Revealing the Tax Compliance Behaviour Among Residential Property Owners

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ABSTRACT

In Malaysia, local governments are facing a decline in the collection of residential property assessment taxes, primarily attributable to an increase in non-compliance among residential property owners. As these taxes constitute over half of local government's revenue, understanding the factors influencing tax compliance is imperative. This study examines the significant factors of tax compliance among residential property owners, including tax knowledge, awareness, morale, and penalties. Applying the theory of planned behaviour, this research investigates the behavioural patterns of residential property owners when fulfilling their residential property assessment tax obligations. Employing a quantitative approach, the questionnaires were distributed to residential property owners in Selangor, resulting in 108 valid responses. The findings reveal that tax awareness and morale significantly influence the willingness of residential property owners to pay residential property assessment taxes. However, no apparent relationship was found between tax knowledge and tax penalties toward tax compliance. These results suggest that local government authorities to devise robust compliance enforcement strategies and actively engage with residential property owners to reinforce tax collection. The implications of this study are substantial for future researchers and academicians, as they elucidate consistent factors influencing tax compliance among residential property owners, aligning with prior research in the field. These insights emphasise the need for local governments to develop more effective, taxpayer-friendly strategies to improve compliance rates, enhance revenue collection, and promote a culture of voluntary compliance among property owners.

Keywords: Residential property tax assessment; tax compliance; tax knowledge; tax awareness; tax morale; tax penalty

INTRODUCTION

Taxes play a significant role in any economy's budget as they generate revenue for administering the economy and allocating resources. In Malaysia, the assessment tax serves as the primary funding source for local governments, accounting for more than half of their local revenue (Mohd et al. 2020). Despite various taxes being implemented by the government, this study focuses on residential property assessment tax due to the ongoing challenge of lower tax revenue faced by local governments nationwide (OECD 2021). Research by Razak et al. (2017) and Mohd et al. (2020) highlights the critical state of assessment tax arrears, necessitating urgent attention. The Selangor State Assembly reported that assessment tax arrears in Selangor reached RM172.43 million in 2022, highlighting the severity of the issue (Selangor State Assembly 2022). Despite ongoing efforts and initiatives by municipal councils, tax arrears remain a persistent concern. For instance, the Deputy President of Selayang Municipal Council (MPS), Adi Faizal Ahmad Tarmizi, reported that arrears amounted to RM114.78 million in 2023 (Nasbah 2023). Similarly, the Petaling Jaya Municipal Council (MBPJ) stated that assessment tax arrears in the Petaling district totalled RM20 million (Khalid 2023). In 2024, the President of Ampang Jaya Municipal Council (MPAJ), Dr Ani Ahmad, revealed that MPAJ managed to collect RM10.3 million, covering only 23.72% of the RM43 million in arrears (Ravindran 2024). These figures illustrate the ongoing challenge of assessment tax arrears across Selangor, necessitating proactive measures from both local authorities and taxpayers to improve compliance.

Local Government Act 1976 (Malaysia 1976) defines property tax or assessment tax as rates. Revenue from assessment rates is vital for local authorities to fund services, maintain infrastructure, and ensure efficient administration and service delivery within their jurisdictions. Residential property assessment tax revenues play a pivotal role as a key funding source for numerous developed and developing nations, rendering the financial statements of local governments a matter of public interest (Berahim et al. 2019). The establishment of a residential property assessment tax system is seen by economists and government authorities as a means to augment national income and expedite economic growth (Che et al. 2021). The enforcement of residential property assessment taxes is geared toward incentive development within local government jurisdictions, as these taxes, paid by residential property owners, are exchanged for services provided by local governments. The effective management of tax collection during development is imperative for local governments to ensure the delivery of appropriate services (Akitoby 2018). However, the increasing arrears in assessment rates have become a national concern in Malaysia, posing growing challenges for recovery (Razak et al. 2017). Local authorities continue to struggle with various obstacles in collecting and enforcing these arrears, further complicating their financial sustainability and service provision (Mohd et al. 2020; Rahman et al. 2021). Besides, Mohd et al. (2018) also claimed that the problem of arrears of assessment rates is not due to the inability of the payer to pay but due to the irresponsible attitude of taxpayers.

In Malaysia, the collection of residential property taxes adheres to procedures stipulated in the distinct Local Government Act 1976 of Malaysia (Act 1971). Every local government possesses the jurisdiction to levy residential property assessment taxes, encompassing a wide range of residential property types such as land, structures, and enhancements. Certain exemptions are granted for government-owned properties, non-profit organizations, and places of worship. The assessed value of residential properties is ascertained based on their market or annual value, with tax rates varying among different local authorities to align with their specific revenue needs. Ensuring the effective collection of residential property assessment taxes is essential for local governments to fulfil their responsibilities and deliver essential services. Offering incentives for timely payment, like discounts, could encourage people to pay on time. This helps local governments collect the revenue they need. On the other hand, penalties for late payments can discourage delays and remind people of the importance of paying by the due date. According to Cranor et al. (2020), clear communication of tax penalties to delinquent taxpayers can improve compliance, highlighting the importance of messaging in tax enforcement.

In conclusion, the assessment tax serves as a crucial funding source for local governments in Malaysia, supporting development initiatives and facilitating the provision of essential services. Therefore, this study aims to determine the factors that influence residential property assessment tax compliance, specifically focusing on tax knowledge, tax awareness, tax morale, and tax penalties. Understanding these factors can enhance tax compliance among property owners, ultimately leading to increased tax collection and revenue for local authorities. Besides, this study contributes to the existing body of research on tax compliance by extending its focus to encompass residential property assessment taxes.

LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT

THEORY OF PLANNED BEHAVIOUR

The Theory of Planned Behaviour (TPB) is a psychological framework developed by Icek Ajzen in 1985 to explain human behaviour. It builds on the Theory of Reasoned Action (TRA) (Fishbein & Ajzen 1975) and add a new component of perceived behavioural control. Referring to Figure 1, TPB (Ajzen 1991) identifies three independent factors that determine intention. The first is the attitude toward the behaviour, which reflects the extent to which an individual evaluates the behaviour positively or negatively. The second factor, known as the subjective norm, represents the perceived social pressure to either engage in or avoid the behaviour. The third determinant is perceived behavioural control, which refers to an individual's perception of how easy or difficult it would be to perform the behaviour, based on past experiences and expected obstacles. Commonly, the more positive the attitude, the stronger the subjective norm, and the greater the perceived behavioural control, the stronger an individual's intention to carry out the behaviour in question. This theory describes behaviour in detail. Beliefs about things that directly influence behaviour are referred to as behavioural beliefs. Meanwhile, normative beliefs are those that an individual has regarding the perspectives or opinions of others that may influence how they act. Control beliefs are those that an individual holds about the thoughts or viewpoints of others that could influence how they behave.
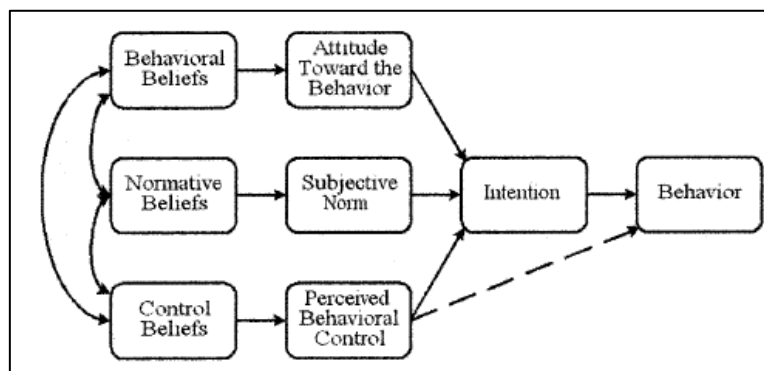

FIGURE 1. Theory of planned behaviour (Ajzen 1991; Hrubes et al. 2001)

There are several studies that applies TPB to understand tax compliance behaviour (Azmi et al. 2020; Kamil 2015). Similarly, this study applied TPB, to understand the residential property tax owner toward compliance of assessment tax. Tax knowledge and awareness represent attitude towards behaviour (behaviour beliefs), tax morale reflects subjective norm (normative beliefs) and tax penalties correspond to perceived behavioural control (control beliefs) Tax knowledge influences an individual's understanding of tax policies, procedures, and obligations (Adhikara et al. 2022), while greater tax awareness reinforces the perceived necessity and benefits of compliance could contribute to country's development (behavioural belief). A well-informed property owner is more likely to develop a positive attitude toward compliance,

recognising its role in community development (Azmi et al. 2020). Consequently, property owners with sufficient knowledge and awareness are more likely to fulfil their tax obligations voluntarily.

Tax morale is driven by subjective norms, which reflect the intrinsic motivation to pay taxes based on ethical values, civic duty, and social norms, rather than financial incentives or fear of sanctions (Torgler 2001). When property owners see others in their community complying with tax obligations and view it as the right thing to do, social pressure will encourage them to follow suit. Strong tax morale fosters compliance through social expectations or peer influence (Azmi et al. 2020). Additionally, when taxpayers perceive local tax authorities as fair and transparent, their satisfaction increases, further reinforcing tax compliance (Murphy 2004; Torgler 2001). On the other hand, tax penalties associated with control beliefs. It will shape compliance behaviour by influencing how easily or difficult individuals perceive avoiding the penalties. A well-enforced penalty system enhances perceived control over compliance by discouraging tax evasion (Azmi et al. 2020). The sentiments guilt and shame will influence complying behaviour and reducing the perceived benefit of cheating (Torgler 2001). The obligation to pay assessments tax to the local authorities is an accepted social norm (Torgler 2001). Property owners who believe that penalties for non-compliance are severe, and that enforcement is effective are motivated to adhere to tax regulations (Torgler 2001).

Behavioural beliefs, normative beliefs and control beliefs are three factors that could determine residential property owners' behaviour. A combination of a positive attitude (driven by tax knowledge and awareness), strong normative belief (fostered by tax morale), and high perceived behavioural control (reinforced by tax penalties) strengthens individuals' intentions to comply with residential property tax requirements.

TAX COMPLIANCE

Tax compliance is a complex concept that has been defined in various ways in prior research. According to James and Alley (2002), tax compliance refers to taxpayers' willingness to follow tax laws and regulations without enforcement activity. Otter and Langenberg (2019) define it as taxpayers' ability and willingness to pay taxes. In Malaysia, residential property owners are required to comply with local property taxes, known as Assessment Tax, which is imposed by local government authorities (Malaysia 1976), and it is typically based on the annual values of the property. Property assessment tax compliance refers to adhering to these tax obligations, with property owners' ability and willingness to follow the rules and laws playing a significant role in fostering tax compliance.

The dynamics of tax compliance are influenced by a combination of economic and non-economic factors (Alwi et al. 2022; Nguyen 2022). Economic factors include actual income, tax rates on property assessments, the benefits of property assessments, the likelihood of audits, fines, and penalties. Non-economic factors encompass tax awareness, knowledge, morale, and education. Research suggests that a combining of tax rates, and penalties, and fostering public trust in the tax system can enhance compliance rates (Areo et al. 2020). Personal considerations such as fairness, trust, and penalties also influence tax compliance in the United States (Djajanti 2020). However, Mohd et al. (2018) found that non-compliance is often driven not by an inability to pay but due to the irresponsible attitude of taxpayers. Similarly, Mahmood et al. (2023), found that tax morale, perceived fairness, and trust in the system do not significantly encourage compliance among high-income earners. This suggests that despite having the financial means to pay taxes, low tax morale, concerns about system fairness, and a lack of trust in authorities may contribute to tax evasion.

In comparison, the McBarnett model distinguishes between intentional compliance and unintentional compliance (Siglé et al. 2018). Intentional compliance refers to residential property owners deliberately ensuring timely payment of assessment rates, recognizing their obligation to local authorities. This may be influenced by factors like clear communication from authorities or ease of payment (Cranor et al. 2020). Meanwhile, the property owners may unintentionally not pay the property assessment tax due to unawareness of their obligation, especially in cases like inheritance. Creative compliance also might occur when residential property owners seek to minimise their tax liability while staying within the boundaries of the tax rules. Thus, understanding the tax laws and strategically managing income and expenses is crucial for increasing compliance rates (Alstadsaeter et al. 2018).

Incremental reforms in residential property assessment tax compliance are vital for enhancing tax collection, emphasising the reciprocal relationship between taxes paid and local services received. Economic and non-economic factors play intertwined roles in shaping tax compliance behaviours and understanding these dynamics is crucial for policymakers and tax authorities in their pursuit of higher compliance rates. Providing clear communication from the authorities or making an easy payment system for property assessment tax could encourage the property owner to comply.

TAX KNOWLEDGE AND TAX COMPLIANCE

Education plays a pivotal role in enhancing taxpayers' understanding of tax matters (Korostelkina et al. 2020; Amin et al. 2022). Numerous studies indicate the significant impact of tax knowledge on tax compliance behaviour (Azmi et al. 2020; Bani-Khalid et al. 2022; Erdiansyah & Khoirunurrofik 2021; Mahmood et al. 2023; Tan et al. 2021). Tax knowledge in this study's context refers to the knowledge of assessment tax. Many residential property owners continue to face challenges due to insufficient understanding of residential property assessment and taxation (Rahman et al. 2021). To address this, it is essential to provide property owners with adequate knowledge about assessment taxes to ensure

compliance. This includes understanding assessment rates, annual payment obligations, payment methods and deadlines, ownership-related responsibilities, penalties for non-compliance, available exemptions and relief measures, as well as notification and enforcement regulations.

To address this knowledge gap, responsible parties, particularly local governments, should consider the implementation of a targeted residential property assessment tax program or propose viable solutions to augment the understanding of residential property owners in this domain. Through strategic educational initiatives, residential property owners can acquire the requisite tax knowledge, enabling them to navigate and adhere to the applicable rules, thereby fulfilling their residential property assessment tax obligations effectively (Rahman et al. 2021). This proactive approach not only addresses the current knowledge deficit but also fosters a culture of informed compliance within the residential property owner community.

Current assessment tax policies (Local Government Act 1976) have the potential to reshape the fundamentals of residential property assessment and taxation. According to the TPB theory, residential property owners with a high level of knowledge of assessment tax and a positive attitude towards learning more about residential property assessment taxes are more likely to comply with the rules and fulfil their obligations (Adhikara et al. 2022). Consequently, it becomes imperative for residential property owners to acquire comprehensive knowledge about residential property assessment taxation to discharge their responsibilities adequately.

To summarise, knowledge of assessment tax plays a significant role in tax compliance among residential property owners. Stakeholders should proactively undertake initiatives to offer educational programs aimed at enhancing residential property owners' comprehension of residential property assessment taxation. Such efforts are poised to have a positive impact on compliance rates and ensure the fulfilment of tax obligations. Therefore, based on the above discussion, the following hypothesis is proposed:

H1   There is a positive significant relationship between tax knowledge and residential property assessment tax compliance among residential property owners.

TAX AWARENESS AND TAX COMPLIANCE

Tax awareness is crucial for taxpayer compliance with tax rules and regulations (Mansur et al. 2021). Asrinanda (2018) defines tax awareness as individuals' knowledge and understanding of tax calculation and payment. Improving tax awareness through tax knowledge and education is essential to encouraging compliance with residential property assessment taxes. A comprehensive grasp of residential property assessment taxation by residential property owners fosters heightened awareness and ethical conduct in fulfilling their tax responsibilities. As emphasized by Hamid et al. (2022), tax awareness confers advantages upon taxpayers by equipping them with a more profound comprehension of the tax system, facilitating precise tax calculation and payment.

Residential property owners who lack familiarity with residential property assessment taxes may consciously or inadvertently shirk their tax obligations. Nonetheless, by cultivating an interest in tax knowledge and offering education tailored to residential property assessment tax compliance, their tax awareness can be elevated. Informing taxpayers about the role of tax payments in national development can increase their awareness of the importance of tax compliance (Handayani & Damayanti 2018). Residential property owners who choose not to pay their residential property assessment taxes become aware that their actions may hinder the nation's development. Conversely, timely payment of residential property assessment taxes by responsible property owners prevents funding shortages and supports development. Nurkhin et al. (2018) argue that tax awareness significantly influences compliance with tax laws. Residential property owners who understand the functions and benefits of residential property assessment taxes are more likely to fulfil their tax obligations.

By emphasising tax awareness, residential property owners are encouraged to pay their residential property assessment taxes and abide by tax laws. Transparent tax payment processes also contribute to increased tax awareness among individuals. Residential property owners must demonstrate knowledge and comprehension of the laws governing residential property assessment taxes. The TPB theory suggests that when knowledgeable individuals surround residential property owners with information about residential property assessment taxes, normative beliefs foster a positive attitude to comply with certain rules.

Meanwhile, campaigns and promotions are intended to educate property owners and enhance their awareness of assessment tax obligations. However, research by Razak et al. (2017) suggests they do not significantly reduce tax arrears. Therefore, local authorities must adopt more innovative and targeted approaches, particularly during tax payment and enforcement periods, to improve compliance.

In summary, tax awareness plays a vital role in promoting compliance with residential property assessment taxes among property owners. Enhancing tax knowledge and education specific to residential property assessment tax compliance is crucial for increasing tax awareness. Emphasising the significance of tax payments for national development and ensuring transparency in tax processes helps residential property owners better understand their tax obligations and cultivate a positive attitude towards tax compliance. Therefore, from the above discussion, the second hypothesis has been developed and suggested as follows:

H₂	There is a positive significant relationship between tax awareness and residential property assessment tax compliance among residential property owners.

TAX MORALE AND TAX COMPLIANCE

Tax morale is an intrinsic motivator that encourages taxpayers to voluntarily fulfil their obligations (Torgler 2004). It encompasses ethical considerations and the belief that paying residential property assessment tax is a civic duty. In line with Frey (1997), intrinsic motivation drives taxpayers to provide accurate information and comply honestly with tax regulations (Feld & Frey 2002). Tax morale fosters compliance by reinforcing the need to adhere to tax rules and regulations (Kemme et al. 2020; Richardson & Sawyer (2001) often influenced by social expectations or peer pressure (Nguyen, 2022). When taxpayers perceive that tax revenue contributes to national development, their willingness to comply increases (Azmi et al. 2020).

Torgler (2001) asserted that there are a few important factors to understand tax morale. These are moral rules and sentiments, fairness, trust and the relationship between taxpayer and government. Trust in authorities is important factor contributing to tax morale (Olsen et al. 2018; Torgler 2001). To earn taxpayer trust, authorities must ensure fairness, social welfare, and national development. Residential property owners expect quality government services in return for their tax payment, and fostering this trust encourages voluntary compliance with residential property assessment taxes (Kastlunger et al. 2013; Torgler 2001). Higher tax morale leads to greater tax compliance and reduces tax evasion (Hassan et al. 2022; Parwati et al. 2021). When taxpayers perceive that local tax authorities operate fairly, their satisfaction increases, further enhancing compliance (Murphy 2004). This aligns with the Theory of Planned Behaviour, where normative beliefs influence compliance behaviour, emphasising the importance of trust in local governments and fair treatment in promoting tax adherence (Andriani et al. 2022).

In summary, tax morale significantly influences taxpayer compliance with tax obligations. By fostering positive social norms and building trust in authorities, residential property owners are more likely to exhibit compliance behaviour regarding their residential property assessment taxes. Based on the above discussion, the third hypothesis has been developed and suggested as below:

H₃	There is a positive significant relationship between tax morale and residential property assessment tax compliance among residential property owners.

TAX PENALTY AND TAX COMPLIANCE

Residential property owners may engage in tax evasion or avoidance to evade paying their residential property assessment taxes. The imposition of higher tax penalties can inadvertently serve as an incentive for fraudulent practices, elevating the likelihood of tax evasion among taxpayers, as noted by Górecki and Letki (2021). In fact, some studies suggest that an increase in tax penalties may paradoxically encourage tax evasion, as indicated by Alm and Malézieux (2021). Bellová and Špírková (2021) argue that there is no consensus regarding the impact of tax penalties on tax-filing behavior. However, Abdulazeez (2018) and Hassan et al. (2022) have observed that the tax penalty system can influence people's attitudes toward tax rules and compliance, emphasising the importance of complying with tax regulations to avoid unnecessary tax payments.

In the context of the Theory of Planned Behavior (TPB), it becomes evident that penalties and the probability of detection alone may not be sufficient to shape the behaviour of residential property owners. According to TPB, compliance behaviour is influenced by the interplay of attitudes, subjective norms, and perceived behavioural control. While penalties may deter non-compliance to some extent, the behavioural intention to comply is also shaped by the perceived fairness of the tax system, social norms, and the ease with which taxpayers believe they can fulfil their obligations (Azmi et al. 2020) Nevertheless, when residential property owners breach their tax obligations, fines are imposed, suggesting a potentially significant correlation between tax penalties and compliance behaviour.

Globally, many countries employ tax penalties, audits, and tax rates to deter non-compliance by residential property owners. These measures act as deterrents, but their effectiveness can vary among different taxpayer groups. For instance, prior research by Chyz et al. (2021) found a positive relationship between the likelihood of an audit and tax compliance. However, the impact of audit probabilities on compliance with residential property assessment taxes can vary among different groups of residential property owners.

Overall, the relationship between tax penalties and compliance with residential property assessment taxes is complex. While penalties may influence compliance behaviour to some extent, they are unlikely to be effective in isolation. Previous studies in Malaysia have shown that enforcement actions, such as issuing demand notices, do not encourage property owners to pay the assessment tax (Ashmat 2016; Razak et al. 2017;). This could be because demand notices alone may not address underlying issues such as taxpayers' lack of awareness, distrust in the tax system, or

perceived unfairness, which can undermine compliance regardless of enforcement efforts. Based on the above arguments, therefore, the fourth hypothesis has been developed to estimate the relationship between tax penalty and residential property assessment tax compliance.

H4   There is a positive significant relationship between tax penalty and residential property assessment tax compliance among residential property owners.

RESEARCH METHODOLOGY

SAMPLE SELECTION AND DATA COLLECTION

This study focuses on examining compliance issues with residential property assessment taxes and providing recommendations to increase local government revenue, as residential property owners have the potential to contribute significantly to the country's income. The unit of analysis for this study is the residential property owners in Selangor. There are 1,657,709 units of residential property in Selangor, which has the largest residential population in Malaysia (NAPIC 2022). Selangor comprises nine districts: Gombak, Hulu Langat, Hulu Selangor, Klang, Kuala Langat, Kuala Selangor, Petaling, Sabak Bernam, and Sepang (NAPIC 2022). Simple random sampling was used to ensure that each residential property owner had an equal chance of being selected. A total of 540 questionnaires were randomly distributed to the residential property owners across all nine districts, considering an anticipated response rate of 20%. The minimum required sample size was determined using the G*Power software, indicating that 108 respondents are sufficient to achieve a statistical power of 90%.

QUESTIONNAIRES DESIGN

In this research, the link between tax knowledge, tax awareness, tax morale, tax penalties, and residential property assessment tax compliance was explored quantitatively. A self-administered online survey was undertaken of residential property owners in Selangor using online Google Forms. The survey link, which included a cover letter explaining the study's purpose, was distributed via WhatsApp to facilitate quick responses. To ensure anonymity, no personally identifiable information (such as names, addresses, or contact details) was collected. Responses were stored securely, accessible only to the researchers, and used solely for academic purposes. Additionally, ethical approval was obtained from the research ethics committee, ensuring that the study adhered to ethical guidelines for participant privacy and data protection.

The questionnaire for this research was divided into six sections. The first section focuses on the dependent variable, residential property assessment tax compliance, which consists of four questions to determines whether residential property owners are following the rules and regulations governing residential property assessment taxes (Azmi et al. 2020; Palil 2010; Torgler 2001). The second section includes four independent variables (tax knowledge, tax awareness, tax morale, and tax penalties) with the aims of understanding the residential property owners' attitudes and behaviours towards tax compliance. Four questions are used to measure tax knowledge (Azmi et al. 2020; Palil 2010), to assess the taxpayer's familiarity with the local government's residential property assessment tax system. Followed by three items to measure tax awareness. The tax awareness questions were adopted from the previous study Azmi et al. (2020) and Palil (2010), to access the knowledge and understanding of residential property owners to meet their obligation to pay the assessment tax.

The third independent variable is made up of four items adopted from Azmi et al. (2020) and Torgler (2001) to measure tax morale to assess how the residential property owners perceived the local authorities and government toward the assessment tax system. The fourth independent variable is tax penalty which is measured using five items adopted from Azmi et al. (2020) and Torgler (2001), to identify residential property owners' knowledge of tax penalty imposed for non-compliance. All the variables' items in the questionnaires used a five-point Likert scale ranging from 1 ("strongly disagree") to 5 ("strongly agree") to assess the residential property owners' behaviours. The last section contains the demographic information of property owners.

RESEARCH MODEL

The dependent variable in this study is residential property assessment tax compliance, while the independent variables of this study are tax knowledge, tax awareness, tax morale, and tax penalties. Therefore, the research model for this study is presented in Figure 2 as follows:
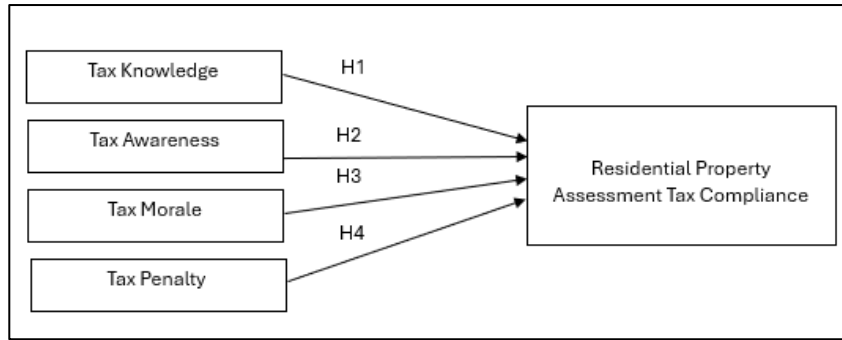
FIGURE 2. Residential property assessment tax compliance Model

Multiple regression analysis is used to model the relationship between the tax compliance and tax knowledge, awareness, morale, and penalties among residential property owners. This relationship is tested based on the following equation below:

$$Y= ß_0 + ß_1KNOW+ ß_2AWARE+ ß_3MORALE + ß_4IPENALTY + ε$$

Where:
Y = Residential Property Assessment Tax Compliance
KNOW = Tax Knowledge
AWARE = Tax Awareness
MORALE= Tax Morale
PENALTY= Tax Penalty
ε = error

The data were analyzed using the Statistical Package for the Social Sciences (SPSS) version 28. A multiple regression analysis was carried out to model the relationship between tax knowledge, tax awareness, tax morale, tax penalties, and residential property assessment tax compliance.

FINDINGS

DEMOGRAPHIC ANALYSIS

With a response rate of 20% from the 540 questionnaires distributed to residential property owners, 108 respondents would have been eligible for data analysis. The descriptive analysis of the respondents' demographic characteristics looked at the profile of residential property owners. This analysis will break down demographic characteristics into frequency and percentage. According to the descriptive statistics presented in Table 1, the majority of residential property owners fall into the age bracket of 31 to 40 years, comprising 36.2% of the respondents. Those aged over 50 constitute 25.9%, while individuals between the ages of 21 and 30 make up 23.1%, and those aged 41 to 50 account for 14.8% of the sample. Regarding educational attainment, half of the respondents (50%) hold a degree as their highest level of education. Meanwhile, 22.2% of the respondents have diplomas, 16.7% possess certificates, and the remaining 11.1% have master's degrees. In terms of residential tax assessment, 73.1% of respondents are currently paying their residential taxes, while the remaining 26.9% are not. Furthermore, a significant proportion of respondents have lived in their residential properties for more than three years, with the remaining having resided in their properties for less than three years.

TABLE 1. Demographic information

Variables	Category	Frequency	Percentage (%)
	21 - 30 years	25	23.1
Age	31 - 40 years	39	36.1
	41 - 50 years	16	14.8
	Above 50	28	25.9
	Certificate	18	16.7
	Diploma	24	22.2
Academic Qualification	Degree	54	50.0
	Master's degree	12	11.1
	Other	0	0
Residential Property Assessment Tax Payment	Yes	79	73.1
	No	29	26.9
	Less than 1 year	7	6.5
Years of Staying in The Residential Property	1 - 2 years	4	3.7
	2 - 3 years	6	5.5
	Above 3 years	91	84.3

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DATA ANALYSIS

The Skewness and Kurtosis test was used to perform a normality test on tax knowledge, tax awareness, tax morale, tax penalties, and residential property assessment tax compliance. The data were revealed to have a normal distribution since the skewness for this study ranges from -0.056 to 0.102 and the kurtosis ranges from -0.065 to -0.797. The data were reliable, as evidenced by Cronbach's Alpha values ranging from 0.690 to 0.884 in this study, demonstrating that the multiple statements consistently measure the perceptions of the residential property owners on the four dimensions connected to the determinants of residential property assessment tax compliance.

The multiple regression analysis is used to respond to the research objectives by examining the factors that influence residential property assessment tax compliance, specifically focusing on tax knowledge, tax awareness, tax morale, and tax penalties. The four independent variables were investigated using multiple regression analysis: tax knowledge, tax awareness, tax morale, and tax penalties, which significantly explained the motivation for residential property assessment tax compliance among residential property owners. Table 2 reveals the overall significance fits with the linear regression model for the dependent variable and the independent variables, where the value of F (39.974), and the p-value is less than 0.01.

TABLE 2. ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	29.204	4	7.301	39.974	<.001b
	Residual	18.812	103	0.183		
	Total	48.016	107			

a. Dependent Variable: Total Residential Property Assessment Tax Compliance
b. Predictors: (Constant), Total Tax Knowledge, Total Tax Awareness, Total Tax Morale, Total Tax Penalties.

According to Table 3, the R-square value for this model is 0.608 tells how well this model fits the data., Thus, 61% of the variation in the dependent variable (residential property assessment tax compliance) is explained by these four independent variables. In other words, the overall impact of tax knowledge, tax awareness, tax morale, tax penalties, on residential property assessment tax compliance is 61%.

TABLE 3. Model Summary

Model	R	R Squares	Adjusted R Squares	Std. Error of the Estimate
1	.780a	0.608	0.593	.42737

a. Predictors: (Constant), Total Tax Knowledge, Total Tax Awareness, Total Tax Morale, Total Tax Penalties
b. Dependent Variable: Total Residential Property Assessment Tax Compliance

Table 4 reveals no multicollinearity issues, with tolerance values exceeding 0.2 and VIF values below 5 (Hair et al., 2022). Furthermore, the data in Table 4 indicates significant positive relationship between tax compliance and tax awareness among residential property owners ($\beta = 0.376$, $p < 0.001$), as well as between tax compliance and tax morale ($\beta = 0.258$, $p = 0.001$). However, no significant relationship is observed between tax compliance and knowledge among residential property owners ($\beta = 0.046$, $p = 0.549$), nor between tax penalties and tax compliance ($\beta = 0.087$, $p = 0.209$).

TABLE 4. Regression Result

	Unstandardized Coefficient		Standardized Coefficient			Collinearity Statistics	
	β	Std.Error	Beta	t	Sig.	Tolerance	VIF
(Constant)	0.949	0.237		4.004	<.001		
Tax Knowledge	0.046	0.077	0.052	0.602	0.549	0.500	2.000
Tax Awareness	0.376	0.062	0.455	6.076	<.001	0.677	1.476
Tax Morale	0.258	0.078	0.327	3.296	0.001	0.387	2.587
Tax Penalty	0.087	0.06	0.112	1.265	0.209	0.485	2.062

Dependent Variable: Residential Property Tax Compliance

DISCUSSION

TAX KNOWLEDGE AND TAX COMPLIANCE

This finding indicating that tax knowledge does not impact taxpayers' adherence to their tax obligations and revealing the absence of a positive correlation between these variables. Even though taxpayers are aware of tax laws, regulations, and procedures, this knowledge alone does not drive them to fulfil their tax responsibilities. Although residential property assessment tax laws require taxpayers to be informed about their tax obligations, merely possessing this knowledge does not guarantee adherence. This aligns with previous research (Fauziati et al. 2016; Ghani et al. 2020; Kamil 2015), which found that tax knowledge has a limited direct effect on compliance behaviour.

From the TPB perspective, tax knowledge can be linked to attitude toward behaviour, which refers to the extent to which taxpayers perceive compliance as beneficial or necessary. While knowledge shapes awareness, a favourable attitude alone may not be sufficient to ensure compliance. Instead, tax compliance behaviour may be more strongly

influenced by subjective norms social expectations and peer influence as well as perceived behavioural control, which refers to taxpayers' perception of enforcement mechanisms, penalties, and ease of compliance.

Some studies, however, suggest that tax knowledge plays a significant role in influencing tax compliance behaviour (Azmi et al. 2020; Mahmood et al. 2022; Rahman et al. 2021). These findings imply that in certain contexts, an increase in tax knowledge can shape a more positive attitude toward compliance, reinforcing the role of attitude toward behaviour within TPB. However, when tax knowledge alone is insufficient, compliance may instead be driven by external pressures, such as social norms and enforcement strategies.

Therefore, while tax education is important, it should be complemented with approaches that enhance subjective norms (tax morale) and strengthen perceived behavioural control (e.g., clear enforcement policies and incentives for compliance). By integrating these elements, policymakers can create a more comprehensive strategy to improve residential property assessment tax compliance.

TAX AWARENESS AND TAX COMPLIANCE

The findings revealed a positive, significant relationship between tax awareness and tax compliance among residential owners, thus, successfully meet the objective of this study. The result suggests that paying taxes on residential property assessments is more likely to happen when taxpayers are aware of their obligations. Awareness is the component of taxpayer perception that influences an understanding of a situation or condition and how to deal with or respond to the situation or condition (Killian et al. 2022). This study's findings are consistent with those of Anto et al. (2021), who discovered that tax awareness has a significant effect on tax compliance because taxpayer awareness varies. The findings presented above lead us to the conclusion that diminished tax awareness will give an impact to tax compliance among residential property owners. To enhance tax awareness, four strategies can be employed: encouraging taxpayers' understanding of residential property assessment tax laws and regulations, considering taxpayers' backgrounds, and providing motivation or guidance to taxpayers. Research suggests that individuals with higher levels of education tend to have a more comprehensive grasp of the tax system (Alkhatib et al. 2020). In line with the TPB theory, normative beliefs can foster a sense of optimism among taxpayers paying residential property assessments if they are surrounded by knowledgeable individuals, ultimately contributing to an augmentation in compliance with residential property assessment taxes.

TAX MORALE AND TAX COMPLIANCE

The findings also reveal that tax morale and tax compliance among residential property owners is positively significant. Taxpayers who believe the taxing authorities are treating them fairly will therefore be more likely to abide by the law (Andriani et al. 2022).

Personal norms, social norms, and trust in tax authorities collectively shape tax morale. Research, as indicated by McCulloch et al. (2020), distinguishes personal norms, primarily concerned with notions of right and wrong, from social norms, which encompass shared convictions prevalent among individuals in close proximity who often exhibit a specific behavior, including friends, family, and others (Bicchieri & Dimant 2022). Perceptions of fairness and efficiency significantly influence how tax authorities are perceived. Rodriguez-Justicia and Theilen (2018) asserted that tax morale can impact tax compliance. Additionally, research suggests a positive relationship between higher levels of tax compliance and increased taxpayer trust (Batrancea et al. 2022). This highlights the expectation of most taxpayers that local governments will provide quality services in exchange for their contributions. When taxpayers are satisfied with the services they receive, it fosters greater public trust in tax authorities (Nurkholis et al. 2020). Consequently, fewer individuals attempt to evade their residential property assessment taxes, while more people willingly fulfil their obligations due to tax morale. This, in turn, substantiates the significant influence of tax morale on high levels of tax compliance among residential property owners.

Furthermore, the perception of fairness within the tax system shapes the broader perception of justice and significantly influences individuals' intent to comply (Guzel et al. 2019). Therefore, fostering fairness is essential in promoting tax compliance. In line with the TPB theory, both social and individual norms play a pivotal role in shaping taxpayers' willingness to meet their assessment obligations. Consequently, taxpayers paying residential property assessments are more likely to align their behavior with the tax code, further reinforcing tax compliance.

TAX PENALTY AND TAX COMPLIANCE

This finding implies that the imposition of tax penalties does not significantly impact residential property owners' ability to fulfil their tax obligations. Indeed, there is evidence suggesting that the variable representing tax penalties does not exert a substantial influence on tax compliance among residential property owners (Razak et al. 2017). These study results depart from those of Assfaw and Sebhat (2019), who found that higher tax penalty rates may deter taxpayers from honestly reporting their taxes, potentially leading to reduced tax compliance. Sentanu and Budiartha (2019) have also

reported that tax penalties do not significantly influence taxpayer compliance, and there is no definitive evidence supporting such an effect. The perception of a tax penalty, however, does promote adherence to tax rules and regulations, thereby encouraging timely tax payments and compliance with tax guidelines. Abdulazeez (2018) and Hassan et al (2022) have observed that the tax penalty system can influence people's attitudes toward tax rules and compliance, emphasising the importance of complying with tax regulations to avoid unnecessary tax payments. This emphasises the necessity of stringent rules and regulations within a tax system to achieve tax collection targets (Cao et al. 2021). However, it's important to acknowledge that tax penalties primarily function as disciplinary measures to encourage tax compliance. This is aligned with the TPB theory, which suggests that the mere existence of a tax penalty and the possibility of detecting taxpayer non-compliance may not significantly influence taxpayer behaviour.

CONCLUSION

This study extends the existing literature by identifying differences in factors influencing tax compliance among residential property owners compared to previous studies. The study specifically focuses on tax knowledge, tax awareness, tax morale, and tax penalties in shaping compliance behaviour. Surprisingly, the findings diverge from prior studies, as they reveal that tax knowledge and tax penalties do not exert a significant influence on compliance with residential property assessment taxes. The study enhances our theoretical understanding by employing the TPB theory to dissect the behavioural patterns of residential property owners concerning tax compliance. Notably, a positive disposition towards tax knowledge, tax awareness, tax morale, and tax penalties emerge as a driving force behind enhanced compliance.

Consequently, the study has significant implications for local governments and tax authorities in designing more effective strategies to improve residential property tax compliance. Local governments should prioritise tax awareness over mere information dissemination by implementing targeted educational programs, social media campaigns and community engagement initiatives that emphasise the benefits of tax compliance such as improved public infrastructure and services. Given the significant role of tax morale, authorities must enhance transparency, and fairness in tax assessments and public service delivery to foster voluntary compliance. Clear communication on tax revenue utilisation can strengthen positive taxpayer attitudes. A balanced approach includes incentives such as early payment discounts or tax rebates should be considered. Reviewing enforcement mechanisms to ensure fairness is also crucial, as excessive penalties may encourage resistance rather than compliance.

Nonetheless, the research is not without limitations. The research also has limitations. The small sample size of the study may restrict the generalizability of the findings. Future research should adopt longitudinal designs that allow researchers to track behavioural trends, assess policy effectiveness, and provide stronger causal explanations. Besides, incorporate mixed methods approaches to gain a more comprehensive understanding of the factors influencing residential property tax compliance. In conclusion, this study provides valuable insights for future research, highlighting the need to explore additional variables, alternative theories, and qualitative methodologies. By addressing these limitations and considering the study's findings, researchers can contribute further to the field of tax compliance and assist in developing effective strategies for promoting compliance among residential property owners.

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