-related tools or systems have a substantial impact on their compliance behaviour.

(ii) Only perceived usefulness has a significant effect on PIT compliance, whereas knowledge, attitude, subjective norms, awareness, ease of use, and user satisfaction do not. Although individuals subject to MTD are clearly liable for tax, many still fail to understand their responsibility to file their income tax returns.

(iii) Usefulness identified as the most influential factors affecting compliance with MTD and PIT form submission. This indicates that when individuals perceive the PIT form submission process as useful and beneficial, they are more likely to comply with the submission requirements.

Other than that, as to date there is no specific study had been done in relating MTD and PIT compliance in Malaysia.

# Discussion & Conclusion

According to a number of empirical research (Bobek & Hatfield, 2003; Kirchler, Hoelzl, & Wahl, 2008), the discrepancy between intention and actual compliance behaviour might be substantial in tax situations because of external limitations, ignorance, or perceived system complexity.

In conclusion, this study emphasises how important perceived utility is in promoting PIT form submission compliance among salaried individuals with MTD deductions, underscoring the necessity for tax authorities to improve the perceived value of compliance resources and communication.

The TPB theory, which holds that perceived usefulness is a major factor influencing users' intention to adopt and use a system, is consistent with the acceptance of this hypothesis (Davis, 1989). Numerous studies have revealed that taxpayers' compliance behaviour is greatly influenced by their opinion of the value of tax-related tools or systems. For instance, Hidayanto et al. (2023) discovered that taxpayer compliance is positively impacted by e-filing systems' perceived utility and usability. Melamaulidah et al. (2021) found that intention to use an e-filing system was positively impacted by usefulness and convenience of use, with attitude acting as a mediating factor.

## Research Gap

The sample was limited to Seremban, Negeri Sembilan, and Klang Valley, the study's findings do not accurately reflect the situation in Malaysia. However, it can serve as a general overview for other Malaysian states because Negeri Sembilan and Klang Valley are the most suitable states to choose as the sample due to their close proximity and substantial populations of salaried individuals. Furthermore, both areas are engaged in a number of industries and sectors that can broaden and provide variation for the respondent's work background.