

Guilt-minimisation and Tax Non-compliance Intention among Small and Medium Enterprise Owners in Malaysia

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Abstract

The importance of small and medium enterprises (SMEs) as the backbone in contributing to national income in Malaysia is undoubted. However, the Inland Revenue Board of Malaysia (IRBM) had reported statistical evidences pertaining to tax non-compliance among SMEs' owners. Despite its importance, their tax non-compliance behaviour has not been given enough attention, particularly on their owners. Therefore, this study empirically investigates the influence of guilt-minimisation of SMEs' owners on their tax non-compliance intention. This study applies Theory of Neutralisation in order to determine the relationship between the constructs of guilt-minimisation and tax non-compliance intention. Employing survey design, questionnaires were randomly distributed to 580 SME owners in Malaysia, with 72.8 percent response rate. The data collected were analysed by using PLS-SEM statistical tool. Findings reveal that denial of injury, denial of victim, condemn the condemner and appeal to higher loyalties positively influence tax non-compliance intention, whereas denial of responsibility negatively influences tax non-compliance intention. This study is expected to provide meaningful contributions to the government and tax authorities at enhancing the tax administration and increasing taxpayers' level of compliance. Suggestions for future researchers are also highlighted.

Keywords: Tax non-compliance Intention, Guilt-minimisation, SME Owners, Theory of Neutralisation

Introduction

SMEs have been known as the backbone of Malaysia and are important in generating national income. In terms of their contribution towards the Malaysia's economy, the SMEs contributed

37.4 percent to the GDP in 2021 (Bernama, 2022). As released by the Small and Medium Enterprise Corporation Malaysia (known as SME Corp.) on March 2021, based on the census of SMEs registered in Malaysia, there were a total of 1,226,494 SMEs in 2021. Such a huge number shows that SMEs could highly contribute to the national income if they comply with the tax regulations. However, based on the data provided by the IRBM, the audited cases resolved for SMEs in 2016 was 541,798 compared to 529,010 in 2015, indicating an increase of 2.4 percent. Despite the small increase, it may be considered as an indicator of a problem of tax non-compliance behaviour. Due to the SMEs' significant contribution to the Malaysia's economy, coupled with the fact that they represent the majority of business taxpayers, it is expected that more income taxes should be collected from this group of taxpayers. Nevertheless, the collection of national tax revenue is directly affected by the taxpayers' level of compliance. Tax authorities, academicians and non-governmental organisations all over the world are concerned about the serious problem of tax non-compliance among SME owners (Newman et al., 2018). Zakaria et al (2013) believe that tax non-compliance has been a worldwide phenomenon and has triggered such a huge loss of revenue to governments around the world. Surprisingly, a briefing paper presented by Murphy (2011) on the worldwide tax evasion cost reveals that out of 145 countries included in a survey, Malaysia was 44th worldwide and 11th in Asia. According to Ching (2013), tax non-compliance problems may cause shortfalls to a country's tax revenue and could be categorised as a white-collar crime.

The issue should not be seen solely from the economic approach, but it should also be considered from the non-economic view. One of the psychological elements, which explain techniques in minimising individuals' guilt feelings, is also found to be an important influence in explaining behaviour of individuals. Thurman et al (1984) argue that the reason for a high tax non-compliance is not solely influenced by the threat of economic deterrence factors or the low taxpayers' moral obligation but also by the guilt feelings. They argue that guilt feelings, one of the non-economic factors from a psychological perspective, may influence taxpayers to be honest in tax reporting. It is believed that taxpayers tend to use some techniques to minimise their guilt feelings in dealing with tax matters. However, studies on neutralisation techniques have been ignored in explaining tax non-compliance behaviour. Thurman et al (1984) believe that there is no logical reason as to why the use of these guilt minimising strategies could not be applied to adult deviant behaviours such as tax non-compliance since these techniques have been applied on juvenile and criminal behaviour. Furthermore, neutralisation theory can shed light on tax non-compliance behaviour understanding (Cheng et al., 2014). Thus, it is beneficial to determine if these techniques can be applied to the determination of the tax non-compliance intention of SME owners. As far as neutralisation techniques in minimising guilt are concerned, this study is expected to help interested parties understand taxpayers' reasons or excuses related to non-compliance intention. Although the techniques are originally used in criminal cases, they are expected to assist respective stakeholders in raising taxpayers' awareness of the potential loss the country will have to bear if taxpayers do not comply with the tax laws and regulations.

Given the gap of knowledge as discussed above, together with the importance of the contribution of SMEs and the need to restrain tax non-compliance, there appear considerable opportunities for further study. Thus, in addressing the foregoing problems, this study intends to examine whether techniques used to minimise guilt feelings of SME owners would influence their tax non-compliance intention.

Literature Review

Tax Non-compliance Intention

Roth et al (1989) define tax non-compliance intention as an unwillingness to file the tax return, an underreporting of taxable income or an overstating of allowable deductions claimed from chargeable income. This definition will be adopted in this study since it provides a better explanation on the voluntary part of complying with tax because the success of self-assessment system is based on the taxpayers' level of voluntarism.

The term 'intention' used as a proxy to represent SME owners' actual tax non-compliance behaviour. The use of the intended action instead of actual behaviour is acceptable in investigating sensitive issues, such as those involving actual unethical behaviours, in which researchers will face difficulties in obtaining those sensitive information (Alleyne & Harris, 2017). Intended actions have been applied by most researchers in predicting intention of people to engage in tax non-compliance (see Alleyne & Harris, 2017; Bobek & Hatfield, 2003; Hamid, 2013; Kuria & Omboi, 2016; Langham, Paulsen & Hartel, 2012; Saad, 2010; Salleh, 2011; Smart, 2012; Sudiartana & Mendra, 2018; Wahyuni et al., 2019).

Theory of Neutralisation

Theory of Neutralisation is developed by Sykes and Matza (1957) with the original intention to explain juvenile crime in the United State of America. Later, the application of the theory has been expanded to adult criminal and social psychological studies. Sykes and Matza have taken a challenge in arguing for the rational choice concept, which according to the concept, actions of individuals are based on cost-benefit analysis (Boudon, 2009). For instance, individuals would be more likely to prefer a certain action or behaviour if they perceive that the benefits gained from taking the action exceeds its cost (e.g. punishment). Sykes and Matza argue that intrinsic values of individuals should also be taken into consideration in discussing individuals' deviant behaviour in the area of criminology and social psychology, especially when engaging in a behaviour which is beyond an individual's control. Believing that individuals are aware of their moral obligation, they are expected to obey the laws and the norms of the society. They will not normally engage in immoral behaviours; however, if they perform such behaviour, they will have their reasons in justifying the behaviour. Sykes and Matza further explain that individuals who engage in deviant behaviour will always find ways in neutralising or justifying their guilt feelings towards that behaviour. Various techniques are used to support the behaviour, and as a result, be seen as an acceptable behaviour. Justifications which are acceptable to the individuals are used to neutralise or justify the immoral behaviour to make them feel better (Sykes & Matza, 1957).

With regard to tax evasion, Theory of Neutralisation has been applied by (Thurman et al., 1984). Taxpayers' level of compliance was found to increase when the level of guilt feelings among taxpayers was enhanced. Once they feel guilty, taxpayers would be less likely to manipulate or omit the amount that they should declare in their tax returns. Thurman et al. also claim that since taxpayers have to deal with tax matters only once a year, they may have fewer opportunities to use neutralisation techniques in non-complying with tax requirements. However, the techniques will still be practiced by taxpayers if they view that tax authorities are being inefficient or dishonest in managing taxpayers' money.

Theory of Neutralisation has been used in social psychological studies in determining the influence of guilt minimising techniques on the intention to engage in deviant behaviours (for example Barlow et al., 2013; Belinda & Hidayat, 2018; Benson, 1985; Cheng et al., 2014; Harris

& Dumas, 2009; Hinduja, 2007; Koay, 2018; Kvalnes, 2014; Kvalnes, 2019; Li et al., 2013; Silic et al., 2017; Siponen & Vance, 2010; Thurman et al., 1984; Welch et al., 2005). Due to the universality of the techniques, future studies have been suggested to adopt the neutralisation techniques not only in criminal behaviour studies, but also in other deviant behaviour studies. Even though the suggestion dates back to 1957 by Sykes and Matza and 1984 by Thurman et al., the idea was not fully grabbed, especially in the area of taxation. The use of Theory of Neutralisation in investigating tax non-compliance is still limited. Thus, it is beneficial to determine if these techniques are related to tax non-compliance intention among SME owners. Additionally, it has been demonstrated that adults use the neutralisation techniques in justifying their non-compliance behaviours. The techniques are used not only to maintain a positive image but also to avoid from being punished.

The five techniques or strategies of guilt minimisation known as techniques of neutralisation introduced by Sykes and Matza (1957) are: (1) denial of responsibility, (2) denial of injury, (3) denial of victim, (4) condemn the condemner, and (5) appeal to higher loyalty.

Denial of Responsibility

Denial of responsibility occurs when an individual tries to relieve a blame or responsibility or shift it to external parties or circumstances which are accidental and beyond their control (Sykes & Matza, 1957; Thurman et al., 1984). The individual always sees laws as vague, ambiguous and complex, thus justifying that he or she lacks the knowledge and understanding of the laws (Welch et al., 2005). Blaming higher-level officials also could be a technique of denial of responsibility (Welch et al., 2005). Denial responsibility technique is found to have a positive correlation with intention of non-compliance in Harrington's (1996) study as well as consistent with a study on consumer purchase intention by (Koay, 2018). Since this technique is used by individuals to shift blame or responsibility to external parties or circumstances which are accidental and beyond their control, the Theory of Neutralisation suggests that the higher the use of denial of responsibility technique, the higher the non-compliance level, hence the hypothesis developed is:

H₁: Denial of responsibility positively influences the tax non-compliance intention of SME owners.

Denial of Injury

Denial of injury occurs when an individual claims that others are not being hurt or injured by his or her behaviour. More importantly is that since everyone else performs the same behaviour, it is not wrong for him or her to act the same way (Sykes & Matza, 1957; Thurman et al., 1984; Welch et al., 2005). Individuals may justify that they are not hurting others because it is only a technical violation, thus the behaviour cannot be considered criminal (Benson, 1985). The use of denial of injury technique is found to be positively related to non-compliance intention in a study conducted by Li et al (2013) on internet abuse in the workplace. This is consistent with Hinduja (2007) who conducts a study among students from a university in the Midwest region of the USA. The latter finds a positive significant relationship between the use of denial of injury technique and online software piracy experience. The study also reveals that the denial of injury technique has been used at least once by the respondents. Harris and Dumas (2009), in their study on online consumer behaviour reveal that this technique has become the second popular neutralisation technique

applied by consumers. In addition, the study finds that denial of injury is used after the behaviour has been performed. Hinduja (2007) finds that students who use piracy items mostly use denial of injury technique to justify their behaviour after they have performed that behaviour. With regard to the Theory of Neutralisation, it suggests that the higher the use of denial of injury technique, the higher the non-compliance level (Sykes & Matza, 1957; Thurman et al., 1984) and individuals using this technique will not deny their non-compliance action, as they believe that no harm will be done and no one will get hurt by such action (Silic et al., 2017). Consequently, the hypothesis developed is:

H₂: Denial of injury positively influences the tax non-compliance intention of SME owners.

Denial of Victim

Denial of victim happens when an individual claims that his behaviour is a self-defense and believes that the victim of the deviant behaviour deserves the injury (Sykes & Matza, 1957; Thurman et al., 1984). For instance, in a case of employee theft, the employee believes that his action is worthwhile for the way he is being treated by the employer, whom he considers a wrongdoer (Welch et al., 2005). The use of denial of victim in a study by Li et al. (2013) is found to have a positive significant relationship with internet abuse intention in the workplace. This is in line with Koay (2018) who also finds a positive significant relationship between the use of denial of victim and intention to purchase counterfeit luxury items. A study by Harris and Dumas (2009) conducted at investigating the effect of neutralisation techniques on online consumer misbehaviour finds that the technique of denial of victim is mostly used to justify actions before an event. The Theory of Neutralisation suggests that the higher the use of denial of victim technique, the higher the non-compliance level (Sykes & Matza, 1957; Thurman et al., 1984). Thus, the following hypothesis is proposed:

H₃: Denial of victim positively influences the tax non-compliance intention of SME owners.

Condemn the Condemner

Condemn the condemner occurs when individuals blame the law and policymakers for being unjust to them. They thus refuse to obey the laws and regulations (Sykes & Matza, 1957; Thurman et al., 1984). In the case of tax matters for example, taxpayers tend not to comply with the regulations if they believe that tax revenue is inefficiently managed and spent by the authorities (Thurman et al., 1984). A study by Li et al. (2013) finds a positive significant relationship between the use of condemn the condemner technique and internet abuse intention in the workplace. The Theory of Neutralisation suggests that the use of this technique is significant in explaining non-compliance behaviour where the higher individuals using this technique, the higher the tendency to engage in non-compliance behaviour. The hypothesis developed is:

H₄: Condemn the condemner positively influences the tax non-compliance intention of SME owners.

Appeal to Higher Loyalties

Appeal to higher loyalties happens when individuals claim that they are sacrificing for other people (Sykes & Matza, 1957; Thurman et al., 1984). Individuals claim that they behave in a

such a way because morality is more important than legality. To them, morality is the most important value when it comes to taking care of others, for example, their employees and society (Welch et al., 2005). A study by Li et al (2013) that tests the appeal to higher loyalties technique on internet abuse in the workplace finds the technique to have a positive relationship with internet abuse intention in the workplace. Hinduja (2007) also finds the use of the technique to be positively associated with online software piracy experience. In addition, the study finds that appeal to higher loyalties technique has been used at least once in justifying the use of pirated software. The study also finds that most students who use piracy items use appeal to higher loyalties to justify their behaviour after performing that behaviour. On the contrary, a study by Harris and Dumas (2009) in investigating the effect of the use of neutralisation techniques on online consumer misbehaviour finds that appeal to higher loyalties technique is mostly applied by individuals to justify actions before an event. With reference to the Theory of Neutraliation which suggests that individuals tend to appeal that that they are sacrificing themselves in satisfying the needs of their groups, friends and families (McGregor, 2008; Sykes & Matza, 1957; Thurman et al., 1984). Thus, the tested hypothesis will be:

H₅: Appeal to higher loyalties positively influences the tax non-compliance intention of SME owners.

Methodology

Research Model

Figure 1 illustrates the research model of this study, based on Theory of Neutralisation. It consists of denial of responsibility, denial of injury, denial of victim, condemn the condemner and appeal to higher loyalties as independent variables and tax non-compliance intention as dependent variable.

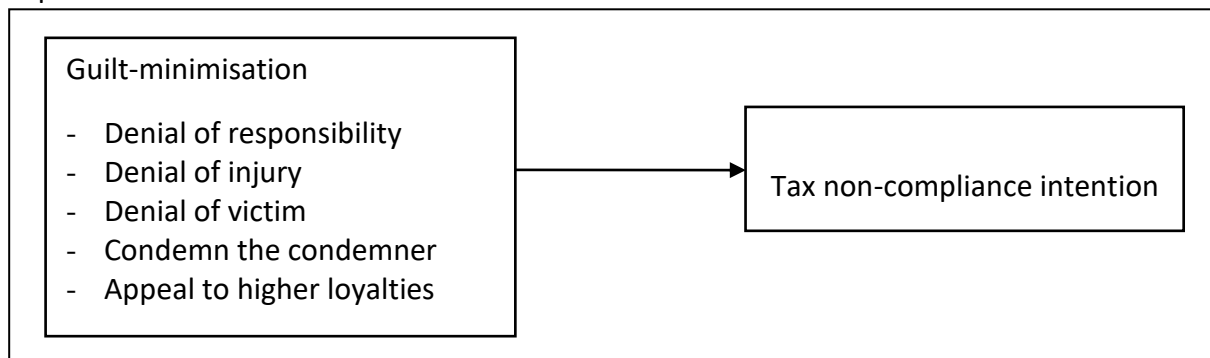


Figure 1: Research Model

Research Design

Due to the unavailability of a complete list of SME taxpayers in Malaysia, the list of firms registered under the National SME Development Council (NSDC) is used. With the assistance of computer application to select respondents, firms are randomly selected from the identified list of SMEs. Following the rule of thumb of Krejcie and Morgan (1970); Cohen (1970), therefore, the sample sizes of 580 SME owners can be considered sufficiently large and distributed throughout Peninsular Malaysia. Out of this, the researcher manages to collect 450, however, 28 of the questionnaires are discarded because they are partially completed, leaving 422 usable questionnaires or 72.8 percent response rate.

Model Constructs

The model consists of 6 constructs with 27 items, are developed as reflective measurement models since the items for each construct are mutually interchangeable. Hypothetical scenarios comprise of 3 items overstating of expenses and 3 items understating of income actions are used to measure tax non-compliance intention, adopted and modified by Hamid (2013); Saad (2011), which are based on Beck and Ajzen (1991) and guidelines suggested by Ajzen (2006). As for guilt-minimisation, it adopts and modifies the instruments used by Thurman et al; (1984); Hinduja (2007); Siponen and Vance (2010) in measuring 5 items of denial of responsibility, 3 items of denial of injury and 5 items of condemn the condemner. Denial of victim and appeal to higher loyalties are measure using 4 items each constructs respectively, adapted and modified from (Thurman et al., 1984; Hinduja, 2007). All constructs contain a number of items or scenarios that require respondents to state their agreement towards the scenarios using a scale of 1 to 5 (1 = “strongly disagree” and 5 = “strongly agree”).

Result and Findings

The data collected were analysed by using PLS-SEM statistical tool. The model specification in PLS-SEM comprises two sub-models: (1) measurement model and (2) structural model, both of which are interrelated.

Assessment of Significant of the Measurement Model

In assessing the reliability and validity of the reflective measurement models, Hair et al (2017) suggests four criteria as shown in Table 1.

Table 1

Results Summary for Indicator Reliability, Composite Reliability and Average Variance Extracted

Construct	Item	Indicator Reliability	Composite Reliability	AVE
Tax Non-compliance Intention (Int)	Int1	0.853	0.933	0.700
	Int2	0.834		
	Int3	0.867		
	Int4	0.851		
	Int5	0.778		
	Int6	0.836		
Denial of Responsibility (DenRes)	DenRes1	0.894	0.950	0.792
	DenRes2	0.908		
	DenRes3	0.930		
	DenRes4	0.830		
	DenRes5	0.885		
Denial of Injury (DenInj)	DenInj1	0.940	0.969	0.913
	DenInj2	0.967		
	DenInj3	0.960		
Denial of Victim (DenVic)	DenVic1	0.888	0.947	0.816
	DenVic2	0.914		
	DenVic3	0.915		
	DenVic4	0.896		
Condemn the Condemner (ConCon)	ConCon1	0.856	0.951	0.794
	ConCon2	0.900		
	ConCon3	0.907		
	ConCon4	0.907		
	ConCon5	0.883		
Appeal to Higher Loyalties (AppHLoy)	AppHLoy1	0.799	0.932	0.775
	AppHLoy2	0.936		
	AppHLoy3	0.919		
	AppHLoy4	0.861		

The values of indicator reliability for all items meet the threshold value of 0.708 as recommended by Chin's (1998). It also suggests the constructs' internal consistency reliability is satisfactorily achieved since the value of composite reliability meeting the minimum requirement of 0.708, as suggested by Hair et al. (2017). A range of AVE values as shown in Table 2 suggests that all constructs meet a threshold value of 0.50, following suggestion by (Hair et al.,2017).

In assessing the discriminat validity, Hair et al (2017) suggest two criteria as shown in Table 2 and Table 3.

Table 2

Fornell-Lacker Criterion

	AppHLoy	ConCon	DenInj	DenRes	DenVic	Int
AppHLoy	0.880					
ConCon	0.289	0.891				
DenInj	0.459	0.333	0.956			
DenRes	0.346	0.329	0.341	0.890		
DenVic	0.357	0.443	0.542	0.219	0.903	
Int	0.240	0.377	0.358	0.058	0.349	0.837

Table 3

HTMT Criterion

	AppHLoy	ConCon	DenInj	DenRes	DenVic	Int
AppHLoy						
ConCon	0.315					
DenInj	0.486	0.353				
DenRes	0.378	0.358	0.361			
DenVic	0.371	0.477	0.579	0.234		
Int	0.246	0.400	0.380	0.062	0.374	

The Fornell-Larcker criterion is met when the square root of the AVE is greater than the correlations as shown in Table 2. The Heterotrait-Monotrait ratio of correlation (HTMT) criterion as shown in Table 3 is met when its value is lower than 0.90 as suggested by (Gold et al., 2001). The requirement of discriminant validity is therefore met.

Assessment of Significance of the Structural Model

The R-square value of the model is 0.234 which indicates that denial of responsibility, denial of injury, denial of victim, condemn the condemner and appeal to higher loyalties can explain 23.40 percent of the variance of the tax non-compliance intention. The R-square is considered moderate as suggested by (Cohen, 1988). Table 4 shows the analysis results of the structural model.

Table 4

Path Coefficient of the Model

Hypothesis	Beta Value	t-value	p-value	Decision
H ₁	-0.161	2.136	0.017	Not Supported
H ₂	0.225	3.949	0.000	Supported
H ₃	0.111	2.150	0.016	Supported
H ₄	0.285	5.121	0.000	Supported
H ₅	0.070	1.348	0.089	Supported

It reveals that denial of injury ($\beta = 0.225$, $t = 3.949$, $p < 0.01$), denial of victim ($\beta = 0.111$, $t = 2.150$, $p < 0.05$), condemn the condemner ($\beta = 0.285$, $t = 5.121$, $p < 0.01$) and appeal to higher loyalties ($\beta = 0.070$, $t = 1.348$, $p < 0.10$) significantly and positively influences tax non-compliance intention, which shows that H₂, H₃, H₄ and H₅ are supported. However, the path coefficient shows that denial of responsibility has a significant negative influence on the tax

non-compliance intention ($\beta = -0.161$, $t = 2.136$, $p < 0.05$), which shows that H_1 is not supported.

Discussion

Denial of Responsibility and Tax Non-compliance Intention

The path coefficient and p-value show that denial of responsibility has a significant negative influence on the tax non-compliance intention of SME owners in Malaysia. Thus, H_1 is not supported. The negative sign of the path coefficient indicates that, the more taxpayers keep neutralising that their act of such behaviour is not their fault, the lower the intention of non-compliance with tax requirements. The finding is contradict with the Theory of Neutralisation. Theoretically, the likelihood to perform a non-compliance behaviour is higher when taxpayers keep asserting that such action is not due to their fault (Sykes and Matza, 1957). The finding is also not consistent with prior studies by (Harrington, 1996; Koay, 2018; Li et al., 2013; Silic et al., 2017). The inconsistency in results may arise from the differences in non-compliance actions. The above-mentioned studies are related to computer and internet abuse, purchasing counterfeit luxury goods and intention to violate information technology security policies, which are different from taxation compliance behaviour. Additionally, the inconsistency in results may arise because individuals are able to learn and more likely to perform non-compliance actions when their referent others, who they perceive as their role models, support such actions. This gives them the opportunity to engage in non-compliance actions (Robinson and O'Leary-Kelly, 1998).

Denial of Injury and Tax Non-compliance Intention

The path coefficient and p-value suggest that denial of injury positively and significantly determine the tax non-compliance intention. Thus, H_2 is supported. The findings imply that by using the denial of injury technique, SME owners do not deny their actions, but they are confident that no one will get hurt or be harmed by their actions. The result supports the Theory of Neutralisation (Sykes & Matza, 1957) which suggests that the likelihood to perform non-compliance behaviour is higher when taxpayers believe that their non-compliant actions will not hurt or harm anyone and will not cause any damage to the country. The finding also supports prior studies by (Harris and Dumas, 2009; Li et al., 2013; Silic et al., 2017). One explanation for this finding is that SME owners typically think and claim that their actions of either overstating their expenses or understating their income will not harm or pose any danger to the country and other individuals. Therefore, they feel that there is no reason for them to feel guilty. This is also supported by Sykes and Matza (1957) who argue that individuals believe that their actions are victimless and may cause little or no harm to others.

Denial of Victim and Tax Non-compliance Intention

The path coefficient and p-value suggest that denial of victim and tax non-compliance intention relationship is positively significant. Thus, H_3 is supported. The positive sign of the relationship between denial of victim and the tax non-compliance intention shows that SME owners believe that the IRBM deserves all the negative consequences. The finding is in line with the Theory of Neutralisation (Sykes & Matza, 1957) which argues that the likelihood to perform a non-compliance behaviour is higher when taxpayers believe that their action is worthwhile for the way they are being treated by the wrongdoer. A plausible reason for this finding relates to taxpayers' perception of government spending. SME owners engaging in

non-compliance actions justify such actions because they believe that the government has been wasting the tax revenues collected from the taxpayers by spending the money unwisely. The taxpayers feel that they are being betrayed and this would arouse their tax non-compliance intention as a form of revenge (Koay, 2018; Palil, 2010). The survey findings also support prior studies by (Koay, 2018; Cheng et al., 2014; Li et al., 2013). According to Cheng et al (2014), by applying the denial of victim technique, individuals justify their non-compliance action by rationalising that the victim deserves whatever happens to them.

Condemn the Condemner and Tax Non-compliance Intention

The path coefficient and p-value suggest that condemn the condemner is positively significant in determining the tax non-compliance intention; thus, H₄ is supported. The positive sign of the relationship between condemn the condemner and the tax non-compliance intention indicates that SME owners believe that the complexity of tax laws set by the IRBM do encourage them to engage in non-compliance actions. The result supports the Theory of Neutralisation as explained Sykes and Matza (1957), where the likelihood to perform non-compliance behaviours is higher when taxpayers believe that their actions are acceptable, considering the complicated process that they have to go through due to the complexity of the tax laws. The use of the condemn the condemner technique by SME owners can be explained by the fact that the tax laws and requirements are complex. This study believes that SME owners have to face a lot of difficulties in dealing with tax matters. As argued by Saad (2011), the complexity of the tax system is likely greater for self-employed taxpayers who have to face a lot of tax calculations compared to salaried taxpayers, as the latter has no other income to declare. Another possible explanation is that the SME owners believe that the government should not solely put the blame on them since there are loopholes in the policies set up by the tax authority. Thus, because of this consideration, it is not surprising to find that SME owners believe that they are allowed to manipulate their income and expenses in their tax returns. This is supported by Torgler and Schneider (2007) who argue that taxpayers are more likely to voluntarily comply if the government's actions are trustworthy. The finding is in agreement with that of Li et al (2013); Silic et al (2017); Sykes and Matza (1957); Thurman et al (1984) who find that the tendency of using the technique is higher if individuals believe that the law and policymakers should not be obeyed due to their unfair treatment. The taxpayers perceive that their behaviour is not wrong since everybody is doing the same thing.

Appeal to Higher Loyalties

The path coefficient and p-value suggest that appeal to higher loyalties has a positively significant relationship with the tax non-compliance intention. Thus, H₅ is supported. This is consistent with the Theory of Neutralisation (Sykes & Matza, 1957), the likelihood to perform a non-compliance behaviour is higher when taxpayers believe that they are sacrificing for other people such as their employees, families and society. According to Silic et al (2017), individuals appeal to higher loyalties when they break a law for the sake of their groups, friends or families. Prior studies of Cheng et al (2014); Hinduja (2007); Li et al (2013); Siponen and Vance (2010) believe that by using appeal to higher loyalties technique, individuals would justify their actions as being acceptable as they are sacrificing for the greater good of others. As explained by Welch et al (2005), morality is the most important value when it comes to taking care of others, for example, their employees and society. The survey findings also

support prior studies of Hinduja (2007); Li et al (2013) where they find that an increase in appeal to higher loyalties will increase non-compliance behaviour.

Research Implications

With respect to neutralisation techniques in minimising guilt, the findings shed light in understanding taxpayers' reasons or excuses for their non-compliance intention. Although the techniques were originally used in criminal cases, they are expected to assist tax authorities in raising taxpayers' awareness of the potential loss a nation would face if taxpayers engage in tax non-compliance behaviours. Tax non-compliance could be reduced by introducing education programmes which could increase the guilt feelings of SME owners so that this will discourage their intention to perform non-compliance behaviours. Tax campaigns focusing on creating an awareness of tax obligations could also be initiated by the government and tax authorities in curbing the non-compliance behaviour.

The government and tax authorities should ensure that societies understand their civic duties to their country and do not give individuals an opportunity to justify their non-compliance actions. For instance, tax authorities may initiate programmes or campaigns which may increase the guilt feeling of individuals for engaging in tax non-compliance behaviours. Possibly, this could be achieved by portraying individuals engaging in manipulating tax returns as morally corrupt while the compliant ones as performing patriotic duties.

The government and tax authorities should also improve the justice of the tax system and strengthen tax law enforcement in Malaysia. This could be done by controlling the practice of neutralisation techniques among taxpayers by treating them fairly and raising their awareness on the potential damage they could do to the country if they were to continuously violate the tax laws. By having such awareness, taxpayers will have a sense of pride in complying with the tax regulations and contributing to the well-being of their country, Malaysia. At the same time, the love and patriotism to the country will be improved, resulting in improved tax compliance and an increase in the nation's revenue.

Conclusion

Tax non-compliance has been investigated and debated for decades. Although attempts have been made by various researchers, voluntary tax behaviour issues have yet to be resolved. There is still a need to further investigate and find ways to solve the issue. Thus, this study provides empirical evidence of Theory of Neutralisation, namely the constructs of guilt-minimisation to explain SME owners' tax non-compliance intention. As a result, hypothetical scenarios are formulated to provide answers to achieve the research objective. However, this study is also subject to several limitations. The constructs determining the tax non-compliance that have been incorporated in this study are not all-inclusive. Other influencing constructs or techniques may be relevant but not incorporated in the theoretical framework of this study. Thus, it is also important for future research to extend the neutralisation techniques by including other techniques which have not been tested in this study, such as defence of necessity, metaphor of the ledger, claim of normalcy, denial of negative intent, claim of relative acceptability, and postponement. This will allow a more extensive understanding of the SME owners' behaviour in dealing with tax matters. Future studies should also observe the effect of pre- and post-neutralisation techniques on individuals' behaviour (for example, Harris & Dumas, 2009; Kvalnes, 2014). The development of other neutralisation techniques in tax non-compliance studies is still at an infant stage. Although

this study encounters some limitations, it offers evidence of the effects guilt-minimisation in explaining and enhancing the understanding of SME owners' tax non-compliance behaviour. Therefore, this study is expected to provide meaningful contributions to the government and tax authorities at enhancing the tax administration and increasing taxpayers' level of compliance.

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