Consumer Behavior: A Study of Consumer Compliance In Paying Taxes of Local Authorities In Malaysia

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ABSTRACT

Theory of consumer behavior is a thing to be well understood by the community in determining whether the purchase of goods or services. It is because the consumer will be make the decision in determining purchase decisions by themselves. In the context of tax payments of Local Authorities (LAs), consumers are compulsory to pay the taxes. Unfortunately, decision of payment taxes will be carried out by consumer even though of consumer states that the decision to purchase goods and services decided by themselves. Therefore, the study was undertaken to identify the main factors that cause consumers fail to pay the tax authorities. To meet these objectives, the study will involve a detailed review of secondary sources such as journals, government reports, academic papers, and so on. As a result, there are some key issues and problems that cause users to fail to pay the local authorities such as attitude, income and others.

INTRODUCTION

Local Authorities (LAs) have emerged in the administration in Malaysia since the 1980s. This is due to the emergence of the local authorities of the development and growth of the population, which increased in number from year to year. To date, there are 149 pieces of local authorities in Malaysia. LAs were established by Act 171 or the Local Government Act 1976 as a bodies which responsible to managing and administering an area-based local interest as well as acting as executor in delivering services to the residents with the aim of determining the life of the local community at the optimum level. In Malaysia, the tax collection system is a system that has long been introduced by the government since 1988. Basically, the system of institutional tax is a tax imposed on gains from the disposal of property of flats, houses, condos, apartments, farms, vacant land and others. Assessment tax rate set by the occupant of the property or home. Refer to Section 2 of the Local Government Act 1976, assessment tax known as a assessment Rate is the tax levied on property located within the council, including residential buildings, business/ commercial, industrial buildings and plots of land titles issued/ grants. Assessment taxes is the result of a LAs tax imposed on a wide range of services including maintenance of infrastructure (drainage, roads and street lights), cleaning streets, open spaces and recreational centers.

Literature Review:

Much discussion in the literature that affects attitudes and intentions play a major role in influencing the behaviour of tax payment compliance. This study will affect the connection of two main elements which are closely related to the theory of consumer behaviour.

(i) Attitude:

Attitude is an important element in the state of compliance with the payment of interest. Attitudes reflect an individual’s personal or whether to act without any action. Any effort to improve compliance behaviour, attitude elements needed to be fixed in advance. Similarly, in the theory of planned behaviour, attitude is one of the main variables for the expected behaviour of a person [1]. According to [2] generally, psychological literature discusses more on the attitude which consists of three main components; namely cognitive, affective and...
behavioural component. The cognitive component is the ideas and beliefs which are held by anybody toward attitude of an object. The second one is affective component which related feelings and emotions associated with over an object. The third component is behaviour which is tendency to the behaviour. Attitude toward the behaviour as defined by [2] is the degree to which an individual has a rating of good or bad on behaviour. Significant relationship between attitude and behaviour is also shown in the study of the field of taxation and [3,4]

(ii) Intention:
Define intent as the willingness of an individual’s cognitive to perform a description of behavior [5]. According to [2], an intention is also of an individual’s willingness try to perform certain behavior because the intention is a contributing factor of the formation behavior. Based on the above definition, it can be concluded that the intention is to guide the willingness of a person to perform a behavior [6]. The literature shows that the evidence of intent is pre immediate family (immediate antecedent) of a behavior [6] Studies such as [7] and [8] supports the existence of a positive relationship between intention and behavior.

Theory of Consumer Behaviour:
(i) Theory of Reasoned Action:
Intention plays a vital role in determining the behaviour of individuals included in the payment of tax compliance behaviour. Hence, this study uses the theory of reasoned action that believes intention trigger behaviour. The theory of reasoned action frequently used by previous researchers to predict consumer behaviour [9,10,4,11]. Nevertheless, as mentioned earlier, the application of this theory of taxation studies is very limited. According to [9], this theory assumes human behaviour completely implemented under their control (total volitional control). This theory proposes that individual behaviour is determined by behavioural intention. Behavioural intention is the most appropriate basis for predicting the behaviour [9].

(ii) Theory of Planned Behaviour:
Theory of planned behaviour is a continuation of the theory of reasoned action as there is one additional construct perceived behavioural control were added into it. Theory of planned behaviour is designed to predict and explain human behaviour in a specific behaviour [2]. According to this theory, a person will only perform his intention when he feels able to control the implementation of these measures. The feeling of the control is different from the perception of the difficulty of performing the behaviour. In an environment tax, [12] reported that perceived behavioural control has a positive relationship with the intention of paying tax compliance.

Factors that Influence Consumer Disobedience towards Tax Payment for Local Authority:
(i) Lackadaisical Attitude of Consumers:
Slothful and listless attitude in implementing the tax payment is seen as the most crucial constraint in determining the relevance of the tax payment for consumers. This attribute reflects the consumer takes a long time to pay tax although in reality they are able to do so, not because of time constraints and their incapability but rather the moral influences of such attitude. Indeed, other related research works find significant positive relationship between moral values and compliance behaviour [13]. In general, this lackadaisical attitude in making the payment have made them idler with time as they tend to procrastinate

(ii) Tenuous Relationship between Local Authority and Consumers:
Local authorities seem to be lack of initiative to meet the consumers as often held by other departments through the ‘Customer Meeting Day’ campaign, for example, in order to tighten the bond between local authority and consumers. Through this campaign, the local authorities have sufficient time to establish new and good rapport between organization and customers. Through the relationship over the counters, consumers are only keen to settle the tax payment without further discussion that entails personal touch and negotiation. As a result, the problems faced by consumers could not be delivers to the local authorities. Also, through this campaign, the role of local authorities will be much greater in listening to the concerns of consumers, providing information to consumers and acting as a decision maker or facilitator for them.

(iii) Looseness of Local Authority’s Law:
It is well known that local authorities play an important role in determining the direction of the local community. Notwithstanding their explicit role to collect taxes, local authorities need to seek a definitive strategy to intensify and realise the consumers on the magnitude of tax payments in a timely manner. Lack of strictness in enforcing the rules is touted as the key aspect of such predicament. Assertive laws by local authorities as mentioned in Act 17 need to be implemented to address this problem. Strictest actions such as
displaying a list of tax evaders, auctioning plundered goods, obtaining the court order to sell the premises and sue the owner of the premises or their stakeholders are appropriate to be employed.

Conclusion:
In studying the consumer behaviour to pay the tax, attitude and intention play a role in determining the compliance of taxpayers. However, intention is deemed as a key element to support the individual’s attitude in the payment of taxes. If not, these two features cannot act properly in order to maintain the consumers’ compliance with regards to tax payment. Theory of planned behavior and the theory of reasoned action set to support the role of attitudes and intentions in taxpayer compliance of Local Authority.

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