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ACCOUNTING VS NON-ACCOUNTING MAJORS: PERCEPTION ON TAX KNOWLEDGE, FAIRNESS AND PERCEIVED BEHAVIOURAL CONTROL

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ABSTRACT

The aim of this study was to analyse the level of tax knowledge, fairness and perceived behaviour control between the accounting and non-accounting students. The study also investigates the significant differences between tax knowledge, fairness perception and perceived behavioural control among the students, and to examine the significant differences of demographic variable towards tax knowledge. The sample comprises all accounting and non-accounting students at College of Business Management and Accounting, UNITEN, Muadzam Shah, Pahang. The results show that the level of tax knowledge, fairness perceptions and perceived behaviour control was an average level which is uncertain statement. The tax knowledge and fairness perceptions have significant differences, whilst the perceived behavioural control carries insignificant differences.

Keywords: Tax Knowledge, Fairness Perception, Perceived Behavioural Control.

1. INTRODUCTION

Taxation is classified as one of the most important subjects in governance both in the developing and developed nations or countries. Tax refers to a “compulsory levy by a public authority for which nothing is received directly in return” (James and Nobes, 1992). In other words, a tax is an imposed levy by the government against the income, profits, property, wealth and consumption of individuals and corporate organization to enable government obtain the required revenue to provide basic amenities, security and well being of the citizens. In a study by

Nightingale (2001) defined that the tax as compulsory contribution, imposed by government and while taxpayers may receive nothing identifiable in return for their contribution.

The role of tax knowledge is determined the taxpayers attitudes towards taxation. Previous researcher, Roberts et., al. (1994) has examined how knowledge and understanding of the construct progressive tax affects choice of fair tax rate structure. The finding showed a better knowledge of what progressive taxes really are the taxpayers were changed their attitude towards the tax fairness of tax system. Therefore, the introductory tax course has been a compulsory element in accounting degrees and other programmes in most institution in all countries. Ho (1992) argued that tax education should be taught and expanded in other disciplines and suggested that non-accounting graduates also become a future taxpayers. AnisBarieyah and Lai (2009) also argued that tax education should be introduced to all students in all discipline.

Therefore, the purpose of this study is to compare the perception of accounting major and non-accounting major that enriches the existing literature on tax knowledge, fairness perception and perceived behaviour control. The aim of this study is to determine the level of tax knowledge, perceptions of fairness and perceived behaviour control among the students and to investigates the significant difference between accounting and non accounting students towards perceptions of tax system in Malaysia. This paper is organized as follows; review of literatures, research methodology and results. The last section includes some recommendations and direction for future research.

2. LITERATURE REVIEW

2.1. Important of Tax Knowledge

Knowledge about tax law or tax regulation is assumed to be of importance elements for attitudes towards taxation. Tax knowledge is very essential in order to increase level of tax compliance (Richardson, 2006). Indirectly, it is very important to have knowledge on tax and competent taxpayers. Park and Hyun (2003), suggest that tax education is one of the effective tools to induce taxpayers to comply more. In other word, taxpayers are more willing to comply if they understand the basic concept of taxation. For example, the level of tax compliance in Japan is very high. The main reason for the high tax compliance in Japan is because of the efforts made by the Japanese National Tax Administration (NTA). In addition, tax knowledge will be reducing the potential of evasion. In a cross country study by Richardson (2006) towards 45 countries in the world, he found that education in general has negative relationship with tax evasion, where the tendency to evade tax will reduce with the level of education.

Kasipillai et., al. (2003) indicated that, tax education can be influence the attitudes and behaviour of the students towards taxation. The authors also found that the accounting undergraduates will have more knowledgeable on tax evasion and tax avoidance. They suggested that tax educations needs to be taught to all courses in university. Loo and Ho (2005) also agreed that tax education needs to be provided in order for taxpayers more comply with all tax law and regulations. According to Anis Barieyah and Lai (2009), stated that through the tax educations, taxpayers become morally involved, competent, awareness and understand on tax law in planning

their tax payable. Based on the previous literature, the present study is trying to test the following hypotheses:

H₁: The level of tax knowledge differ significantly between accounting and non accounting students

2.2. Perception of Fairness

It is generally accepted that perceptions about fairness and tax evasion are related (Jackson and Milliron, 1986). Song and Yarbrough (1978) detect a significant negative association between fairness and tax evasion, with 75% of taxpayers subjects starting that the fairness concept of 'ability to pay' is more significant for tax evasion than is the 'benefits' concept. Torgler and Murphy (2004) also reported that the reasons for taxpayers to abide by or disobey institutional decisions have been prominent in psychological research. The taxpayers' are willingness to comply if they are treated in respectful and fair manner by the authorities. Wenzel (2002) identified that have three different areas of fairness in relation to tax compliance which are distributive justice, procedural justice and retributive justice.

In New Zealand, Lin and Carrol (2000) were examined the linkages between an increase in tax knowledge on perceptions of fairness and tax compliance attitudes by using students enrolled in an introductory taxation course in a tertiary institution. Their results reported that an increasing in tax knowledge did not have a significant impact on perceptions of fairness and tax compliances. This result is inconsistent with the finding of other researchers (Crane and Nourzad, 1990) who found a positive linkage. Beside that, taxpayers who perceived unfair treatment from the tax authorities will decrease their level of compliance. Therefore, the second hypothesis as follows:

H₂: The level of fairness differ significantly between accounting and non-accounting students

2.3. The Concept of Perceived Behavioural Control

Numerous studies used the Theory of Planned Behaviour (TPB) in order to study human action and to predict diverse behaviour such as leisure choice, weight loss, health related behaviour, job seeking behaviour, applying to graduate students or school and choosing a career (Ajzen, 2001). The theory of planned behaviour is offers a general theoretical model behaviour that appears appropriate for application to students major intention and choice. This theory has three categories which are attitude, subjective norm and perceived behaviour control.

Individual attitude towards the behaviour reflect the degree to which a person has a positive or negative perception of the behaviour. Subjective norm is linked to a person perception of social pressure to perform or not to perform the behaviour. Perceived behaviour control is a non motivational factor and represents the degree of control a person has over performance of the behaviour. Beside that, perceived behavioural control indicates that a person motivation is influenced by how difficult the behaviour is perceived to be as well as the perceptions of how successfully the individual can perform the activity. Therefore, the third hypothesis as follows:

H₃: The level of perceived behaviour control differ significantly between accounting and non accounting students.

3. METHODOLOGY

The sample for this study was drawn from two main groups which are accounting and non-accounting students at Universiti Tenaga Nasional, Muadzam Shah Pahang. The accounting students views were considered appropriate as they generally have an idea of tax knowledge and understanding the nature of tax law. Unfortunately, for non-accounting students they did not have the basic of tax knowledge but they will get the information from the internet or magazines. This study was conducted through questionnaires that divided into four main sections, namely Section A; respondents background, Section B; level of tax knowledge, Section C; perceptions of fairness and Section D; perceived behavior control.

The questionnaires were designed and adapted based on Natrah (2010). Out of 1,462 questionnaires sent to the all students, 967 were completed and giving a usable responses rate of 66.14 percent. For accounting students were 49.74 percents (n=481) and for non accounting students were 50.26 percent (n=486). The validity of an instrument is being able to measure what it is supposed to measure, while reliability of an instrument on the other hand is being able to measure whatever it is to measure over and over again (Salkind, 2004). The Cronbach's alpha coefficient of scale stipulated a standard of above 0.70 for reliability test. The reliability ratios for this study was 0.775 show that all the research questions in the questionnaire hang together and have internal consistency in solving distress problems.

4. RESULTS AND FINDINGS

As indicated above, the aims of this study are to analyses the level of tax knowledge, fairness and perceived behaviour control among the students and to investigate the significant differences between accounting and non-accounting towards tax knowledge, fairness and perceived behavior control. The demographic information on the respondents presented in Table 1 indicates that 68.40% of the respondents were female leaving 31.60% as male and the age grouping of majority of the respondent falls between 19 to 22 years (81.40%). Approximately majority of the respondents were Malay students which is 81.60%. In term of CGPA results shows that, the majority of the respondents falls between 2.5 – 2.99 (42.10%) followed by 3.00 – 3.49 (33.30%). Further information on respondents' profiles is summaries as follows:

Table-1. Demographic characteristic of respondents

		Accounting <i>n = 481</i>	Non Accounting <i>n = 486</i>	Total <i>967</i>
Gender	Male	135	171	306
	Female	346	315	661
Ethnic	Malay	378	412	790
	Indian	67	54	121
	Chinese	23	15	38
	Others	13	5	18
Ages	19 - 22	426	361	787
	23 – 25	49	112	161
> 25		6	13	19
CGPA	<2.49	40	55	95

2.50 – 2.99	181	226	407
3.00 – 3.45	174	148	322
3.50 – 4.00	86	57	143

4.1. Descriptive Analysis

Level of tax knowledge seems too important in the way people comprehend the reality underlying taxation and the associated attitude to taxation that is expressed. Without the tax knowledge, there are tendency especially for future taxpayers or taxpayers did not to comply all the rule and regulations of the tax law. Table 2 present the level of tax knowledge between accounting and non-accounting students. The results shows that the accounting students were “*Agree*” (4.0664) which is higher income earners should pay more that lower income earners, while non-accounting student were “*Uncertain*” on that statement. Accounting students also agreed that if the taxpayers did not report all the income and late submission of tax return to the Inland Revenue Boards (IRB) they are subjected to pay the penalty or fine.

Table-2. Level of Tax Knowledge between Accounting and Non Accounting

No	Tax Knowledge	Mean	
		Accounting	Non- Accounting
1	As far I am aware, everyone who earns income sourced in this country, needs to register with the Inland Revenue Board, regardless of whether that person is resident or not.	3.8087	3.3218
2	As far I am aware, non-compliant taxpayers can be imprisoned, if ground guilty of evading tax	3.5073	3.3416
3	Higher income earners should pay more taxes than lower income earners.	4.0664	3.6214
4	By paying right amount of income tax, I believe that other people especially the poor will get the benefit	3.8815	3.5926
5	If I detected not reporting my exact income, I believe that the tax authority is tolerant towards my offence and most probably it will escape without any punishment.	2.8150	3.0885
6	I have little idea about the deductions that I can claim as a taxpayers in the computations of my tax liability.	3.4420	3.2819
7	To my knowledge, I can deduct all personal expenses in calculating my tax liability.	3.1871	3.2469
8	Do you think working for cash in hand payment without paying tax is a trivial offence?	3.2911	3.1749
9	Do you think it is acceptable to overstate tax deductions on one’s tax returns	2.9064	3.1429
10	The rules related to individuals income are clears	3.6923	3.3498

Tables 3 present the level of fairness perception, both accounting and non-accounting students understand their role as the future taxpayers to pay the tax. All the respondents’ indicated the

“*Uncertain*” answered that the tax system in Malaysia is fair and systematic. However, all the respondents “*Disagree*” if the tax rate should be same for everyone regardless of their income which is 2.6216 (accounting) and 2.8889 (non-accounting) respectively.

Table-3. Level of Fairness into tax payable

No	Fairness Perceptions	Mean Accounting	Non- Accounting
1	Do you think one should honestly declared all income on one’s tax return	3.8940	3.5185
2	I believe everyone pays their fair share of income tax under the current income tax system	3.4699	3.3909
3	I think the government spend too much tax revenue on unnecessary welfare assistance	3.5530	3.5062
4	It is fair for individuals with similar amounts of income to pay a similar amounts to pay a similar amounts of income tax	3.3909	3.3786
5	It is fair for that high-income earners are subject to tax at progressively higher tax rates than middle-income tax	3.7879	3.4383
6	A fair tax rate should be same of everyone regardless of their income, e.g. If one person pay 15% tax rate, everyone should pay 15% tax rate whether they are wealthy or not	2.6216	2.8889
7	It is fair that individuals who deliberately evade their taxes should be penalized with the same amount of penalty regardless of the amount of tax evaded	3.2661	3.2016
8	I believe the initial late payment penalty on the unpaid tax, imposed on non-compliant taxpayers under the current tax system, is fair.	3.5094	3.1749
9	Tax evasion is ethical if the tax system is unfair	3.2370	3.2654
10	Generally I feel that income tax is a fair tax	3.4671	3.2634

Table 4 present the level of perceived behavior control between the accounting and non-accounting students. The results shows that the accounting and non accounting students more or less differences with the degree of control over the performance of the behaviour. All the respondents provided the “*Uncertain*” answered to all questions. It shows that, they were not be able to prepare the tax return and claim the maximum amount of reliefs or rebate to compute the tax payable followed the legal procedures.

Table-4. Level of Perceived Behaviour Control

No	Perceived Behaviour Control	Mean	
		Accounting	Non- Accounting
1	Based on my tax knowledge, skills and resources, it is easy to leave RM10,500 as my tax return	3.0624	2.9733
2	Based on my tax knowledge, skills and resources, I could leave easily in my tax return if I make it properly	3.2266	3.1132
3	Based on my tax knowledge, skills and resources, it is easy to leave extra RM10,500 in my tax return	3.1247	3.1584
4	Based on my tax knowledge, there are no limit to prevent me from understating my income by RM10,500 successfully	3.1871	3.2222
5	Based on my limited knowledge, skills and resources, it is hard to leave RM10,500 as my tax return	3.2661	3.3025

4.2. Accounting versus Non-Accounting Majors

Both accounting and non-accounting majors perceived that accounting as major is more likely to lead the career that deals with numbers. Godfrey (1996) reported that young children and even school age children are not going to understand the concept of taxes at all. As adults, they understand what taxes do and depending on the politic and economic belief. Table 5 reports the overall mean response for the constructs (tax knowledge, fairness, perceived behavior control) between accounting and non-accounting students.

In answering the above hypothesis independent Man-Whitey and Kruskal Wallis test were applied. The results shows that tax knowledge and fairness have significantly differences between accounting and non-accounting. The p value is less than 0.01 which were 0.000 and 0.001 for tax knowledge and fairness respectively. This result is consistent with the Kasippillai et., al. (2003) indicated that, tax education can be influence the attitudes and behaviour of the students towards taxation. According to Crane and Nourzad (1990) found a positive linkage between fairness and tax compliances. However, the perceived behaviour control shows the insignificantly differ between accounting and non-accounting students. Therefore, the H_1 and H_2 are supported and H_3 is not supported.

Table 6 present the mean differences between accounting and non-accounting based on demographic variable towards tax knowledge. The overall results show that only the CGPA have significant differences toward tax knowledge with the p-value were 0.002 and 0.025 for accounting and non-accounting respectively. Eriksen and Fallan (1996) claimed that knowledge about tax law is assumed to be of more importance for preferences and attitudes towards taxation.

Table-5. Mean differential perception of tax knowledge, fairness and perceived behavior control

	Courses	N	Mean Rank	Sum of Ranks	Asymp. Sig.
Tax Knowledge	Accounting	481	522.81	251473.00	0.000
	Non-Accounting	486	445.59	216555.00	
Fairness	Accounting	481	513.42	246956.50	0.001
	Non-Accounting	486	454.88	221071.50	
	Accounting	481	484.77	233176.00	
Perceived Control	BehaviourNon-Accounting	486	483.23	234852.00	

p<0.01

Table-6. Mean differential between Accounting (A) and Non Accounting (NA) based on Demographic variable

Demographic Factors	No. of Respondent	(A) Mean of Tax Knowledge	Asymp. Sig	No. of Respondent	(NA) Mean of Tax Knowledge	Asymp. Sig	
Gender	Male	135	249.98	0.375	171	244.88	
	Female	346	237.50		315	242.75	0.873
Ethnic	Malay	378	244.83	0.130	412	241.29	
	Indian	67	247.05		54	267.83	
	Chinese	23	180.37		15	219.20	0.532
	Others	13	205.85		5	235.70	
Age	19-22 years old	426	238.11	0.181	361	246.22	
	23-25 years old	49	272.15		112	240.17	
	> 25 years	6	191.58		13	196.73	0.438
	Under 2.49	40	237.43		55	203.43	
CGPA	2.50-2.99	181	248.46	0.002	226	261.66	
	3.00-3.49	174	259.32		148	236.21	0.025
	3.50-4.00	86	189.00		57	229.07	

p<0.01

5. CONCLUSION

The comparison of differential personal perception between accounting and non-accounting towards taxation shows that the accounting students more awareness and understanding the tax system. According to AnisBarieyah and Lai (2009) stated that tax education is useful for all taxpayers and future taxpayers to be competent and knowledgeable. Based on the overall results, shows that tax knowledge and fairness perception were significant difference between accounting and non-accounting students. This result is consistent with the previous study by Kasipillaiet., al

(2003) indicated the taxation course should be offer to other disciplines. In addition, it is interesting if in the future, further research could be conducted to investigate the relationship between accounting and non-accounting towards the belief, attitude and behavior.

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