The Influence of Power of Tax Administrator on Cognitive and Affective Tax Attitude in Malaysia

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ABSTRACT

This article offers insights into the influence of the tax administrator's power on individual taxpayers' cognitive and affective (emotion) attitudes in Malaysia. This article applies a quantitative approach using surveyed questionnaires on professional taxpayers in Malaysia. A structural equation model (SEM) using AMOS is employed in the data analysis. Two relationships are reported as insignificant concerning legitimate foundation power with cognitive capitulation and affective capitulation. The remaining hypothesised relationships are found significant. First, both cognitive resistance and affective resistance attitude are influenced positively by coercive power. Second, both cognitive capitulation and affective capitulation attitudes are influenced positively by persuasive power and reward power. Third, cognitive and affective commitment are influenced negatively by coercive power and positively by the legitimate foundation and reward power. This article argues that the tax administrator's power influences both cognitive attitude and emotion, which means a comparable effect was found on cognitive and affective attitudes. However, harsh power through enforcement has a greater influence on cognitive defiance attitude than negative emotion. Similarly, the influence of coercive power (negatively), legitimate foundation and reward power is seen more on cognitive deference attitude than their influence on taxpayers' deference emotion. In contrast, using the soft power of persuasive and reward power has more effect on taxpayers' deference emotions than cognitive deference. The results suggest that tax administrators implement a targeted approach in their compliance strategies depending on taxpayers' attitudes. This targeted approach could yield the highest compliance level using the minimum resources possible.

Keywords: Power; tax attitude; cognitive attitude; affective attitude; emotion

INTRODUCTION

Taxation has been a long concern of every government in the world. Every government needs to mobilise a satisfactory level of income internally to ensure sustainable growth. However, the tax non-compliance may impose a problem in ensuring a stable internal income for the government. First, tax evasion in Malaysia is quite disturbing as the country ranks fifth out of 151 developing countries with an average illicit money outflow that is not taxed of approximately RM170.54 billion, or USD41.85 billion (Kar & Spanjers 2015). Second, the rising tax penalties collected from 2011 to 2015 reflect that tax non-compliance in Malaysia is a problematic state. The statistics of tax penalties collected from audit activities are reported to be RM2.676 in 2011, RM3.29 billion in 2012, RM5.041 billion in 2013, the collection dropped slightly to RM4.477 billion in 2014, and increased substantially to RM9.843 billion in 2015 (Inland Revenue Board Malaysia 2015; 2014, 2013, 2012, 2011). This situation shows that the government and Inland Revenue Board Malaysia (IRBM) face a pressing challenge in optimising internal income sources to ensure sustainable and inclusive growth.

The introduction of self-assessment (SAS) in 2001 for companies and 2004 for individuals has imposed a greater problem since it opened a broader opportunity for non-compliance, especially when the probability of a tax audit is assessed as low (Andreoni et al. 1998). The situation arises since the success of SAS largely depends on the attitude of taxpayers (Chow 2004). Taxpayers who hold a positive tax attitude is argued to comply voluntarily (Isa 2014). Under the SAS, taxpayers must voluntarily and honestly assess their tax liabilities (Murphy 2004). Another recent tax administrator program, also depending on taxpayers' attitude, is the special voluntary disclosure program (SVDP) during the 2019 Budget Announcement. Like SAS, SVDP's success depends on taxpayers' honesty and voluntary effort (Yee et al. 2017). Therefore, along with introducing programmes that promote voluntary compliance, it is also crucial for Inland Revenue Board Malaysia (IRBM) to foster a positive attitude so that taxpayers will cooperate voluntarily with a great level of honesty. This is necessary to ensure any current and future voluntary programmes' success could be further improved. Past studies on tax attitude within the taxation context focus on the cognitive component of attitude, while the affective component of attitude that is emotion, seems to be neglected (Onu 2016). Therefore, this article studies tax attitudes from cognitive and affective components to evaluate any significant difference. This is important since it could provide insight into the validity of studies focusing on only one component to explain tax attitude precisely.

Responsive regulation argued that tax compliance strategies, which is tax administrators' power, could influence taxpayers' attitudes, and taxpayers' attitudes can also be used to design tax compliance strategies (Ayres & Braithwaite 1992). Enforcement strategies are argued to be necessary for taxpayers with a negative attitude, while education and supportive approaches are necessary for taxpayers with a positive attitude (Dukes et al. 2014). Past studies within the taxation context often study power as coercive (hard) and legitimate power (soft). Gangl et al. (2015) argued that coercion and reward is a form of coercive power. However, Gangl et al. (2016) argued that both have a conflicting effect and suggest that reward power be studied independently from other social power since it is also not compatible with other soft power. Therefore, this article studies reward power independently to examine the influence of reward on taxpayers' attitudes.

Based on the discussions, this article aims to study the influence of the social power of tax administrators on the cognitive and affective attitudes of taxpayers. This article applies a quantitative approach using surveyed questionnaires on professional taxpayers in Malaysia. A structural equation model (SEM) using AMOS is employed in the data analysis of this study.

LITERATURE REVIEW AND HYPOTHESES DEVELOPMENT

TAX COMPLIANCE ATTITUDE

The attitude of taxpayers towards the tax system and tax payment is one of the most relevant social psychological factors in tax compliance research (Randlane 2012). Attitude refers to individual assessments favouring or opposing a subject, person, group or behaviour (Onu 2016). Rosenberg and Hovland (1960) introduced the "The ABC model of attitude" that explains that attitudes are divided into three components, namely affective components, behavioural components and cognitive components (quoted from Bagozzi & Burnkrant 1979). The affective component refers to emotional arousal or response based on assessing a subject or thing or, in simpler terms, emotions that developed due to an interaction with tax administrators. The behavioural component refers to behavioural tendencies associated with attitudes (Onu 2016) which refers to actual compliance behaviours of taxpayers (Ajzen & Fishbein 1980; Onu 2016). Finally, the cognitive component refers to an individual's assessment of a subject or matter through the processing of information, which then constitutes their stance on the subject or matter, or in simpler terms, the attitude that forms as a result of information processing upon experiencing an interaction (Ajzen & Fishbein 1980; Onu 2016). However, according to Petty et al. (2003), the three components have inconsistent status, given that affective and cognitive components are formed through information and past experiences on a subject or thing,

but behavioural components are formed based on attitudes that depend on both affective and cognitive components. Past studies on attitudes in the context of taxation focus on cognitive components (Conner et al. 2013). Past researchers suggest studying the affective and cognitive components to comprehensively explain tax attitudes (Ajzen & Fishbein 2005; Onu 2016). Therefore, this study attempts to study the consistencies of cognitive and affective attitudes by studying them separately to see if there are significant differences in cognitive and affective attitudes. This is important since it could provide insight into the validity studies focusing on only one component to explain tax attitude precisely.

Past studies within the taxation context examine concepts similar to attitudes but do not explicitly apply attitude terms. Earlier studies studied tax attitude as tax mentality (Schmolders 1959) and tax evasion attitudes (Kirchler 1998). Tax mentality refers to an individual's favouring or against tax payments (Schmolders 1959). The study conducted on individual taxpayers in Germany found that church taxes were preferred over income tax even though they view church tax as taxes and not voluntary contributions. However, most respondents claimed that they were not familiar with tax evasion since only 10 per cent are self-employed who has the opportunity to be involved in evasion practice. Surprisingly, most respondents linked evasion practice as intelligent and not a criminal offence. Kirchler (1998) supported it since his study also reported that tax evasion was not considered a serious offence. However, it was still wrong to do so and that individuals who perform such practice are considered intelligent. This negative perception and attitude are argued as a result of an imbalance use of enforcement approaches.

Subsequently, attitudes are studied positively using the term tax morale, which refers to intrinsic motivation for paying taxes. Tax morale is a positive attitude that revolves around the willingness to pay taxes (Raihana 2013). A study by Alm and Torgler (2006) examined tax morale using World Values Survey data involving various countries over several years, 1990,1995,1999 and 2000. The study compared Spanish and US countries where tax morale was higher in the United States than in Spain. Then their study extended the analysis by entering data from 14 European countries. Their findings again show that individuals in the United States have the highest tax morale nationwide, followed by Austria and Switzerland. Their study also reported negative relationships between the shadow economy's size with the level of tax morale.

A more comprehensive tax attitude that includes positive and negative orientation is introduced by Braithwaite (2003) as a motivational posture, which was developed based on empirical evidence by Braithwaite et al. (1994). Taxpayers are argued to have the power and ability to respond to tax administrators by placing social distancing between themselves and regulators (Braithwaite 1995; Braithwaite et al. 1994). Taxpayers can either cooperate or withdraw and challenge or find

a way to put aside an issue (Kelman 1961). Therefore, tax administrators must understand taxpayers' attitudes to implement tax regulations and strategies that suit taxpayers' attitudes. Braithwaite (2003) has outlined five motivational postures: commitment, capitulation, resistance, disengagement and game playing. These motivational postures are classified into two main groups: deference, a positive tax attitude, and defiance, which is a negative tax attitude. Deference covers commitment and capitulation postures. Compared to capitulation postures, the social distance between taxpayers and tax administrators for commitment posture is argued to be narrower. The posture of commitment reflects the desire and confidence in the tax system as taxation is viewed as a moral responsibility. Taxpayers in the capitulation posture do not reflect a strong desire and confidence in the tax system but showing higher recognition and acceptance of tax administrators as legitimate tax institutions. Taxpayers believe that tax administrators will give fair and friendly treatment as long as taxpayers act well and comply with obligations. The defiance includes motivational posture with negative orientation, namely resistance, disengagement and game playing postures. Resistance reflects doubts about the tax administrator's intention to act gradually and friendly, which cause taxpayers to have to be careful in their behaviour, struggling to claim their rights and seeking to curb the powers of tax administrators. Disengagement posture is similar to resistance, but the separation between taxpayers and tax administrators is further apart. The game playing posture involves the manipulation attitude of taxpayers in fulfilling their interests. These three negative-oriented postures have a wider social distancing, starting with resistance posture followed by disengagement posture and game playing as the broadest social distance.

The extension Slippery Slope Framework (eSSF) applies motivational postures in explaining the three tax climates, namely antagonistic, service and confidence climates. The eSSF by Gangl et al. (2015) argued that regulatory approaches and strategies could form a negative tax climate that refers to antagonistic and positive tax climates, detailed into service and confidence climates. These tax climates indirectly reflect the attitude of taxpayers. Under the antagonistic climate, tax administrators and taxpayers' interaction is unfriendly where tax administrators are regarded as "police" who regards taxpayers as "robbers" who are assumed to continue to dodge taxes when an opportunity arises. This situation happens because taxpayers view tax evasion as necessary. After all, they are victims of taxation. Kirchler et al. (2008) used negative orientation motivational postures to describe the antagonistic climate where the social distance between taxpayers and tax administrators is vast because taxpayers are less respectful and less optimistic about tax administrators. Therefore a restrictive approach is argued necessary in this climate. A service climate is a positive tax climate in which taxpayers regard themselves as customers while tax administrators are service providers. Under this climate, taxpayers and tax administrators work together, following the stipulated rules and standards. Taxpayers accept the tax administrator's position and tax role resulting in both parties respecting each other's role under this climate. This climate fits with motivational postures of capitulation. Another form of positive tax climate is the confidence climate in which taxpayers believe tax administrators work for society's good, making them feel committed to fulfil their obligations as members of society. This climate reflects the motivational postures of commitment. Therefore, consistent with eSSF, this paper studies tax attitude based on only three motivational postures that indirectly reflect tax climates in the eSSF: commitment, capitulation, and resistance from cognitive and affective perspectives. Two more tax attitudes, namely disengagement and game playing postures, were dropped in the study as both were more extreme tax defiance attitudes that were found to be less suitable to describe the antagonistic climate described by the eSSF.

POWER OF TAX ADMINISTRATORS

Power refers to an influence measured through psychological changes influenced by various reasons. French and Raven (1959) identified six bases of social power that are crucial in influencing psychological change. The first is coercive power, which refers to the ability of tax administrators to use enforcement activities that include the threat of audit and punishment (Kirchler et al. 2008). Second is reward power, which refers to the ability of tax administrators to offer a boost or inducement aimed at expressing appreciation to the taxpayer (Bornman 2014). The third is legitimate foundation power which refers to the ability resulting from the taxpayer's recognition that the tax administrator is a legal institution in charge of tax affairs (Kirchler et al. 2008). The fourth social power is information power which refers to the ability of the tax administrators to control the information required by the taxpayer to comply with tax law (French and Raven 1959). The fifth social power is expert power which refers to the ability to influence the result of one's attractiveness causing one person to desire to be associated with the other party where the stronger the desire means, the stronger the power. Finally, the sixth social power is referent power which refers to the ability to influence resulting from advice given based on a person's knowledge, experience, skills or talents in a subject matter.

Kircher et al. (2008) differentiate the power of tax administrators into coercive power and legitimate power based on the six bases of social powers. Coercive power is derived from enforcement activities that include audit threats and punishment. However, Gangl et al. (2015) does not limit coercive power into enforcement activities. Based on resource argument, coercion and reward are dimensions of coercive power, meaning both coercion and reward contributes towards coercive power (Gangl

62

et al. 2015). This treatment seems invalid since French and Raven (1959) argues that coercion and reward are mutually exclusive, with coercion producing negative valences while reward producing positive valences, cancelling the effect of each other out. A study by Gangl et al. (2016) supports this argument where their study provides shreds of evidence showing that coercion and rewards are conflicting and could not contribute to coercive power optimally. Additionally, their exploratory study found that reward power is not compatible with legitimate power, thus suggesting that reward power is studied independently from other social powers. Furthermore, concerning legitimate power, the eSSF conceptualise legitimate power to includes the remaining bases of social power, namely legitimate foundation power, information power, expert power and referent power (Gangl et al. 2015). However, conceptualising legitimate foundation power with the remaining bases of social power (information power, expert power and referent power) is argued to be inappropriate since the nature of those power are conflicting. According to Turner (2005), legitimate foundation power controls using vested authority, while the remaining powers are meant to persuade using education and assistance. Therefore, this study will study legitimate foundation power and the remaining bases of social power, which is referred to as persuasive power differently. Persuasive power refers to the ability of tax administrators to offer quality services through three types of powers, namely information power, expert power, and reference powers (Turner 2005). To summarise, this paper studied the power of tax administrators as a coercive power, legitimate foundation power, persuasive power (information, expert, and referent power) and reward power.

POWER OF TAX ADMINISTRATORS AND TAX ATTITUDE

Responsive regulation explains the bilateral relationship between the power of tax administrators and tax attitude. Tax administrators' strategies, which is the power of tax administrators used to develop strengths and capabilities to comply, can shape the attitude of taxpayers. At the same time, taxpayers' attitude is argued as an important determinant of the regulatory approach, especially in determining the type of power and the extent to which the tax administrator should use such power. Enforcement strategies cultivate negative tax attitudes, while education and supportive approaches cultivate positive tax attitudes (Dukes et al. 2014). Empirical evidence that studied this relationship directly as the power of tax administrators are limited. A study by Hartner-Tiefenthaler et al. (2008) examined the influence of tax administrators' strategy and approach using procedural justice on tax attitude where attitude is studied from two perspectives: deference and defiance attitude. Their study found that procedural fairness positively influenced the deference attitude and negatively influenced the defiance attitude. About affective attitude, a study by Olsen et al. (2018)

that includes emotions reported that tax administrators' powers influenced taxpayer emotions. The study studied emotion as positive and negative using the Positive and Negative Affect Schedule scale (PANAS by Watson et al. 1988). The study reported that power increased positive emotion, namely inspiration and activation, and negative emotion that are fear, upset, and scared.

A more recent study involving emotions is a study by Enachescu et al. (2019). Both studies reveal that certain emotions relevant in paying taxes can be grouped as positive emotions in general and, instead, as negative feelings separately that involve feelings of self-blame, anger, and fear. Both payroll and self-income taxpayers reported higher compliance intentions after having experiences of positive interactions with tax administrators than negative experiences where angry emotions, feelings of self-blame and positive emotions led to positive and negative experiences with tax compliance. Their study concluded that emotional experience plays a vital role in tax compliance decisions, and it is essential to consider those subjective perceptions in shaping policies to promote tax compliance. The latest study involving emotions is a study by Privitera et al. (2021). Their study is an adaptation of Enachescu et al. (2019). However, their study involved Italy's self-employed taxpayers. The results showed that the scenarios used formed a specific emotion in which the emotions found to be relevant were divided into four groups: positive emotions, anger, fear, and self-blame. The intention of future compliance is higher if the experience with the tax authorities is positive rather than negative. Their study concluded that emotional experience plays a vital role in tax compliance decisions. Therefore, tax authorities need to take into account certain emotions associated with different tax-related activities and interact with the authorities

According to eSSF, coercive power can form an antagonistic and deforming confidence climate (Gangl et al. 2015). Based on the earlier discussion, these tax climates indirectly reflect the attitude of taxpayers. The antagonistic climate reflects a resistance attitude, while the confidence climate reflects a commitment attitude. Therefore, the following hypotheses about coercive power and cognitive and affective attitudes are formed.

H$_1$: Coercive power has a significant positive relationship with cognitive resistance attitude.

H$_2$: Coercive power has a significant positive relationship with affective resistance attitude.

H$_3$: Coercive power has a significant negative relationship with cognitive commitment attitude.

H$_4$: Coercive power has a significant negative relationship with affective commitment attitude.

The eSSF argued that legitimate foundation and persuasive power, conceptualised as legitimate power,

could form a service climate that reflects a capitulation attitude (Gangl et al. 2015). Furthermore, legitimate foundation power is perceived as a controlling mechanism based on voluntary respect and individual acceptance of tax authorities (Turner 2005). When taxpayers recognise tax administrators' legal position, they tend to have a positive attitude, which stems from respect for tax administrators (service climate), the virtuous, legally vested and protected right (confidence climate). The service climate reflects a capitulation attitude, while the confidence climate reflects a commitment attitude. As a result, the following hypotheses about legitimate foundation power, persuasive power, cognitive and affective attitudes are developed.

H_5: Legitimate foundation power has a positive relationship with cognitive capitulation attitude.

H_6: Legitimate foundation power has a positive relationship with affective capitulation attitude.

H_7: Legitimate foundation power has a positive relationship with cognitive commitment attitude.

H_8: Legitimate foundation power has a positive relationship with affective commitment attitude.

H_9: Persuasive power has a positive relationship with cognitive capitulation attitude.

H_{10}: Persuasive power has a positive relationship with affective capitulation attitude.

The eSSF argued that reward power is analogous and comparable to coercive power (Gangl et al. 2015). However, this treatment is argued as invalid since past studies argued that reward and coercion produce different effects (Gangl et al. 2016; French & Raven 1959). In addition to that, reward power is also incompatible with legitimate foundation power and persuasive power (Gangl et al. 2016). Therefore, reward power is studied as one social power independent from other social powers. Responsive regulation argued that reward power as a supportive approach could result in a favourable tax attitude. Dukes et al. (2014) suggest that regulators should acknowledge the achievement through informal praise when regulated parties' strength has improved, followed by gift-giving and other creative ways in showing appreciation. The purpose is to shape a positive attitude and increase one's desire to comply. In addition to that, past studies reported that tax rewards increase taxpayers' internal motivation to comply (Brockmann et al. 2016; Bornman & Stack 2015; Rillstone 2015;). Furthermore, previous studies found that taxpayers who receive an acknowledgement from tax administrators seem happier with tax administrators and the tax system since they regard that as an exchange for fulfilling their tax responsibility (Smith & Stalans 1991). Thus, the following hypotheses concerning reward power, cognitive and affective attitudes are formed.

H_{11}: Reward power has a positive relationship with cognitive capitulation attitude.

H_{12}: Reward power has a positive relationship with an affective capitulation attitude.

H_{13}: Reward power has a positive relationship with cognitive commitment attitude.

H_{14}: Reward power has a positive relationship with an affective commitment attitude.

METHODOLOGY

A quantitative approach using questionnaires is used to study the relationship between different types of tax administrators' power towards different types of cognitive and affective tax attitudes. The respondents are professional income taxpayers, including nine accountants, architects, doctors, dentists, engineers, lawyers, pharmacists, surveyors, and town planners registered with their respective professional bodies. The main reason for studying this group is that they represent individual taxpayers well, having both salaried and self-employed taxpayers. The list of respondents is extracted from the website of the respective professional bodies in 2017. However, this study focuses on Malaysia's central zone covering three states: Selangor, Federal Territory of Kuala Lumpur, and Federal Territory of Putrajaya. The focus on this zone is perceived as appropriate since this zone has more population density (Department of Statistics Malaysia 2010) with promising economic activity based on Gross Domestic Product compared to other zones (Department of Statistics Malaysia 2018). This means that more professionals are in the central zone of Malaysia compared to other parts of the country. The variables in this study are measured using statements adapted from previous studies and tailored to the Malaysian context. The operational definition, measurement items and sources of questionnaire formation are shown in Table 1. Five-points Likert scale is used to indicate the level of agreement to each statement or measurement item of the study, where 1 strongly disagrees, 2 disagrees, 3 is unsure, 4 agrees, and 5 strongly agrees. The instrument has undergone two stages of a pilot study, starting with a pre-test with five tax and academic experts ending with a pilot test on a group of 32 professional taxpayers to improve the instrument's validity and reliability. This study uses stratified random sampling to determine how many questionnaires are to be distributed for each profession. In addition, this study uses a random selection process with Research Randomizer software to select samples from the sampling frame (www.randomizer.org).

TABLE 1. Operational definition, measurement items and source of questionnaire formation

Constructs	Operational definition	Measurement items	Adapted from
Coercive power	The ability of tax administrators to use enforcement activities that include the threat of audit and punishment.	CP1: LHDNM primarily aims to punish.	Kastlunger et al. (2013)
		CP2: LHDNM enforces its demand through audits and fines.	Kastlunger et al. (2013)
		CP3: It is not easy to evade tax because LHDNM is good at detecting evasion.	Kastlunger et al. (2013)
		CP4: LHDNM can force taxpayers to be honest about tax.	Kastlunger et al. (2013)
		CP5: LHDNM sets light punishments for tax fraudsters. (reversed)	Kastlunger et al. (2013)
		CP6: LHDNM constantly investigates to detect tax crimes	Kastlunger et al. (2013)
		CP7: LHDNM applies tax law to punish the highest number of tax evaders.	Kastlunger et al. (2013)
Reward power	The ability of tax administrators to offer a boost or inducement aimed at expressing appreciation to the taxpayer.	RP1: LHDNM grants reasonable tax relief, deduction, and tax rebates to taxpayers.	Gangl et al. (2016)
		RP2: LHDNM appreciates taxpayers through a "thank you message" after submission and payment of income tax	Gangl et al. (2016)
		RP3: LHDNM grants tax exemptions to taxpayers.	Gangl et al. (2016)
		RP4: LHDNM has the ability to reward compliant taxpayers in several ways.	Swasy (1979)
		RP5: LHDNM may offer good things in return for doing as it suggests.	Swasy (1979)
Legitimate foundation power	The ability resulting from the taxpayer's recognition that the tax administrator is a legal institution in charge of tax affairs.	LFP1: LHDNM is legally obliged to advise taxpayers on tax-related matters.	Swasy (1979), Hofmann et al. (2017)
		LFP2: LHDNM has the right to prosecute tax fraudsters.	Hofmann et al. (2017)
		LFP3: LHDNM has the right to influence tax behaviour because of its position in the country.	Hofmann et al. (2017), Gangl et al. (2016)
		LFP4: LHDNM is an institution that taxpayers must cooperate with because of its role as tax administrator and collector of the country.	Swasy (1979)
		LFP5: LHDNM is an institution that taxpayers must oblige in order for LHDNM to fulfil its duty properly.	Hofmann et al. (2017)
Persuasive power	The ability of tax administrators to offer quality services through three types of powers, namely information power, expert power, and referent powers.	IF1: LHDNM explains tax regulations very well.	Gangl et al. (2016)
		IF2: LHDNM shares understandable information.	Gangl et al. (2016)
		IF3: LHDNM informs taxpayers of possible errors which might occur in their tax returns.	Gangl et al. (2016)
		IF4: LHDNM has tax information easily accessible.	Yukl & Falbe (1991)
		IF5: LHDNM ensures all taxpayers understand which taxes they have to pay and how much to pay.	Gangl et al. (2016)
		EP1: LHDNM is an expert on tax regulations and tax practice.	Gangl et al. (2016)
		EP2: LHDNM knowledge on tax makes its judgement more likely to be correct.	Swasy (1979)
		EP3: LHDNM knows how a correctly filed tax return should look.	Gangl et al. (2016)
		EP4: LHDNM has a lot of experience in tax matters.	Swasy (1979)
		EP5: LHDNM usually knows best regarding regulations related to tax.	Swasy (1979)
		RFP1: I appreciate LHDNM for its service.	Gangl et al. (2016)
		RFP2: I acknowledge LHDNM for its work.	Gangl et al. (2016)
		RFP3: I respect LHDNM.	Gangl et al. (2016)
		RFP4: LHDNM is regarded for its work by taxpayers.	Gangl et al. (2016)
		RFP5: LHDNM's good image makes me want to associate myself with them.	Swasy (1979)

Cognitive resistance	Tax defiance attitude resulting from an individual psychological assessment reflects doubts about the tax administrator's intention to act kindly, causing taxpayers to be cautious in their behaviour, struggle to claim their rights and seek to evade the power of tax administrators.	CR1: It is important not to let LHDNM tell you what to do.	Braithwaite (2003)
		CR2: It is difficult to satisfy LHDNM completely.	Braithwaite (2003)
		CR3: If you do not cooperate with LHDNM, they will get strict with you.	Braithwaite (2003)
		CR4: LHDNM is more interested in catching you for doing the wrong thing than helping you do the right thing.	Braithwaite (2003)
		CR5: Once LHDNM has you identified as a non-compliant taxpayer, it will never change its mind	Braithwaite (2003)
		CR6: As a society, we need more people willing to take a stand against the LHDNM.	Braithwaite (2003)
Cognitive capitulation	Tax deference attitude resulting from an individual psychological assessment reflects the taxpayers' acceptance of tax administrators, assuming that the tax administrator will provide good treatment as long as the individual acts well and fulfils his tax obligations.	CCap1: If you cooperate with LHDNM, they are likely to be cooperative with you.	Braithwaite (2003)
		CCap2: Even if the LHDNM finds that I am doing something wrong, they will respect me in the long run if I admit my mistakes.	Braithwaite (2003)
		CCap3: LHDNM facilitates those who have difficulty in meeting their obligations.	Braithwaite (2003)
		CCap4: No matter how cooperative or uncooperative LHDNM is, the best policy is to always cooperative with them.	Braithwaite (2003)
		CCap5: The tax system may not be perfect, but it works well enough for most of us.	Braithwaite (2003)
Cognitive commitment	Tax deference attitude resulting from an individual psychological assessment reflects a high acceptance and confidence in the tax system as taxation is considered a responsibility to be carried out for the common interest.	CCom1: Paying tax is the right thing to do.	Braithwaite (2003)
		CCom2: Paying tax is a moral obligation.	Braithwaite (2003)
		CCom3: Paying tax ultimately advantages everyone.	Braithwaite (2003)
		CCom4: Overall, I pay tax in good faith.	Braithwaite (2003)
		CCom5: I accept the responsibility for paying my fair share of tax.	Braithwaite (2003)
		CCom6: Paying tax is a responsibility that all Malaysians should willingly accept.	Braithwaite (2003)
		CCom7: I think of tax-paying as helping the government to do worthwhile things.	Braithwaite (2003)
Affective resistance	Tax defiance attitude resulting from emotional arousal reflects doubts about the tax administrator's intention to act kindly, causing taxpayers to be cautious in their behaviour, struggle to claim their rights, and seek to evade the power of tax administrators.	AR1: I feel annoyed towards LHDNM.	Murphy & Tyler (2008)
		AR2: I hate dealing with LHDNM.	Murphy & Tyler (2008)
		AR3: I feel angry with LHDNM.	Murphy & Tyler (2008)
		AR4: I am disappointed with LHDNM.	Murphy & Tyler (2008)
		AR5: I wanted to get even with LHDNM.	Murphy & Tyler (2008)

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Affective capitulation	Tax deference attitude resulting from emotional arousal reflects the taxpayers' acceptance of tax administrators, assuming that the tax administrator will provide good treatment as long as the individual acts well and fulfils his tax obligations.	ACap1: I am happy that LHDNM treats me with respect most of the time.	Murphy & Tyler (2008)
		ACap2: I feel happy that LHDNM is doing its job properly.	Murphy & Tyler (2008)
		ACap3: I feel relief that LHDNM is willing to help taxpayers.	Barkworth & Murphy (2015)
		ACap4: I feel thankful to LHDNM for its supportive role.	Barkworth & Murphy (2015)
		ACap5: I like LHDNM because it tends to provide a solution to taxpayers' problems.	Murphy & Tyler (2008)
Affective commitment	Tax deference attitude resulting from emotional arousal reflects a high acceptance and confidence in the tax system as taxation is considered a responsibility to be carried out for the common interest.	ACom1: I resent paying tax. (reversed)	Braithwaite (2003a)
		ACom2: I am happy to contribute my share of tax to the country.	Murphy & Tyler (2008)
		ACom3: I am satisfied with the tax system.	Murphy & Tyler (2008)
		ACom4: Paying tax provides a sense of fulfilment to me.	Murphy & Tyler (2008)
		ACom5: I feel happy since the tax system seems to work well.	Braithwaite (2003a)

The data collection was conducted from the middle of December 2019 until the middle of April 2020. Out of the 2,500 questionnaires mailed to professional taxpayers, 391 questionnaires are returned, giving a response rate of 15.64 percent. This response rate is acceptable since past taxation studies in Malaysia that use a similar method also reported a comparable response rate. (Palil, 2010; Pope & Jabbar, 2008;). Three returned questionnaires were incomplete, thus excluded, leaving 388 responses for further analysis. The sample size is consistent with many researchers' guidelines that the sample size for SEM analysis be between 250 and 500. (Schumacker & Lomax 2016; Sekaran 2016; Kline 2015).

RESPONDENTS' PROFILE

Table 2 summarises the demographic profile of respondents. Based on Table 2, descriptive analysis of respondents' demographics shows that 55.7 per cent were male and 44.3 per cent were female. Most respondents (82.5%) work for the private sector, whereas the remaining respondents work for the government sector. The respondents' employment type is somewhat balanced since 55.7 are salaried workers, and the remaining 44.3 are self-employed. The majority of respondents (63.7%) have worked for more than ten years, and most respondents (88.1%) reported earning more than RM5,001 monthly earnings, with 36.3 per cent receiving monthly salary between RM5,001 to RM10,000, followed by 28.4 per cent earn monthly gross income between 10,001 to RM15,000, while 23.4 per cent earning more than RM15,000 monthly. In addition, the majority of respondents (93.6%) have paid taxes in the past, and most respondents (71.1 %) have experience interacting with the tax administrators at least twice or more, either asking for tax guidance (through the website, phone, or face to face) or have tax audit experience. In conclusion, the respondents' profile fits this study's requirement because they are mature taxpayers who earn middle to high income monthly, have significant working experience, and have previously interacted with tax administrators.

TABLE 2. Demographic profile of respondents

Demographic profile	Demographic categories	Percentage (n=388)
Gender	Male	55.7
	Female	44.3
Sector	Public	17.5
	Private	82.5
Type of employment	Salaried	55.7
	Self-employed	44.3
Number of years working	1 - 10	36.3
	> 11	63.7
Gross monthly income	≤ RM3,000	1.3
	RM3,001 – RM5,000	10.6
	RM5,001 – RM10,000	36.3
	RM10,001 – RM15,000	28.4
	> RM15,000	23.4
Experience paying tax	No	6.4
	Yes	93.6
Experience dealing with LHDNM	Never	9.3
	Once	19.6
	> 2	71.1

Result and Discussion

CONFIRMATORY FACTOR AND MEASUREMENT MODEL ANALYSIS

A few modifications were made at the confirmatory factor analysis (CFA) stage to ensure good fit indices at the measurement model stage. First, one item with loading factors below 0.5 are deleted (Hair et al. 2019). Second, seven redundant items are deleted, and measurement errors of two reward power items (redundant) are constrained (Awang et al. 2018). Finally, a parcelling technique is applied to this multidimensional variable of persuasive power (Awang et al. 2018). As a result, the deletion or removal rate of items in the instrument is less than 20 percent (12.31%, 8 out of 65 statements), deemed acceptable and fit for further analysis (Awang et al. 2018).

Next is related to the validity and reliability tests of the study's constructs. Table 3 shows the constructs' convergent validity (average variance extracted, AVE), reliability, and internal consistency of items measured in the constructs (composite reliability, CR). Based on Table 3, the instrument used is valid and reliable since AVE's value is more than 0.5 (Fornell & Larcker 1981) and the value of CR is more than 0.7 (Hair et al. 2019). In addition to that, based on Table 2, the instrument used in this study also meets the discriminant validity criteria because the value of the AVE of two constructs (on diagonal) is greater than the squared correlation coefficients of the two constructs (on the off-diagonal) (Byrne 2016). As a result, these findings confirm that the instrument used is reliable, as there are no issues with multicollinearity in the study's constructs.

TABLE 3. Average variance extracted (on diagonal), critical value (CR), and squared correlation coefficients (on the off-diagonal) for study Instrument

Construct	CR	CP	RP	LFP	PP	CR	CCap	CCom	AR	ACap	ACom
Coercive power (CP)	0.853	0.542									
Reward power (RP)	0.867	0.009	0.574								
Legitimate foundation power (LFP)	0.839	0.021	0.017	0.573							
Persuasive power (PP)	0.848	0.025	0.236	0.001	0.650						
Cognitive Resistance (CR)	0.910	0.294	0.183	0.002	0.067	0.671					
Cognitive Capitulation (CCap)	0.902	0.016	0.295	0.011	0.379	0.052	0.649				
Cognitive Commitment (CCom)	0.943	0.119	0.151	0.033	0.060	0.120	0.081	0.771			
Affective Resistance (AR)	0.931	0.170	0.211	0.000	0.099	0.563	0.173	0.269	0.735		
Affective Capitulation (ACap)	0.938	0.003	0.333	0.003	0.477	0.094	0.582	0.058	0.171	0.791	
Affective Commitment (ACom)	0.917	0.145	0.145	0.023	0.072	0.125	0.099	0.608	0.278	0.135	0.734

Furthermore, the measurement model's fit indices must meet the minimum requirement established by previous research. Previous studies recommend that the RMSEA value be equal to or less than 0.08 (Browne and Cudeck 1993), that the CFI and TLI value be at least 0.85 (Bentler 1990; Bentler and Bonet 1980), and that the relative chi-square value is less than 5.0. (March and Hocevar 1985). Table 4 shows that the measurement met the suggested level and is thus suitable for structural analysis.

TABLE 4. Fit indices of measurement model

Model	Absolute fit:	Incremental fit:		Parsimonious fit:
	RMSEA (≤ 0.08)	CFI (≥ 0.85)	TLI (≥ 0.85)	Relative Chi-square (< 5.0)
Measurement model	0.069	0.891	0.880	2.843

Finally, the normality of the data is examined at the measurement model stage. The data met the normality assumption since skewness values range from -1 and 1 while kurtosis values ranging from -2 and 2, which is within the recommended range of -2 to 2 (Tabachnick and Fidell, 2007) for skewness values and -7 and 7 (Byrne 2016) for kurtosis values.

STRUCTURAL EQUATION MODEL

In testing the hypotheses, two structural models were developed. Figure 1 shows the structural model on the relationship between the power of tax administrators and the cognitive attitudes of taxpayers. In contrast, Figure 2 shows the structural model on the relationship between the power of tax administrators and the affective attitudes of taxpayers.
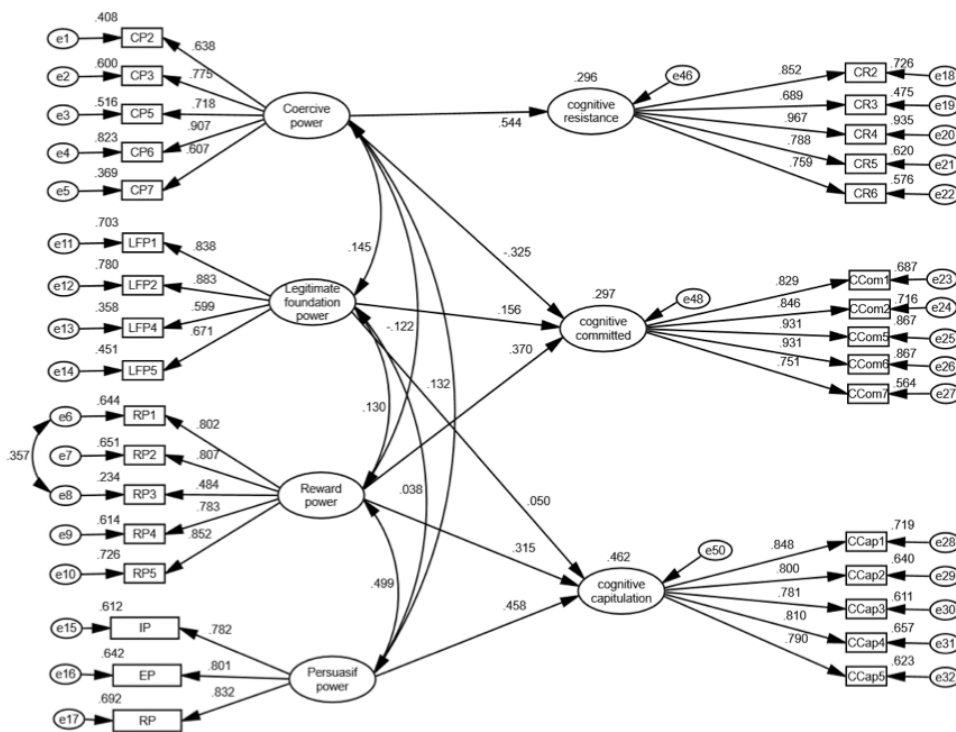
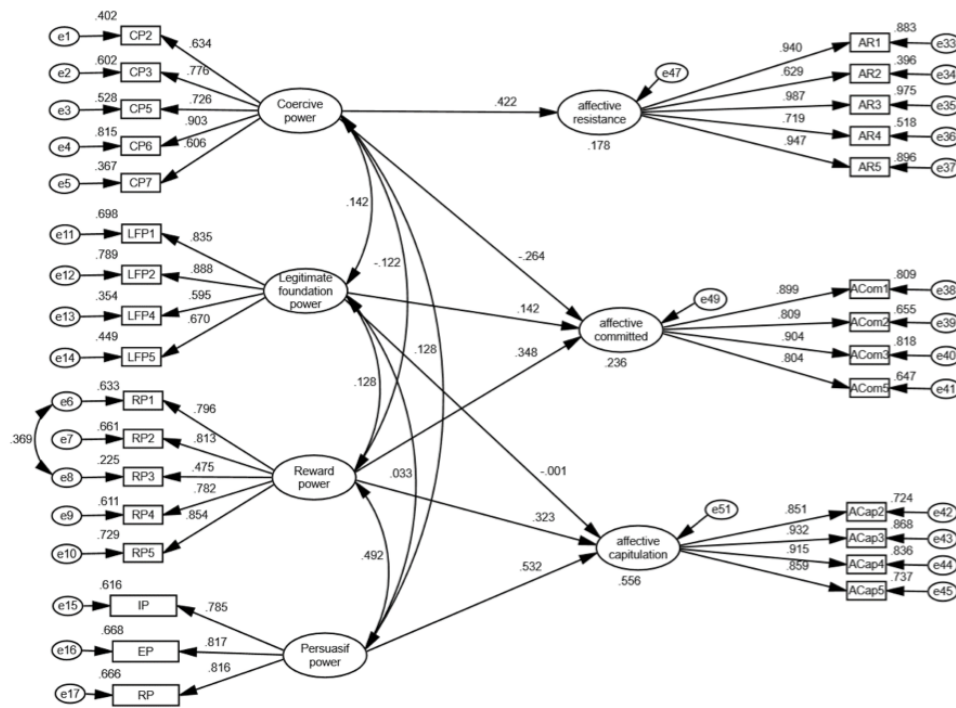FIGURE 1. Structural model cognitive attitude

FIGURE 2. Structural model affective attitude

Based on Table 5 below, both structural models have achieved the recommended level of model fit since all the indices have met previous studies' minimum requirements.

TABLE 5. Fit indices of structural models

Model	Absolute fit:	Incremental fit:		Parsimonious fit:
	RMSEA (≤ 0.08)	CFI (≥ 0.85)	TLI (≥ 0.85)	Relative Chi-square (< 5.0)
Structural model 1 on cognitive attitude	0.080	0.868	0.854	3.545
Structural model 2 on affective attitude	0.071	0.912	0.902	2.965

Table 6 represents the hypothesised relationship's regression path coefficient involving four types of tax administrators' power with three cognitive tax attitudes and three affective tax attitudes. Two relationships are insignificant concerning legitimate foundation power with cognitive capitulation (H_5, p = 0.275) and affective capitulation (H_6, p = 0.989). The remaining hypothesised relationships are significant. First, both cognitive resistance and affective resistance attitude are influenced positively by coercive power (H_1 and H_2, p < 0.01). Second, both cognitive capitulation attitude and affective capitulation attitude are influenced positively by persuasive power (H_9 and H_{10}, p < 0.01) and reward power (H_{11} and H_{12}, p < 0.01). Third, cognitive commitment attitude and affective commitment attitude are influenced negatively with coercive power (H_3 and H_4, p < 0.01) and positively with legitimate foundation power (H_7 and H_8, p < 0.01) and reward power (H_{13} and H_{14}, p < 0.01).

TABLE 6. Regression path coefficient and hypotheses results

	Construct			Estimate of regression coefficient (B)	Standard error (SE)	Beta(β)	Critical value (CR)	Significance value (p)	Hypothesised relationship direction	Hypothesis decision
H1	CR	←	CP	0.889	0.100	0.544	8.916	0.000*	+	Supported
H2	AR	←	CP	0.772	0.105	0.422	7.384	0.000*	+	Supported
H3	CCom	←	CP	-0.571	0.095	-0.325	-6.016	0.000*	-	Supported
H4	ACom	←	CP	-0.393	0.081	-0.264	-4.858	0.000*	-	Supported
H5	CCap	←	LFP	0.073	0.067	0.050	1.092	0.275	+	Not Supported
H6	ACap	←	LFP	-0.001	0.058	-0.001	-0.014	0.989	+	Not supported
H7	CCom	←	LFP	0.284	0.091	0.156	3.123	0.002*	+	Supported
H8	ACom	←	LFP	0.218	0.080	0.142	2.721	0.007*	+	Supported
H9	CCap	←	PP	0.564	0.074	0.458	7.645	0.000*	+	Supported
H10	ACap	←	PP	0.629	0.067	0.532	9.414	0.000*	+	Supported
H11	CCap	←	RP	0.227	0.041	0.315	5.570	0.000*	+	Supported
H12	ACap	←	RP	0.225	0.036	0.323	6.268	0.000*	+	Supported
H13	CCom	←	RP	0.331	0.047	0.370	7.083	0.000*	+	Supported
H14	ACom	←	RP	0.264	0.041	0.348	6.499	0.000*	+	Supported

* significance value at p <0.01

CP = Coercive power

RP = Reward power

LFP = Legitimate foundation power

PP = Persuasive power

CR = Cognitive resistance

CCap = Cognitive capitulation
CCom = Cognitive commitment

AR = Affective resistance

ACap = Affective capitulation
ACom = Affective commitment

DISCUSSION

The analysis shows four main findings concerning four types of tax administrators power: coercive power, legitimate foundation power, persuasive power, and reward power on three cognitive and affective attitudes, namely, resistance, capitulation, and commitment attitude.

First, coercive power is positively related to cognitive resistance attitude (H_1 – supported). Similarly, coercive power also has a positive relationship with affective resistance attitude (H_2 – supported). This finding indicates that coercive power can influence both cognitive and affective defiance attitudes of resistance. In other words, the use of enforcement activities may result in taxpayers having doubts about the tax administrator's intention (Braithwaite 2003). These doubts may cause taxpayers to be careful in their behaviour, fighting for their rights and seeking to control the power of tax administrators (Ayres & Braithwaite 1992). The use of enforcement activities also results in negative emotions that include feeling annoyed, disappointed, hate and anger (Olsen et al. 2018). However, the influence of coercive power towards cognitive resistance is relatively higher than on affective resistance. Based on beta value, an increase in one unit of coercive power increases cognitive resistance by 0.544, while affective resistance attitude increases by 0.422. This finding shows that enforcement through audit and penalties have a greater impact on cognitive attitude than taxpayers' emotions. On the other hand, coercive power has a negative relationship with cognitive commitment attitude (H_3 – supported). Similarly, coercive power has a negative relationship with affective commitment attitude (H_4 – supported). This simply shows that enforcement activities may impair taxpayers' acceptance that taxation is a moral and national responsibility (Gangl et al. 2016; Gangl et al. 2015) and their positive feeling of like, happiness, satisfied towards tax system (Olsen et al. 2018). Coercive power's influence was relatively stronger on cognitive commitment attitude (β=-0.325) than its effect on affective commitment attitude (β =-0.264).

Second, legitimate foundation power has a significant positive relationship with cognitive commitment and affective commitment attitude (H_7 and H_8 – supported). This simply means that acceptance towards tax administrators may increase the acceptance of taxation as moral and national responsibility (Dukes et al. 2014) and positive emotion such as the feeling of like, happy, and satisfied with the tax system (Olsen et al. 2018). The influence of legitimate foundation power on cognitive commitment (beta = 0.156) is slightly more than its influence on affective capitulation (beta = 0.142).

Third, persuasive power has a positive relationship with cognitive capitulation (H_9 – supported). Similarly, persuasive power also has a positive relationship with affective capitulation (H_{10} – supported). These findings indicate that support given by the tax administrators to taxpayers, particularly tax education, information and assistance, may result in taxpayers having a positive attitude where they show higher recognition and acceptance of tax administrators role (Dukes et al. 2014). Taxpayers believe that tax administrators will continue to act benevolent and friendly as long as taxpayers act well and comply with tax obligations (Gangl et al. 2015). Support and assistance offered by IRBM may also affect taxpayers' positive emotions. This soft treatment makes taxpayers hold positive emotions, such as relief, thankful, likeness, and happiness, after positive supportive and appreciative interaction (Olsen et al. 2018). However, the influence of persuasive power on affective capitulation attitude is reported to be relatively more (beta = 0.532) than its influence on cognitive capitulation attitude (beta = 0.458).

Fourth, reward power has a positive relationship with cognitive capitulation (H_{11} – supported). Similarly, reward power also has a positive relationship with affective capitulation (H_{12} – supported). These findings indicate that reward results in taxpayers having a positive attitude since better appreciated and feeling happier (Smith & Stalans 1991; Brockmann et al. 2016). Furthermore, the influence of reward power on affective capitulation attitude (beta = 0.323) is reported to be slightly higher than its effect on cognitive capitulation attitude (beta = 0.315). Comparably, reward power is also found to have a positive relationship with cognitive commitment attitude (H_{13} – supported) and affective commitment attitude (H_{14} – supported). This simply shows that reward power may increase the acceptance of taxation as moral and national responsibility (Dukes et al. 2014) and positive emotion with feeling like, happy, and satisfied with the tax system (Olsen et al. 2018). However, the influence of reward power on cognitive commitment attitude (β=0.370) is relatively greater than its effect on affective commitment (β =0.348). In conclusion, reward power is capable of influencing positive attitudes and emotions of capitulation and commitment.

In conclusion, the study argues that the use of enforcement positively influences the defiant attitude and emotion of risk-averse taxpayers and, at the same time, negatively influence the deference attitude and emotion of honest compliant taxpayers. Second, the legal position power of tax administrators influences the deference attitude and emotion of honest compliant taxpayers. Third, persuasive power through educative and supportive activities influences the average taxpayers' deference attitude and emotions. Fourth, the use of reward influences the deference attitude and emotions of both average and compliant taxpayers. Furthermore, the findings also show that tax administrators' power influences cognitive attitude and emotion in a similar direction. This simply shows that even studying one component alone would still produce comparable results. However, hard power through enforcement has a greater influence on cognitive defiance attitude than negative emotion. Similarly, the influence of coercive power (negatively), legitimate foundation and reward power is seen more on cognitive deference attitude than their

influence on taxpayers' deference emotion. In contrast, using the soft power of persuasive and reward power has more effect on taxpayers' deference emotions than cognitive deference.

This simply proves that different tax compliance strategies form different tax attitudes, influencing taxpayers' compliance behaviour. Therefore, tax administrator should devise their compliance strategies depending on taxpayers' characteristics and tax environment. Tax administrators are recommended to implement a targeted approach that requires grouping taxpayers in line with their attitude, namely strategic taxpayers (resistance attitude), average compliant taxpayers (capitulation attitude), and honest compliant taxpayers (commitment attitude). By implanting this targeted approach, it is expected to reach optimum compliance level using minimum resources. Under this targeted approach, the primary compliance strategies used on strategic taxpayers should be education and persuasion about the consequences of non-compliance action. Tax administrators move to more intense strategies involving shaming, sanctions, criminal prosecutions, suspension, and revocation of related status only when the soft approach involving education and persuasion fails. Meanwhile, friendly treatment using education and support should be used when dealing with average compliant taxpayers. Reward in both financial and non-financial is also necessary for average taxpayers. On the other hand, honest compliant taxpayers should be offered better treatment with a higher level of respect since their compliance is self-motivated. Tax administrators are encouraged to acknowledge their compliance action, which honest compliant taxpayers perceive as a form of respect or trust towards them which indirectly influence their positive attitudes and behaviour.

Conclusion and Future Research

In conclusion, this article provides insight on the influence of different types of powers of tax administrators, indirectly reflecting their compliance strategies on different types of cognitive and affective defiance and deference tax attitudes. Generally, the same type of tax administrator's power influences cognitive and affective attitudes (emotion) similarly. These findings contribute to the literature by proving empirical evidence on the comparable findings regarding the influence of the different types of tax administrator's power on both cognitive and affective attitudes. This shows that studying one component alone still provides comparable findings when studying both components. Additionally, this study also provides valuable information to tax administrators concerning tax compliance strategies. Tax administrators are recommended to be more cautious in using harsh power where it should be made more visible to strategic taxpayers who made compliance decisions that are most beneficial to them. This harsh power should not reach honest compliance taxpayers since it may impair their positive attitudes and behaviour. Additionally, tax administrators are also suggested to continue providing support towards taxpayers by providing tax education, information, and continuous assistance for taxpayers to perceive compliance as easier than non-compliance. Finally, tax administrators are also suggested to offer rewards since it influences both average and honest compliance taxpayers.

The limitation of this study is that it relies on self-reported questionnaires as a data collection method, which is prone to bias, particularly when it comes to taxation issues, which are frequently regarded as sensitive and confidential by taxpayers. Therefore, further studies are recommended to obtain the views of taxpayers using different data collection methods, for example, by using experimental methods in which researchers can manipulate relevant variables such as the power of tax administrators to understand their impact on tax compliance in the Malaysian context. In addition, this study can also be enhanced by obtaining in-depth insights from taxpayers, for example, using face-to-face interview methods to obtain more detailed and accurate information on their perception of taxation issues. Additionally, the attitude study is limited to the cognitive and affective components, while the behavioural components are not assessed. Therefore, this article suggests extending this study to assess tax attitude's behavioural component, specifically the actual tax compliance behaviour.

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