

# **Routine Activity Theory, Tax Knowledge, and Tax Compliance: An Empirical Evidence from Malaysian High-Income University Staff**

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## **Abstract**

This study examines the relationship between tax knowledge and tax compliance among Malaysian high-income earning university staff, using Routine Activity Theory as the theoretical framework. The study utilized a sample size of 500 high-income university staff members and employed Pearson correlation for statistical analysis. Out of the 419 received responses, 172 valid responses were used from the high-income group. The survey collected demographic information, tax knowledge, and tax compliance data using dummy variables and Likert scales. The findings demonstrate a significant negative correlation ( $-0.751$ ,  $p < 0.05$ ) between tax knowledge and tax compliance. This suggests that individuals with higher tax knowledge may exploit loopholes and engage in non-compliance. These findings challenge the conventional belief that increased tax knowledge promotes compliance. The study emphasizes the importance of integrating tax education with information on penalties for non-compliance to address this issue. The findings suggest significant implications for tax policy reform and educational programs aimed at improving tax compliance. Practical implications include the development of targeted tax education programs and stricter enforcement strategies. Additionally, the study highlights the relevance of Routine Activity Theory in understanding taxpayer behavior, as higher tax knowledge could potentially identify "suitable targets" for non-compliance. Future research should consider objective measures of tax compliance and explore potential serial mediation effects. This study contributes to the existing literature by providing insights into the complex dynamics between tax knowledge and compliance among high-income university staff in Malaysia.

## **Keywords:**

Tax Knowledge, Tax Compliance, Individual Taxpayers, Malaysia, Routine Activity Theory

## **INTRODUCTION**

Tax compliance is crucial in Malaysia as it ensures the government's ability to generate revenue necessary for public services and infrastructure development (Ministry of Finance Malaysia, 2019). Given Malaysia's aspirations to become a high-income nation, robust tax compliance is essential to fund economic initiatives, healthcare, education, and social welfare programs. High levels of compliance also promote a fair and equitable tax system, reducing the tax burden on compliant taxpayers and mitigating the risk of fiscal deficits

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(PricewaterhouseCoopers, 2022). Moreover, in the Malaysian context, improving tax compliance can enhance the overall efficiency of tax administration, reduce the shadow economy, and foster greater public trust in governmental institutions. Ensuring widespread tax compliance is therefore fundamental to the nation's socioeconomic development and stability (Sritharan et al., 2022).

Tax knowledge plays a crucial role in influencing taxpayer behavior by shaping their understanding of tax obligations and the consequences of non-compliance (Abu Hassan et al., 2022; Mustapha et al., 2021; Yusoff, 2022). Well-informed taxpayers are more likely to accurately report income, claim appropriate deductions, and meet filing deadlines, reducing errors and the risk of penalties (The Edge Markets, 2022). Understanding tax laws and regulations can demystify the tax process, making it less intimidating and easier for individuals to comply. Additionally, tax knowledge can promote a sense of civic duty and responsibility as taxpayers become aware of how their contributions support public services and infrastructure (Ministry of Finance Malaysia, 2019). On the other hand, a lack of tax knowledge can result in unintentional non-compliance and foster mistrust or resentment towards the tax system. Therefore, enhancing tax knowledge is crucial for improving voluntary compliance and fostering a cooperative relationship between taxpayers and tax authorities.

Tax compliance is both an economic and social responsibility for individuals and organizations. It is important for stakeholders, including the government. To ensure that taxes are paid in order to provide economic and social benefits to the people of the country. The Malaysian government plays a significant role in raising income through the mandatory income tax Act, which was enacted in their constitution (Mohdali et al, 2017). It is believed that having knowledge about taxes influences compliance because informed taxpayers are more likely to fulfil their tax obligations. When individuals have a good understanding of tax laws, procedures, and the importance of taxes for societal welfare, they are more likely to comply voluntarily. This assumption is based on factors such as awareness of obligations, risk perception, ease of compliance, civic responsibility, and reduced misconceptions.

Malaysia's Gross National Income (GNI) has steadily increased over the past two decades (World Bank, 2020). The GNI represents the total domestic and foreign output of a country, including the gross domestic product (GDP), but excluding the income of non-residents (World Bank, 2020). In contrast, Malaysia's tax revenue has significantly declined over the same period (World Bank, 2018). This disparity between the rising GNI and falling tax revenue highlights a significant tax gap in Malaysia's tax system, resulting in a loss of national revenue and imposing a real cost on society (Devos, 2013).

The Free Malaysia Today (2022) reports that the 'IRBM' has identified nearly 31,000 non-compliant taxpayers across the country who are evading tax. This includes more than 24,000 individuals who were traced based on the ownership of their assets and their liability of long-term borrowings, which amounts to nearly RM 500,000. In addition to the tax gap, the IRBM estimated in the year 2018, prior to the Covid-19 pandemic, that the tax losses for the year 2022 have been estimated at RM 665 million. The IRBM has issued a statement in which it mentioned that "Criminal probes would result in charges being filed in court under the Income Tax Act 1967 for tax evasion". According to the Inland Revenue Board of Malaysia, the tax gap (differences between the expected tax collection and the actual tax collection) was RM 20.7, RM 1.0, RM 3.4, and RM 13.3 for the years 2015, 2016, 2017, and 2018, respectively. An IRBM press release reveals that 31,598 entities, including 23,751 individuals, businesses, and companies, have not declared their income with the tax authority, amounting to an estimated total of more than RM 665 million. Though identifying high-

impact financial crime areas is not easy, the authority uses different approaches to trace tax evaders. For example, the above-mentioned 31,598 entities were traced when they attempted to secure asset ownership via financing valued at more than RM 500,000 (The Edge Markets, 2022).

The gap in the literature in Malaysia pertains to the insufficient understanding of how various demographic factors influence the relationship between tax knowledge and compliance behavior among high-income earners. Although previous research has examined the overall impact of tax knowledge on compliance, there is a lack of analysis specific to the Malaysian context. This analysis should consider the interplay of demographic characteristics, such as age, gender, income levels, and education, particularly among high-income earners.

Specifically, limited information is available on how different demographic groups (such as younger versus older high-income earners, males versus females) differ in their levels of tax knowledge and compliance behavior. This study aims to address this research gap by examining the nuanced relationship between tax knowledge and compliance behavior among high-income earners in Malaysia. It will specifically explore how various demographic factors, such as age, gender, income levels, and education, influence this relationship. Although there is existing research on tax compliance, there is a lack of detailed analysis within the Malaysian context that integrates these demographic variables to provide a comprehensive understanding of taxpayer behavior among high-income earners. Furthermore, the study seeks to investigate the surprising finding of a negative and statistically insignificant relationship between tax knowledge and compliance among high-income earners, which challenges the common assumption that higher tax knowledge naturally results in better compliance. By addressing these gaps, this study aims to make a valuable contribution to the development of more effective and targeted tax education and enforcement strategies for high-income earners in Malaysia universities. Therefore, the research objective is to investigate the influence of tax knowledge on compliance behavior among high-income earning university staffs in Malaysia.

This study makes a significant contribution to the existing literature on the relationship between tax knowledge and tax compliance, particularly among high-income earners in Malaysia. The prevailing view in the literature is that higher tax knowledge generally leads to increased tax compliance (Lutfi et al., 2023; Oladipo, 2022; Noorul Amin, 2022). However, this study challenges that view by revealing a negative correlation between tax knowledge and tax compliance among high-income earners. This finding challenges the commonly held assumption and opens up new avenues for understanding the dynamics of tax compliance within this specific demographic. In addition, this study is one of the first to apply Routine Activity Theory in the context of tax compliance, providing a new theoretical lens to explain why higher tax knowledge might lead to lower compliance. The study suggests that knowledgeable taxpayers can identify and exploit loopholes in the tax system, which enhances our understanding of non-compliance behavior. This application demonstrates the usefulness of criminological theories in explaining economic behaviors, thus expanding the theoretical frameworks used in tax compliance research.

The focus on high-income earners fills a critical gap in the literature by addressing the unique behaviors and motivations of this specific group, which previous research has often overlooked. By studying this demographic, the study provides insights into how wealthier taxpayers strategically navigate tax systems. This focus is essential in tailoring policy recommendations to effectively address compliance issues within this influential group. The findings of the study have significant implications for tax policy and enforcement strategies. They suggest that solely increasing tax knowledge through education programs may not be

sufficient to improve compliance among high-income earners. Instead, these programs must be combined with robust enforcement mechanisms to prevent the exploitation of tax knowledge for evasion purposes. This aligns with the recommendations of Latif et al. (2023) and Susanti and Anam Budi (2023), who advocate for a holistic approach that combines education and enforcement.

The study highlights the significance of including ethical considerations in tax education initiatives. While it is crucial to enhance technical knowledge, it is equally important to instill a sense of civic duty and ethical responsibility among taxpayers. This approach can help reduce the risk of knowledgeable taxpayers using their skills to avoid compliance, as emphasized by Yusoff (2022) and Wardani (2023). By providing empirical evidence specific to the Malaysian context, the study offers valuable insights for local tax authorities. It suggests that targeted interventions are necessary to address the unique challenges presented by high-income earners. These insights can be used to develop more effective tax policies and compliance strategies, ultimately improving the overall efficiency of the tax system in Malaysia.

The next section covers the literature review, discussing existing literature on tax knowledge and tax compliance. It includes the theoretical framework based on Routine Activity Theory. Relevant studies and their findings are summarized, and research gaps, particularly the need for studies focusing on high-income earners, are identified. The third section details the methods, describing the survey methodology and the rationale for using a survey questionnaire. It also outlines the sample and sampling technique, explaining how the sample was drawn from public and private universities across Malaysia using staff directories. Additionally, it provides details on data collection, including the response rates and criteria for selecting the 172 responses used. The variables and their measurement are also explained. The fourth section presents the findings and discussion. It includes the correlation coefficient between tax knowledge and tax compliance, an analysis and interpretation of the findings in relation to the literature, and the application of Routine Activity Theory to explain the findings. Furthermore, it includes a comparison to previous studies and identification of new insights. Finally, the last section covers the conclusion and recommendation. It summarizes key findings and their significance, contributions to the literature, theoretical implications, and policy recommendations for improving tax compliance among high-income earners. Suggestions for future research to further explore the relationship between tax knowledge and compliance in different contexts and demographics are also provided.

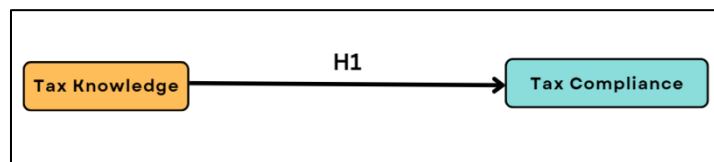
## **LITERATURE REVIEW**

### **Theory**

Routine Activity Theory, a framework frequently employed in criminology, posits that crime occurs when three elements converge: a motivated offender, a suitable target, and a lack of capable guardianship. This theory can be effectively applied to understand tax compliance behavior among high-income earners, particularly in the context of how tax knowledge influences compliance. In the domain of tax compliance, a taxpayer with higher tax knowledge can be seen as the "motivated offender." This individual has the capability to understand and identify potential "suitable targets" within the tax system such as loopholes or ambiguities in tax laws that could be exploited to reduce tax liabilities. These loopholes or Grey areas in tax laws become the "suitable targets" in Routine Activity Theory. Furthermore, tax knowledge also affects the perception of "lack of capable guardianship." Capable guardianship in tax compliance

can be viewed as effective oversight, enforcement, and the presence of deterrents against non-compliance.

When taxpayers believe that tax laws are complicated, enforcement is weak, or there are loopholes that can be taken advantage of without consequences, it creates a situation where compliance becomes less likely. For example, high-income earners who have extensive knowledge of tax regulations may perceive that certain activities, like aggressive tax planning, might not be closely monitored or penalized due to inadequate enforcement. This perception contributes to a "lack of capable guardianship," which ultimately increases the chances of non-compliance. On the other hand, Routine Activity Theory also suggests that strengthening capable guardianship can deter non-compliance. By improving tax knowledge among tax administrators and policymakers, they become better equipped to understand and address potential loopholes or areas of non-compliance. This, in turn, reduces the number of "suitable targets" that motivated offenders can exploit. Taking a proactive approach strengthens the element of guardianship by creating a perception of oversight and enforcement. Applying Routine Activity Theory to tax compliance helps shed light on the complex relationship between tax knowledge, compliance behavior, and enforcement mechanisms among high-income earners. By understanding how tax knowledge empowers taxpayers to identify and exploit weaknesses in the tax system, policymakers can develop more effective strategies to enhance tax compliance and ensure a fair and equitable tax system.



**Figure 1: Conceptual framework**

### **Tax Knowledge and Compliance Behavior**

Tax compliance is a crucial concern for governments across the globe as it has a direct impact on revenue generation and economic stability. This section aims to consolidate the findings from recent studies in order to analyse the correlation between tax knowledge and tax compliance. Additionally, it also explores the implications and provides recommendations for policy and practice. Recent studies by Lutfi et al. (2023), Fauziati et al. (2020), Oladipo (2022), and Noorul Amin (2022), have also explored the impact of tax knowledge on compliance, finding similar patterns in different economic contexts.

Lutfi et al. (2023) argue that having a better understanding of tax regulations can positively impact taxpayer compliance behavior. They suggest that implementing awareness and educational programs can help improve tax knowledge, thereby increasing compliance rates and government revenues. It is important to note that these programs should not disproportionately burden lower-income taxpayers. On the other hand, Fauziati et al. (2020) found that taxpayers often feel they lack the necessary technical knowledge to comply with tax regulations effectively. This lack of understanding can result in unintentional non-compliance or deliberate evasion. Hence, it is crucial to prioritize tax education and simplify tax regulations to facilitate compliance.

Oladipo (2022) supports these findings by indicating that tax knowledge has a significant influence on compliance. The study suggests that improving taxpayers' knowledge

through tax awareness programs and initiatives can foster better compliance behavior. Noorul Amin (2022) advocates for the introduction of tax education in tertiary institutions as a means to enhance general tax knowledge among students, which could potentially lead to higher compliance rates in the future. Similarly, Assegaf and Andesto (2022) find that tax knowledge has a significant positive impact on individual taxpayer compliance, highlighting the importance of understanding tax matters in shaping compliance behavior.

Latif et al. (2023) have shown that tax compliance behavior is greatly influenced by tax knowledge. This suggests that there is a need for initiatives to improve understanding and simplify tax systems. The researchers also suggest that demographic factors do not play a significant role in differentiating taxpayers in terms of compliance behavior. This means that interventions aimed at improving tax knowledge can benefit all taxpayers, regardless of their demographic characteristics. Yusoff (2022) emphasizes the connection between tax knowledge and the perception of non-compliance behavior among university students. The researcher suggests that better tax knowledge can result in more negative perceptions of non-compliance and higher rates of compliance.

Susanti and Anam Budi (2023) and Lestianingrum and Asmapane (2023) both find that tax knowledge has a significant effect on individual taxpayer compliance, reinforcing the idea that understanding tax regulations and requirements enhances compliance behavior. Wardani (2023) highlights the role of tax socialization in influencing compliance through improved tax knowledge, indicating that social exposure to tax information can enhance understanding and, consequently, compliance. The findings from studies in various contexts consistently demonstrate that tax knowledge plays a crucial role in shaping taxpayer compliance behavior. Efforts to improve tax education and awareness are recommended across different segments of the population, including business actors in specific sectors like hotels and restaurants (Yusoff, 2022; Lestianingrum and Asmapane, 2023).

Therefore, it is hypothesis as H1: There is a significant relationship between tax knowledge and tax compliance.

However, there is a research gap in the literature concerning the relationship between tax knowledge and tax compliance among high-income earners. While several studies have examined this relationship among general taxpayers and specific sectors, there is a lack of focused research on high-income earners. It is important to understand how tax knowledge influences their compliance behavior, given their potentially more complex tax situations and greater ability to engage in tax planning. High-income earners often encounter unique tax challenges, such as extensive investments, business interests, and international transactions, which can complicate their tax compliance decisions. Investigating how their tax knowledge influences compliance behavior can offer valuable insights for policymakers and tax authorities seeking to improve compliance rates among this demographic.

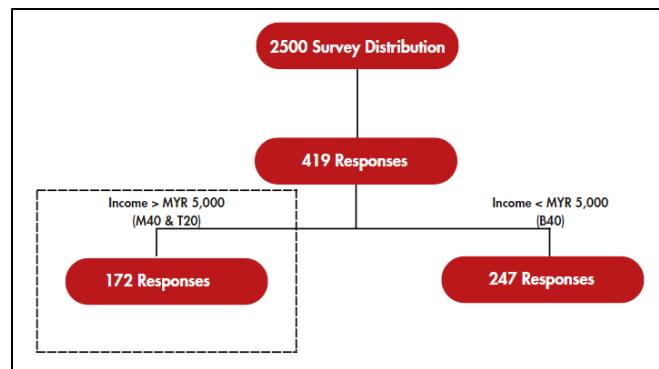
While previous research has emphasized the significance of tax knowledge in influencing compliance behavior among different groups of taxpayers, such as businesses and students, there is still a noticeable gap in understanding the connection between tax knowledge and compliance behavior among high-income earners. This study seeks to fill this gap by examining the impact of tax knowledge on compliance decisions made by high-income earners, thereby enhancing our understanding of tax compliance dynamics within this specific group. This gap in the existing literature is crucial in order to inform policies and strategies aimed at promoting tax compliance among high-income earners, ultimately leading to increased revenue generation and fairness in the tax system.

## METHODS

### Research Design

The study used a survey research design to investigate the connection between tax knowledge and tax compliance among high-income earners in Malaysia universities. This design was selected to collect quantitative data using a structured questionnaire, which facilitated systematic collection and analysis of responses

### Sample and Sampling Technique



**Figure 2: Respondents sample**

The sample consisted of 419 respondents from different public and private universities throughout Malaysia. After excluding 247 respondents who did not meet the criteria for the income group, 172 responses were selected for analysis. The sampling technique employed was purposive sampling, which is suitable for selecting participants based on predetermined criteria, such as income level. To reach potential respondents, the survey questionnaire was distributed through university staff directories. Email contacts were extracted from these directories and utilized for the distribution of the survey.

### Data Collection

Data collection was conducted using a structured questionnaire consisting of three main sections. Section A focused on collecting demographic information, including age, gender, income level, and educational background. Demographic variables were measured using dummy variables to categorize respondents based on their characteristics. Section B assessed respondents' tax knowledge and awareness, with respondents indicating their level of awareness using a 3-point Likert scale: "aware," "not aware," and "not sure." Section C measured respondents' tax compliance behavior, with respondents rating their compliance behavior on a 5-point Likert scale ranging from "highly comply" to "least comply."

### Variables and Measurement

Dummy variables were used to measure various demographic characteristics, such as age groups (e.g., 20-30 years, 31-40 years), gender (male, female), income level, and educational background (e.g., bachelor's degree, master's degree). Tax Knowledge: This variable was assessed by asking respondents about their awareness of tax matters. The responses were then

categorized into three options: "aware," "not aware," and "not sure." This approach allowed for a clear understanding of respondents' knowledge levels regarding tax obligations and regulations. Tax Compliance: Respondents' compliance behavior was measured using a 5-point Likert scale. This scale provided a nuanced assessment of compliance behavior, capturing variations from highly compliant to least compliant.

### **Data Analysis Techniques**

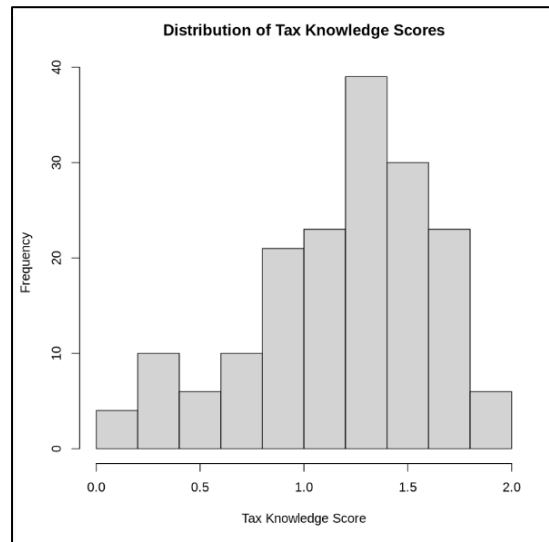
For the data analysis in this study, we employed descriptive analysis and Pearson correlation. Descriptive analysis was used to provide detailed insights into the respondents' profiles, including their demographic variables such as gender, ethnicity, educational qualifications, and age distribution. This approach allowed us to gain a comprehensive understanding of the sample population, highlighting their diverse backgrounds and ensuring a well-rounded representation of individual taxpayers in Malaysia. Additionally, we utilized Pearson correlation to examine the relationship between tax knowledge and tax compliance. This statistical method helped us identify the strength and direction of the association between these two variables.

## **RESULTS AND DISCUSSION**

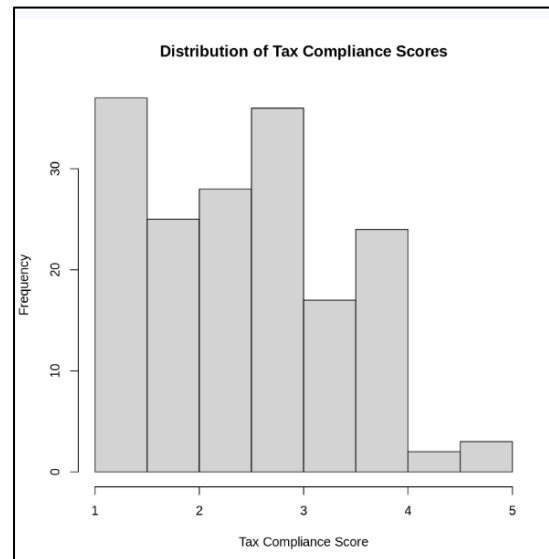
### **Descriptive Statistics**

The study gathered responses from a total of 172 participants employed in private and public universities across Malaysia. The sample consisted of 77 males and 95 females. In terms of ethnicity, the respondents included 94 Malays, 28 Chinese, 18 Indians, and 32 individuals from other racial backgrounds. Regarding educational qualifications, the participants held various levels of education: 7 held certificates, 25 had degrees or professional qualifications, 67 possessed master's degrees, and 73 had PhDs. The age distribution of the respondents was diverse, with 4 individuals aged between 20 to 30 years, 37 individuals aged between 31 to 40 years, 82 individuals aged between 41 to 50 years, and 49 individuals aged 51 and above. All respondents reported earnings above MYR 5,000 per month. Although they are specifically from the academic sector, they are registered individual taxpayers. Therefore, their responses reflect the perceptions of Malaysian individual taxpayers. This demographic profile indicates a well-educated sample with significant professional qualifications and a wide age range, providing a comprehensive view of tax knowledge and compliance behaviors among high-income earners in the academic sector in Malaysia.

### Relationship between Tax Knowledge and Compliance



**Figure 3: Distribution of tax knowledge score histogram**



**Figure 4: Distribution of tax compliance score histogram**

The distribution of Tax Knowledge Scores is slightly left-skewed, with a peak in the middle range of the scores (approximately between 1.0 and 1.5). This indicates that most respondents have moderate tax knowledge. The distribution of Tax Knowledge Scores is approximately normal, with a slight tendency towards left skewness, suggesting that the majority of respondents possess moderate tax knowledge. In contrast, the distribution of Tax Compliance Scores skews to the right, indicating that most respondents have lower levels of tax compliance. There are fewer respondents showing higher compliance. The contrasting distributions of tax knowledge and tax compliance suggest that while respondents generally have moderate tax knowledge, this does not necessarily translate into high compliance. This highlights the importance of taking a multifaceted approach that combines education with robust enforcement to improve overall tax compliance rates.

**Table 1: Pearson correlation between tax knowledge and tax compliance**

	Tax Knowledge	Tax Compliance
Tax Knowledge	1	
Tax Compliance	-0.751	1

Pearson correlation was chosen due to its ability to measure the strength and direction of the linear relationship between tax knowledge and compliance, as supported by Naape (2023). The analysis of the relationship between tax knowledge and tax compliance among high-income earners in Malaysia reveals a significant negative correlation ( $r = -0.751$ ,  $p = 0.001$ ). This finding suggests that higher tax knowledge is associated with lower tax compliance among this demographic, which is an intriguing and somewhat counterintuitive result. Previous studies generally report a positive relationship between tax knowledge and tax compliance. For instance, Lutfi et al. (2023) found that higher levels of tax knowledge positively influence compliance behavior, implying that well-informed taxpayers are more likely to adhere to tax regulations. Similarly, Oladipo (2022) highlighted that improving taxpayer knowledge through educational programs could enhance compliance rates. These studies suggest that tax knowledge equips taxpayers with the necessary understanding to meet their tax obligations effectively.

However, our findings align with some literature that suggests a better relationship. Fauziati et al. (2020) identified that inadequate tax knowledge could hinder compliance, indicating that the relationship might depend on the quality and type of knowledge. Moreover, Wardani (2023) suggested that socialization efforts improve tax compliance through increased tax knowledge, but this assumes that the information disseminated is accurate and practical. The negative correlation found in our study may reflect that high-income earners with greater tax knowledge are more adept at identifying and exploiting loopholes within the tax system. This aligns with Routine Activity Theory, which posits that crime (or non-compliance, in this context) occurs when a motivated offender identifies a suitable target in the absence of capable guardianship. These findings contribute to Routine Activity Theory by demonstrating that tax knowledge can alter routine behaviors, leading to reduced compliance. In our case, higher tax knowledge may provide the "motivated offender" (taxpayer) with the means to identify "suitable targets" (tax loopholes) and exploit them, particularly if there is perceived inadequate oversight or enforcement (lack of capable guardianship).

Additionally, Yusoff (2022) found a strong link between tax knowledge and the perception of non-compliance. This suggests that individuals with better tax knowledge may be more aware of opportunities for non-compliance. This could explain why our study discovered a negative correlation; high-income earners may use their tax knowledge strategically to minimize their tax liabilities. The findings of this study demonstrate the complexity of the relationship between tax knowledge and compliance. While educational initiatives are crucial, as recommended by Noorul Amin (2022), these programs must also address ethical considerations and the legal consequences of tax evasion. Latif et al. (2023) emphasized the importance of simplifying the tax system and improving tax knowledge to promote a compliant tax environment. Therefore, policymakers should not only focus on increasing tax knowledge but also ensure that the information provided discourages the exploitation of tax laws.

The findings highlight the importance of implementing targeted strategies for dealing with high-income earners. Since this group has the potential to utilize their knowledge to evade taxes, it becomes crucial to strengthen enforcement mechanisms and close loopholes. As suggested by Susanti and Anam Budi (2023), the implementation of effective tax sanctions, along with improved tax knowledge, can enhance compliance. While tax knowledge is generally considered a positive factor for compliance, this study reveals that increased tax knowledge among high-income earners in Malaysia may actually lead to decreased compliance. This emphasizes the significance of adopting a balanced approach that combines education with strong enforcement in order to prevent the misuse of tax knowledge for non-compliance.

### **Implications of Findings**

The practical implications of this study for tax education and enforcement strategies are significant, and tax authorities should consider implementing targeted educational programs that address specific knowledge gaps identified in this study. Firstly, the findings suggest that tax education programs should be comprehensive. They should not only provide information about tax laws and the benefits of compliance, but also emphasize the consequences of non-compliance. By understanding the penalties and risks associated with tax evasion, taxpayers may be less likely to exploit their knowledge to find loopholes and more likely to comply with tax regulations. Secondly, tax authorities should consider implementing regular and mandatory tax education initiatives specifically targeted at high-income earners. This group, given their higher financial knowledge and resources, may be more skilled at identifying and utilizing loopholes. For example, the implementation of a similar educational program in Rwanda resulted in an increase in compliance, as reported by (Mascagni, Santoro & Mukama, 2020). Therefore, a tailored approach that addresses the complexities of tax law and emphasizes ethical considerations and legal repercussions could be more effective.

Additionally, integrating tax education into the general education system could foster a culture of compliance from an early age. By including tax education in school curricula, individuals can develop a foundational understanding of their tax obligations, which can result in improved compliance as adults. Moreover, the use of technology in tax education and enforcement presents a valuable opportunity. With the increasing prevalence of e-filing systems and online tax platforms, leveraging these technologies to provide interactive and easily accessible educational resources can enhance taxpayers' understanding and streamline the compliance process. For instance, incorporating tutorials, webinars, and FAQs within e-filing systems can offer real-time assistance and clarity on tax matters, potentially reducing errors and increasing compliance rates. Employing a multi-faceted approach that combines comprehensive education, targeted strategies for high-income earners, integration of tax knowledge into the education system, and the use of advanced technology, we can significantly enhance tax compliance rates. These strategies have the potential to create a more informed taxpayer base, reduce non-compliance, and ultimately increase tax revenues.

### **CONCLUSION**

The study discovered a significant negative correlation (-0.751) between tax knowledge and tax compliance among high-income earners. This implies that high levels of tax knowledge are linked to lower levels of tax compliance within this group. The findings suggest that high-income earners who possess greater tax knowledge are more inclined to identify and take advantage of loopholes in the tax system, resulting in non-compliance. This supports the

Routine Activity Theory, which suggests that knowledgeable taxpayers, acting as motivated offenders, will exploit suitable targets (tax loopholes) in the absence of effective enforcement or capable guardianship.

Furthermore, the study indicates that tax education programs should not solely concentrate on enhancing awareness of tax laws and the advantages of compliance, but should also underscore the consequences of non-compliance. This two-pronged approach could help to reduce the possibility of well-informed taxpayers using their knowledge to evade taxes. The results emphasize the significance of bolstering tax enforcement measures to thwart knowledgeable taxpayers from exploiting the system. Effective supervision and more rigorous enforcement are essential in ensuring compliance, particularly among high-income earners who possess the means to comprehend and potentially manipulate the tax system.

This study contributes significantly to the current understanding of tax compliance, specifically among high-income earners. Firstly, it fills a notable gap in the literature by examining the correlation between tax knowledge and tax compliance among individuals with high incomes. This demographic has not received extensive attention in previous research. Most existing studies have focused on the general population or specific sub-groups, without considering income levels as a differentiating factor. By concentrating on high-income earners, this study offers valuable insights into how this specific group interacts with tax systems and their likelihood of complying with tax obligations.

Secondly, the findings of the study challenge the common belief that having higher tax knowledge always leads to improved tax compliance. The study reveals a negative correlation (-0.751) between tax knowledge and tax compliance. This suggests that, for individuals with high incomes, increasing tax knowledge may actually provide them with the information necessary to identify and exploit loopholes in the tax system, resulting in non-compliance. This finding adds complexity to our current understanding of the relationship between tax knowledge and compliance, highlighting that simply increasing tax knowledge is not enough to promote compliance. Instead, it is crucial to combine this knowledge with effective enforcement and clear communication of penalties for non-compliance.

Furthermore, this study applies the Routine Activity Theory to the context of tax compliance, providing a new theoretical perspective to understand taxpayer behavior. As previously mentioned, this theory, commonly used in criminology, suggests that crime occurs when a motivated offender encounters a suitable target without sufficient guardianship. In the context of tax compliance, this theory helps explain how individuals with high incomes and extensive knowledge of tax laws may identify opportunities to evade taxes when they perceive a lack of effective oversight. By incorporating this theory, the study adds to the existing literature on tax compliance by presenting a fresh insight into the motivations and opportunities for tax evasion.

This study's methodological approach, which involved conducting a detailed survey of high-income earners across public and private universities in Malaysia, contributes to the existing empirical research on tax compliance. The study's use of both pre- and post-education assessments, as well as the examination of actual compliance behavior through longitudinal observation, has been recommended for future research and policy-making purposes. This study not only addresses an important gap in the literature regarding high-income earners and tax compliance, but it also provides practical recommendations for enhancing tax education and enforcement strategies. With emphasizing the importance of comprehensive tax education that includes information on penalties, as well as advocating for stronger enforcement mechanisms, the study offers actionable insights for policymakers seeking to improve tax compliance among high-income groups.

Based on the current findings, there are several areas for further study suggested to build on the existing research. Firstly, while this study focuses on taxpayers' perceived compliance behavior, future research should aim to objectively measure actual tax compliance levels. This could be achieved by gaining access to tax records or collaborating with tax authorities to gather data on taxpayers' filing and payment histories. By doing so, a more accurate assessment of compliance behaviors can be obtained. For example, a study could compare tax returns filed and amounts paid by high-income earners over multiple years to identify patterns of compliance or non-compliance. This data could then be correlated with taxpayers' demographic information and any educational interventions they may have received, providing a more precise understanding of how tax knowledge impacts actual compliance. Another approach could involve conducting audits or reviews of a random sample of high-income taxpayers to assess their compliance. The results from these audits could be compared with self-reported compliance behavior to identify discrepancies and validate the effectiveness of self-reported data. These methods would provide a more reliable and valid measure of tax compliance, moving beyond perception-based studies to an examination of actual compliance behaviors. However, it is important to note that such methods may face significant challenges due to privacy and confidentiality policies enforced by tax authorities. The existence of personal protection acts, such as those in Malaysia, restricts access to sensitive tax records and personal financial information. These legal constraints pose a substantial limitation for researchers seeking to gather objective data on tax compliance.

Given these limitations, future research could explore alternative approaches. For example, longitudinal studies could track changes in compliance behavior over time following educational interventions or policy changes. Alternatively, researchers could employ experimental designs to observe changes in compliance behavior in a controlled setting. This could involve providing participants with varying levels of tax education and then assessing any changes in their behavior. To illustrate, researchers could recruit a sample of high-income earners and randomly assign them into three groups. Group A would receive comprehensive tax education, including detailed information about tax laws, common compliance issues, the benefits of compliance, and the penalties for non-compliance. Group B would receive basic tax education, focusing on general information about tax obligations and the filing process. Group C would serve as the control group and receive no additional tax education. Prior to the educational programs, all participants would complete a pre-education survey to assess their current tax knowledge and perceived compliance behavior. Following this, Groups A and B would participate in their respective educational programs, which could be conducted through workshops, online courses, or informational seminars over a specific period. After the educational intervention, all participants would complete a post-education survey identical to the pre-education survey to measure any changes in tax knowledge and perceived compliance behavior. Lastly, researchers would observe the actual tax filing and payment behavior of participants during the following tax season, either through voluntary reporting or simulated tax filing exercises.

Furthermore, highlighting the penalties associated with non-compliance, in addition to tax education, can help reduce the risk of taxpayers using their increased knowledge to identify and exploit loopholes. By integrating information about the consequences of non-compliance, such as fines and legal repercussions, educational programs can aim to discourage non-compliant behavior. This dual approach aligns with the Routine Activity Theory, which is relevant to this research as it suggests that crime (or in this case, tax non-compliance) occurs when a motivated offender finds a suitable target with a lack of capable guardianship. In the context of tax compliance, having a high level of tax knowledge may

provide the "motivated offender" with the means to identify "suitable targets" (loopholes) and exploit them when there is a perceived lack of oversight or enforcement (lack of capable guardianship). By educating taxpayers not only about tax laws but also about the severe penalties for non-compliance, the guardianship element is strengthened, potentially reducing the likelihood of non-compliance. Future studies should explore the effectiveness of this comprehensive educational strategy in promoting compliance, particularly among high-income earners who may have more opportunities and resources to exploit tax loopholes.

The significant negative correlation between tax knowledge and tax compliance suggests that there could be intermediate factors influencing how tax knowledge translates into compliance behavior. The negative correlation between tax knowledge and tax compliance implies that the relationship is not straightforward. This complexity suggests that there are other variables at play, which mediate the relationship between tax knowledge and tax compliance. For example, higher tax knowledge might influence taxpayers' attitudes towards tax laws, potentially fostering a perception that exploiting loopholes is acceptable (Attitude towards Tax Laws). Taxpayers with greater knowledge may feel that the tax system is unfair, leading to non-compliant behavior (Perceived Fairness of Tax System). Understanding the severity and enforcement of penalties might mediate the relationship between tax knowledge and compliance. Knowledge without awareness of consequences may lead to higher non-compliance (Awareness of Penalties). The literature such as Azaka and Balogun (2023), Hayat et al. (2022), Hauptman et al. (2024), Karyanti and Nafiah (2022), Khozen and Setyowati (2023), and Salameh (2022) already hints at various factors like taxpayer attitudes, perceptions of fairness, and awareness of penalties influencing tax compliance. A serial mediation model could provide deeper insights into how tax knowledge translates into compliance behavior, revealing the intermediate processes and aiding in the development of more targeted and effective tax education and enforcement strategies.

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