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CONTENTS

Tax Fairness in a Developing Country: Perceptions of Malaysian Tax Agents

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ABSTRACT

Tax fairness has been used as one of the important determinants for tax compliance. Good perception of tax fairness would encourage taxpayers to comply with tax laws to avoid any unreported and unpaid revenue to the government. Individual taxpayers are required to pay income tax, and they may engage with tax agents for their tax computation. This situation motivates this study to look into further dimensions of tax fairness by looking at tax agents' perception as they are important people to consult and give advice on tax matters. The main objective of this study is to propose the dimensions of individual tax fairness based on tax agents' perceptions in Malaysia, and secondly, to study prior literature and classify the dimensions of individual tax fairness that have used a similar measurement used in Gerbing's study. Survey questionnaires were distributed at two tax conferences held in Kuala Lumpur, and the final data of 196 responses were analysed by exploratory factor analysis (EFA). The results indicated that tax agents identified six dimensions of tax fairness, and regardless of developed or developing countries, the number of dimensions of tax fairness could be identified , depending on the level of individuals' tax practice and knowledge. These results are expected to provide implications either in the theory and practice of tax fairness dimensions in Malaysia.

Keywords: *Tax fairness' dimensions, tax agents, exploratory factor analysis, income taxes.*

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INTRODUCTION

Generally, there are three categories on tax equity that are commonly discussed and these are exchange equity, horizontal equity and vertical equity. Exchange equity refers to equity between taxpayers and a government, while horizontal and vertical equity means equity between and among taxpayers where income levels of taxpayers are similar or are at different levels (Jun & Yoon, 2018). In Malaysia, the category of vertical equity is used for tax individual income tax as horizontal equity is difficult to achieve, especially when tax deductions or tax brackets are provided to individual taxpayers (Mohd Rizal, 2010).

Adam Smith, the father of economics, had mentioned four key tax principles to create a good tax system named equity, certainty, convenience, and economy (Smith, 1776).The principle of equity that was discussed by Adam Smith during his time was similar to the concept of tax fairness as Gerbing (1988) had confirmed in prior work of literature in developed countries that used the term of equity and fairness with no particular distinction among them.

Other than that, a study in a developed country by Tan & Chin-Fatt (2000) showed that New Zealand also mentioned that the concept of equity is well known as tax fairness and it is considered as one of the important elements for a good tax system. According to Adam Smith (1776),an important factor in the discussion of the principle of equity is the ability to pay tax. He discussed the ability to pay tax among poor and rich people and the benefits of paying tax to the government that provides facilities. While Mohd Rizal (2010) defines equity in a tax system should be fair for all individuals.

Spiegel (2017) supports the above statement that the ability to pay is among the relevant points to consider when discussing tax fairness. He also mentioned that tax fairness is the perception of an individual towards a tax system, whether they feel their tax systems are fair or unfair. Perception of a fair and equitable tax system is important as it affects individual taxpayer's voluntary tax compliance and the success and failure of a tax system depends on it (Gilligan & Richardson, 2005). The effect of people's perception towards the existing tax fairness should make them feel that it

is fair to fulfil their tax payment according to tax law (Benk et al., 2012 & Sellywati & Mohd Rizal, 2015). When the taxpayers perceive that the tax system is unfair, they will not comply with tax laws and not pay their taxes as it involves personal emotions (Siahaan, 2012). Mohd Rizal (2010) also mentioned about the need for tax compliance, as reported in the United States that less tax compliance among taxpayers would affect in reduce numbers of unreported revenue and unpaid revenue to tax agencies. The effect of good tax compliance will be able to reduce the administrative cost of tax agencies (Anna Azriati & Perumal, 2008).

Based on past literature, almost all studies of individual tax fairness in Malaysia focussed on tax fairness with tax compliance. This is seen seen in the studies by Sellywati & Mohd Rizal (2015), Mohd Rizal & Ahmad Fariq (2011), Natrah (2009), Natrah (2013), Anna Azriati et al. (2016) and Anna Azriati & Perumal (2008). Sellywati & Mohd Rizal (2015) examined the relationship between tax fairness and individual taxpayer's compliance and found that fairness has a significant positive impact on tax compliance. Natrah (2009) found tax fairness has no effect on tax compliance while Natrah (2013) studied individual taxpayers in the two countries, Malaysian and New Zealand and showed that Malaysian individual taxpayers believed that there is tax fairness in the tax system. However, Malaysia is lower than New Zealand with regard to the number of people who comply with paying their taxes. Mohd Rizal & Ahmad Fariq (2011) and Natrah (2013) also revealed that tax perceptions are found to have a positive relationship with tax compliance behaviour in Malaysia. A study by Anna Azriati et al. (2016) showed that tax fairness had become the better mediator between tax knowledge and complexity towards tax compliance. From these studies, many measurements were used as variables or dimensions of tax fairness, and all were introduced to find the relationship with tax compliance in Malaysia. Natrah (2013) promotes her study as the alternative of Gerbing's (1988) study to measure the tax fairness dimensions, but prior to that a study by Anna Azriati & Perumal (2008) had already used Gerbing's (1988) indicators to find the dimensions of tax fairness in Malaysia.

An individual's perception towards tax compliance is important as individual tax income also contributes a certain amount to a country's development. Table 1 below shows the yearly comparisons for the year 2014 to 2018 for total income, direct income tax income and individual income

tax income in Malaysia. The total revenue and direct tax income revenue continued to increase each year from 2014 to 2018 except for the decline in the year 2016. The direct tax income revenue from petroleum taxes was low in the year 2016, due to lower global oil prices (Malaysia Ministry of Finance, 2017). However, based on the percentage of individual income tax revenue over the total revenue, shows that there is an increment every year in individual income tax paid to the government, including the year 2016.

Table 1: Total Revenue, Direct Tax Revenue, Individual Income Tax Revenue and % of Individual Income Tax Revenue / Total Revenue

Year	Total revenue (RM)	Direct tax income revenue (RM)	Individual income tax revenue (RM)	% Individual income tax revenue / total revenue
2018	236.460	137.035	36.065	15.25%
2017	220.406	108.563	28.945	13.13%
2016	212.421	102.350	27.566	12.98%
2015	219.089	103,985	26.321	12.01%
2014	220.626	118,986	24.423	11.07%

**RM in billion*
(Source: Ministry of Finance 2019 & OECD 2019)

A study by Loo (2006) suggested a comparison of Malaysia and countries in Europe and is important to increase the efficiency of Malaysian tax administration. Hence, by using data of the year 2017, the comparison of Malaysia and a few developed and developing countries were illustrated as shown in Table 2 below. Table 2 shows the comparison of the total tax revenue, tax on income profit and capital gains of individuals and percentage of individual tax collected per total revenue. This study selected four developed countries which are the United Kingdom, the United States, Japan and Singapore. Meanwhile, the developing countries in Asia such as Indonesia, Thailand, and Philippine were also selected. According to Bird & Zolt (2005), in the developed countries the individual income tax has been used as a primary instrument to redistribute the income and wealth of their citizens, while in developing countries the individual income tax revenue level was still not achieved to be used for distributional purposes.

For Malaysian data, as seen in Table 1 above, only 13.13% of the total revenue in Malaysia was contributed by income tax paid by individuals for the year 2017. While Table 2 below shows that in the developed countries

such as the United Kingdom, United States and Japan, the individual taxpayers contribute tax amounting to 35.90%, 45.70% and 30.83% for each country. However, other developed countries in Asia such as Singapore showed only 16.16%, which is lower than developing countries, Indonesia with 18.82% in the year 2017. While in other developing Asian countries, individual taxpayers in Thailand only contributed 10.32% of the total revenue of the country, and the percentage of individual taxpayers in the Philippines was slightly above Malaysia with 14.10% for the year 2017. This shows that in developing countries in Asia, especially the Southeast Asian countries, delivered lower than 20% of individual income tax contribution from the total revenue collection.

Table 2: Comparison of Individual Tax Collected per Total Revenue in Developed and Asian Countries (Year 2017)

	UK Pound Sterling (Million)	US Dollar (Million)	Japan Yen (Billion)	Singapore Dollar (Million)	Indonesia Rupiah (Billion)	Thailand Bath (Million)	Philippine Peso (Million)
Total tax revenue 2017	678,681	5,263,255	101,007	66,363	1,566,729	2,673,414	2,773,050
Tax on income, profit and capital gains of individual	243,669	2,405,332	31,139	10,724	294,888	275,928	391,049
Individual Tax Collected per Total revenue %	35.90%	45.70%	30.83%	16.16%	18.82%	10.32%	14.10%

(Source: OECD 2019)

As indicated in the Table above, individual tax revenue contributions are vital to developed countries because it contributes more than 30%, of the total revenue. Meanwhile, in developing countries, they start to move forward to reduce dependency on one source by widening their tax bases (Marandu et al. 2015). Many steps have been taken by the government, and one of them is by reducing tax evasion to increase tax compliance (Marandu et al. 2015).

Since tax compliance is vital to develop a country, this study intends to further study one determinant of tax compliance, which is the perception of tax fairness. However, this study only uses Gerbing's (1988) indicator in order to find new dimensions of tax fairness in Malaysia. As Kirchler et al. (2003) suggest, tax knowledge of individual taxpayers is important as it is positively related to tax compliance, therefore we selected only tax agents

who are involved in tax work as they are assumed to have knowledge and practice to provide better information as concepts of fairness in tax would be complex to be understood by the general taxpayer (Sheffrin 1993). Supported by Erard (1993) the researchers should not ignore the role of tax agents who have a wider knowledge of tax laws which influence the individual tax compliance process. Thus the first objective of this study is to propose the dimensions of individual tax fairness according to tax agents' perceptions in Malaysia.

There are a few studies that had have used Gerbing's (1988) measurement to find dimensions of individual tax fairness. Therefore, this study tries to summarize prior studies in terms of developed and developing countries, and also types of respondents, which are tax knowledge, tax practice or general taxpayers. Therefore the second objective of this paper is to provide a summary of prior studies which had used Gerbing's (1988) dimensions of individual tax fairness.

Overview of Tax Fairness' Dimensions by Gerbing's Study

Many studies have indicated that people perceive tax fairness in different ways (Tan & Chin-fatt, 2000), and nowadays, the current literature is still uncertain on a fixed operational definition of the perception of tax fairness (Farrar et al., 2018). Many studies have used different kinds of questions or items to measure perceptions of tax fairness. Their findings resulted in the use of various indicators or unidimensionality items of tax fairness perceptions and generated conflicts as there were no solid definitions of perceptions of tax fairness This situation motivated Gerbing (1988) to study multidimensional items based on public taxpayers' belief in a developed country, the United States, to evaluate tax fairness and tax evasion. Based on her review, the variables which were commonly used in dealing with tax evasion and tax compliance were the probability of detection, risk attitudes and rates of penalty. However, the physiological factors such perceptions on fairness were always ignored. Based on Gerbing's study, 56 items of 'attitude inventory' questions were listed to measure the tax fairness dimensions. Then after the collection of data, the data was analysed using exploratory factor analysis (EFA). As a result, 32 items continued to be used and classified under 8 factors or dimensions of tax fairness. These 8 factors, 'general fairness and distribution of the tax burden', 'exchange with the government', 'attitude towards taxation of

the wealthy', 'preferred tax rate structure', 'self-interest', 'complexity', 'attitude towards government spending', and 'attitude towards evasion' were then again involved in a subjective evaluation through restricted factor analysis (RFA).

After the data was analysed with RFA, Gerbing (1988) concluded that there are four dimensions of tax fairness based on the survey conducted. The four fairness dimensions are 'general fairness and distribution of the tax burden', 'exchange with the government', 'attitude towards taxation of the wealthy' and 'preferred tax rate structure'. Gerbing's (1988) finding is vital to identify tax fairness in a multidimensional concept as it is considered necessary in the beginning phase to understand the relationship of taxpayers' fairness perceptions with tax evasion. She concluded that the operational definition of tax fairness should be based on the dimension on perceptions of fairness which were identified based on different individuals' profiles. Other than that, the empirical result on the multidimensionality was able to provide some explanation for the conflicting results of prior studies which sometimes found a significant relationship between fairness and tax evasions and sometimes vice versa. We provide the diagram below to demonstrate Gerbing's study.

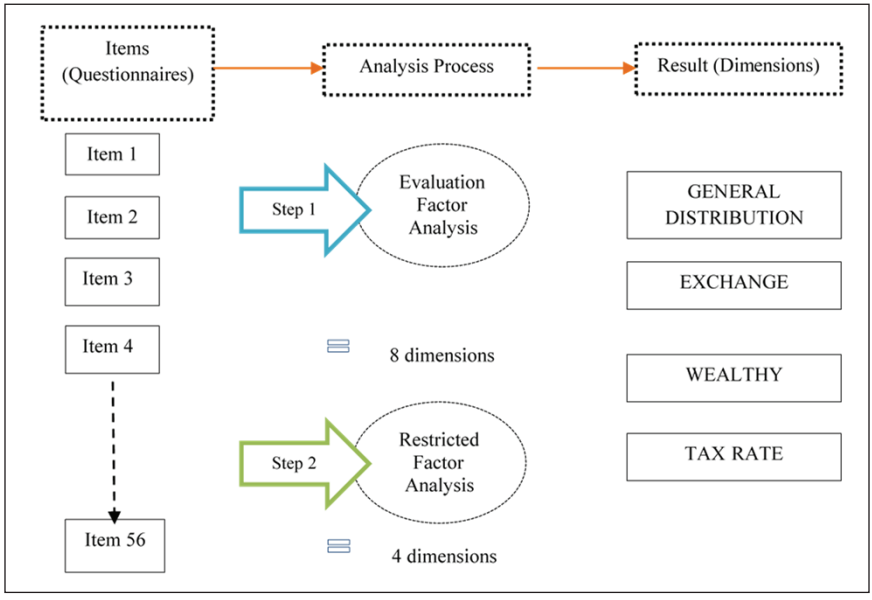


Figure 1: Gerbing's Tax Fairness Items Analysis (Gerbing 1988)

METHODOLOGY

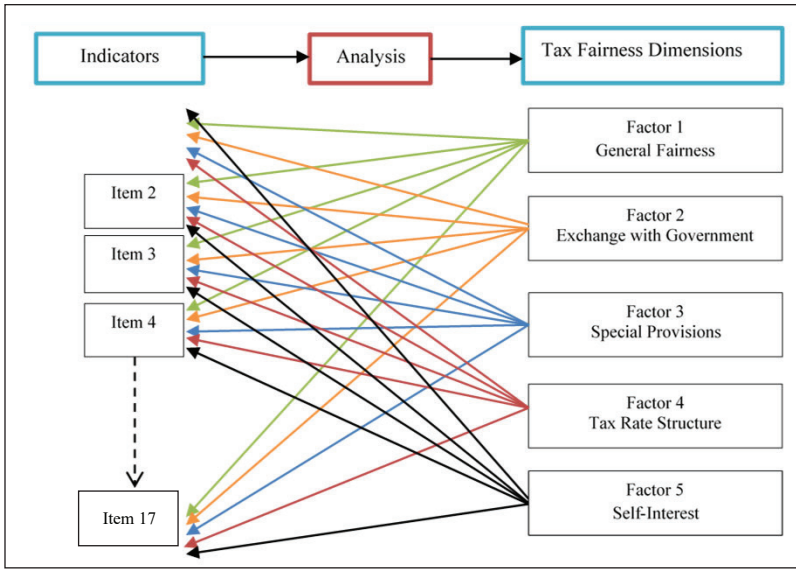
Sample and Participants

This study used a quantitative analysis of tax fairness, based on the view of Malaysian tax agents to address the first objective. A quota sampling method was used to select the initial sample of around 500 participants at two tax conferences in Kuala Lumpur. A quota sampling method is a type of purposive sampling method that gets a set of sample, from a specific group of who are considered to be adequately represented and suitable to respond to specific questions of the study (Hair et al., 2010 & Sekaran & Bougie, 2013). This study intended to sample tax agents who attended the conferences. They were selected because they were expected to provide better perceptions because they have sufficient skills to assess the tax system and the taxpayers (Benk & Budak, 2012).

The data were collected at two tax conferences in early April 2019 and both conferences were attended by the researcher. The first conference was conducted with the collaboration of the Malaysia Institute of Accountants (MIA) and the Malaysian Association of Tax Accountants (MATA) which was held at the Kuala Lumpur Convention Centre (KLCC) on 3rd and 4th April 2019. The second conference was conducted with the collaboration of the Chartered Tax Institute of Malaysia (CTIM) and the Royal Malaysian Customs Department (RMCD) at the Sime Darby Convention Centre (SDCC) on 4th April 2019. Total participants were around 350 and 150 reported at KLCC and SDCC, and 280 and 120 printed survey questionnaires were randomly distributed to participants at each conference. At the end of the conference, a total of 232 survey forms were received. However, four forms were excluded due to incomplete responses, while twenty were excluded because the respondents do not work in the practical tax field and another twelve forms were excluded as they they did not indicate if they are tax agents. Thus final usable sample consisted of 196 respondents giving a response rate of 49%. All the results were analysed using the IBM SPSS Statistics version 23.

Questionnaires and Measurement

This study used a quantitative approach and used self-administered questionnaires by hand as one of the methods to collect data (Saunders et al., 2009). The questionnaire items to measure the dimensions of tax fairness were adopted from a prior empirical study developed by Gerbing (1988). Gerbing (1988) mentioned before the development of questionnaires, she had listed all the items of fairness in previous studies which consisted of 56 items and analysed them for dimensions of fairness. Based on the findings of Gerbing (1988), Richardson (2005) and Richardson (2006) modified and used only 21 items for his survey. These modified versions then were used by Anna Azriati and Perumal (2008) and Benk and Budak (2012) with each of them using17 and 21 items respectively. However, this study used 18 items, mostly by referring to Anna Azriati and Perumal (2008) and Benk and Budak (2012), as both their studies were in developing countries. The items under-identified dimensions of 'general fairness' and 'exchange with government' are similar to Anna Azriati and Perumal (2008), however, under the 'general fairness' dimension, this study excluded the first item of the 5 items listed as it is believed that it is of similar meaning to the second item. Then, this study also uses similar items in Anna Azriati and Perumal (2008) for the second dimension, 'exchange with government' as the statement of items were easily understood by Malaysian tax agents when compared to other studies. For the rest of the three dimensions such as 'self-interest,' 'special provision' and 'tax rate', this study used similar statement items as used by Benk and Budak (2012). The question items were measured using a 5- point Likert scale ranging from 1 (strongly disagree) to 5 (strongly agree). Participants were asked to indicate their degree of agreement of 18 items using five points Likert Scale which were '1' for strongly disagree, '2' for disagree, '3' for something agree, '4' for agree and '5' for strongly agree. Then the item measurements were analysed using exploratory factor analysis (EFA).



Source: Anna Azriati & Perumal, 2008 & Benk & Budak, 2012

Figure 2: Study Research Framework using Modified Version of Gerbing's Study

FINDINGS

Descriptive Statistics and Exploratory Factor Analysis (EFA)

Table 3 below presents the descriptive statistics of 196 tax agent respondents at both conferences. The information gathered is gender, age, race, educational level, working experience and membership. As shown in the table below, male participants were higher than female participants with 61.2% compared to 38.8%. The age of the participants was dominated by the age group 40-49 years old and then followed by 50 years old and above which represented 28.1%. The majority were Chinese with 97 participants who represented 49.5% of the respondents, followed by Malays, 38.8% (76 participants), Indians 8.1% (16 participants), and others 3.6% (7 participants). The lowest education level is *Sijil Tinggi Pelajaran Malaysia* (STPM) or Diploma with 1.0%, and the highest is from professional courses for example Association of Chartered Certified Accountants (ACCA), The Institute of Chartered Accountants in England and Wales (ICAEW) The Malaysian Institute of Chartered Secretaries and Administrators (MAICSA), and Certified Public Accountants (CPA) which represented 54.1% (106

participants). For working experience, above 20 years was the biggest group with 42.3% and the lowest group from below 5 years that represented 10.1%. Many of the respondents were registered as members under CTIM/MATA with 117 participants or 56.3 % then followed by MIA with 60 participants (28.8%), and other professional bodies with 31 participants (15%).

Table 3: Demographics

Items	Frequency	Percent (%)
Gender		
Male	120	61.2
Female	76	38.8
Age		
25-29 years	24	12.2
30-34 years	25	12.8
35-39 years	27	13.8
40-49 years	62	31.6
50 years and above	55	28.1
Race		
Malay	76	38.8
Chinese	97	49.5
Indian	16	8.1
Others	7	3.6
Education Level		
STPM[1]/Diploma	2	1.0
Bachelor Degree	63	32.1
Professional	106	54.1
Master Degree	25	12.7
Working Experience		
Below 5 years	20	10.2
5-9 years	26	13.3
10-14 years	32	16.3
15-20 years	35	17.9
Above 20 years	83	42.3
Membership		
CTIM/MATA[2]	116	59.2
ACCA/ICAEW/CPA/ICSA[3]	22	11.2
MIA[4]	53	27.0
Other Professional Membership Bodies[5]	5	2.6

[1] STPM refer to Sijil Tinggi Pelajaran Malaysia or 'Malaysian Higher School Certificate' which equal to CGE A level.
[2] CTIM/MATA is for Chartered Tax Institute of Malaysia and Malaysian Association of Tax Accountants
[3] ACCA/ICAEW/CPA/ICSA is for professional accounting body that based on overseas but has worldwide membership including Malaysia.
[4] MIA is for Malaysia Institute of Accountants
[5] Other professional bodies as refer to respondents; CIMA (Chartered Institute of Management Accountant), FIMM, and CAANZ

The mean and standard deviation of tax fairness dimensions as per Gerbing's dimension is shown in Table 4 below. The overall mean score for tax fairness in Malaysia was 3.037. The highest mean score was 3.908 (SD=0.951) where respondents agreed that it is fair high-income earners pay proportionately more tax than low-income earners while the lowest score is the respondents did not agree with the items that state if compared to the other taxpayers, they have to pay less than their fair share of income taxes, at a score of 2.160 (SD=0.854). In general, the results of the overall mean score indicated that tax agents perceived tax fairness in the Malaysian tax system as moderately fair.

Table 4: Mean and Standard Deviation (S.D) of 18 Items to Determine the Dimensions of Tax Fairness in Malaysia

Tax Fairness Items	Mean	SD
General Fairness Personally, I believe that the income tax system is fair	3.097	0.755
Generally, I believe that the manner in which the income tax burden is distributed across the tax payers is fair	2.745	0.857
Generally, I feel that the income tax would be tax free for certain category of income earners	3.638	1.050
On the whole the burden of income taxes is fairly distributed	2.735	0.860
Exchange with Government I get fair value of my income in terms of benefits received from the government for example, education, medical, infrastructure	2.735	0.889
The income taxes that I have to pay are unreasonably high considering the benefits provided by the government	3.342	0.956
The benefits I received from the government in exchange for my income tax payment are reasonable	2.648	0.885
Special Provision The tax system provides big breaks for undeserving (income tax will be paid by people who should pay for it)	3.276	0.948
Special provisions in the income tax law that only apply to a few people are unfair	3.286	1.033

Some perfectly legal tax deductions are not fair because only the wealthy are in a position to claim them	3.240	0.949
Compared to the amount paid by wealthier taxpayers, I pay more than my fair share of income taxes.	3.444	1.029
Tax Rate Structure High-income earners have a greater ability to pay their income tax, so it is fair that they would pay a higher rate of tax compared to low-income earners.	3.878	0.985
It is fair that high-income earners pay proportionately more tax than low-income earners	3.908	0.951
A 'fair' tax rate should be the same for everyone, regardless of their income	3.515	1.187
The share of the total income tax paid by high-income earners is much too high.	3.214	1.074
Self Interest I believe that the income-tax system is the fairest method that the government could use to collect revenue	3.143	0.997
Compared to the other taxpayers, I pay less than my fair share of income taxes	2.160	0.854

The reliability of the data was assessed using Cronbach's alpha test. According to Hair et al. (2010), Cronbach's alpha is used to measure the reliability coefficient in order to access the consistency of all scales and if the value is near 0.6 and involve many items, it should be accepted. The pioneering study of individual tax fairness' dimensions, Gerbing (1988: 74) mentioned the range of 0.581 to 0.862 is moderately high especially when the scales contain only three or four items. Therefore, the Cronbach's alpha value of 0.61 is considered acceptable after the item 'current tax laws require me to pay more than my fair share of income taxes' was deleted. Hence only seventeen items were used for further analysis, compared to eighteen items selected during the early stage of this study.

As the first objective of this paper is to find tax fairness dimension, we then used exploratory factor analysis (EFA) to identify the new tax fairness dimensions in Malaysia. According to Hair et al. (2010), EFA is one

method of checking dimensionality and it acts as a technique to identify the grouping of variables based on the relationship of the correlation matrix. In our case, seventeen items expected to be grouped into new variables or factors, from the perspective of tax agents in Malaysia. As mentioned by Field (2009), the sample size of 196 was considered adequate to conduct EFA. The summary of the results of factor analysis in this study is shown in Table 5 below.

Table 5: Result of Factor Analysis – Items for Each Tax Fairness Dimension

Items	Factor 1	Factor 2	Factor 3	Factor 4	Factor 5	Factor 6
Special provisions in the income tax law that only apply to a few people are unfair	.676					
Some perfectly legal tax deductions are not fair because only the wealthy are in a position to claim them	.663					
The income taxes that I have to pay are unreasonably high considering the benefits provided by the government	.642					
Compared to the amount paid by wealthier taxpayers, I pay more than a fair share of income taxes	.524					
On the whole the burden of income taxes is fairly distributed		.742				
Generally, I believe that the manner in which the income tax burden is distributed across the tax payers is fair		.720				
Personally, I believe that the income tax system is fair		.547				
The benefits I received from the government in exchange for my income tax payment are reasonable			.855			
I get fair value of my income in terms of benefits received from the government example, education, medical, infrastructure			.766			
It is fair that high-income earners pay proportionately more tax than low-income earners				.834		

High-income earners have the greater ability to pay their income tax, so it is fair that they would pay a higher rate of tax low-income earners.				.791		
A 'fair' tax rate should be the same for everyone, regardless of their income					.746	
The share of the total income tax paid by high-income earners is much too high					.665	
I believe that the income-tax system is the fairest method that the government could use to collect revenue						.683
Compared to the other taxpayers, I pay less than my fair share of income taxes						.454
Eigenvalue	3.080	2.493	1.510	1.323	1.110	1.049
- Variance (%)	18.117	14.664	8.882	7.783	6.528	6.172
- Cumulative (%)	18.117	32.781	41.663	49.445	55.973	62.145
Kaiser-Meyer-Olkin Measure of Sampling Adequacy				0.676		
Barlett's Test of Sphericity			Chi-Square 697.257 , p<0.000			

Notes: i) Factor 1-Self Interest, Factor 2-General Fairness, Factor 3-Exchange with Government, Factor 4-Tax Rate, Factor 5-Special Provision, Factor 6-Tax System Equality/Inequality
ii) Factor loading 0.40 and above are shown.

Factor analysis or principal component analysis using varimax rotation was applied to the seventeen items to test construct validity. Total variance explained for factors have to be greater than 60%, and our results achieved 62.15% ,thus the result shows that it is appropriate to be used in this study.

In the KMO and Barlett's Test, under the Kaiser-Meyer-Olkin (KMO) measure of sampling adequacy (MSA), the minimum value accepted was 0.5 (Kaiser 1974). Our result was 0.676, which was considered good to indicate that the patterns of correlations were compact (Hutcheson & Sofroniou, 1999). Thus based on this result we were able to produce reliable factors or dimensions of tax fairness by using factor analysis (Hair et al. 2010). With regard to Bartlett's test of Sphericity, the result showed that it was significant at <0.001. This value indicated that the factors or dimensions were correlated, and therefore factor analysis in this study was properly conducted (Field 2009).

Given these results of our exploratory factor analysis, from seventeen items, only fifteen items were loaded in the result, which means two were excluded. Hair et al. (2010) recommend interpreting factor loadings with an absolute value of more than 0.4. Thus we selected factor loadings of only 0.4 and above to be shown in our result. According to Hair et al. (2010), based on the result, each factor should be named by researchers. Gerbing (1988: 76) named the factors based on the subject evaluation by referring to the item's content and according to Hair et al. (2010), items with higher loadings were assumed to be more important and influenced to be selected as the factor's name.

Based on the results, factor 1, the first and second highest loading is under Gerbing's dimension 'special provision' among the four loading items, thus we selected 'special provision' as the name for factor 1. Then for factor 2, 3, 4, and 6, they were named with 'general fairness,' 'exchange with government', 'tax rate structure' and 'self-interest' because all the items of each factor were supported and were similar to Gerbing's study. Meanwhile, the results of factor 5 contained two Gerbing's dimension items under 'tax rate structure', similar to factor 4 with a score of 0.746 and 0.665. It was quite difficult to determine the name for this factor. However, based on the mean score as shown in Table 4 above, with the values of 3.515 and 3.214, they showed the respondents quite agreed and supported the items' statements. We believed that the respondents, with 99% education level degree and above, and almost 90% with five years and above working experience, have paid their own income tax. Therefore, we assumed that the majority of the respondents can be considered to be in the middle-income group (M40), who earned a salary within the range of RM3860 to RM8319 per month (Shanmugam & Zulkifflee, 2017).

In Malaysia, the tax rate imposed on the M40 group is considered to be a less 'progressive tax' compared to other ASEAN countries (Shanmugam & Zulkifflee, 2017). The group is seeking fairness of benefits that they would get after paying taxes, thus, it could be the reason why they want to be treated equally for what they have paid. Therefore, we named the factor five in this finding as 'tax system equality/inequality'similar to Benk & Budak (2012).

Summarization of Gerbing's Tax Fairness Dimensions Study

Gerbing (1988) developed a measurement for perceptions of tax fairness, using the 'attitude inventory' and come out with four dimensions as there are many unidimensional indicators of tax fairness used in many studies. This study discussed and summarised prior studies by using Gerbing's study, however, the selected studies produced their own dimensions. In developed or developing countries, they have different tax knowledge and practices among respondents. This study did not further identify whether the dimensions found were significant or not to tax compliance, as this study only focussed on the new dimensions created.

The studies by Christensen et al. (1994), Richardson (2005) and Richardson (2006) identified the dimension of tax fairness by using selected items or 'attitude inventory' provided by Gerbing (1988). Christensen et al. (1994) have found five dimensions of tax fairness, three of them were similar to Gerbing's four dimensions which were 'general fairness,' 'exchange with government' and 'tax rate structure' in a developed country, the United States. One dimension 'special provision' founded by Gerbing was replaced with 'attitudes towards taxation of the wealthy' and another new dimension, called 'self-interest' was also identified in their studies. Later Christensen and Weihrich (1996) study in the United States, also found 5 dimensions, which are 'general fairness', 'exchange with government', 'tax rate structure,' 'attitudes towards taxation of the wealthy' and 'self-interest.'

Richardson (2005), similar to Christensen et al. (1994) confirmed five dimensions of tax fairness in Australia which were 'general fairness,' 'exchange with government,' 'tax rate structure,' 'special provision' and 'self-interest'. Then Richardson (2006) conducted a study in Hong Kong, a developed area (apart from China) and found that there were six dimensions of tax fairness, which are 'general fairness,' 'tax rate structure,' 'middle-income earner's tax share/burden,' 'exchange with government,' 'self-interest' and 'special provisions for high-income earners'.

The perceptions of tax fairness of Gerbings' study were also done in developing countries such as Malaysia and Turkey. In Malaysia, Anna Azriati & Perumal (2008) suggested only three tax fairness dimensions which are 'general fairness', 'tax structure' and 'self-interest'. While in

Turkey, Benk & Budak (2012) found six dimensions, which were 'general fairness', 'middle-income earners tax share/burden', 'exchange with government', 'tax rate structure', 'special provision', and 'tax system equality/inequality'.

Different respondents were used for the input on data collection. Gerbing (1988) used general taxpayers as the respondents in her survey, and are similar to Anna Azriati & Perumal (2008). Respondents for Christensen et al. (1994) were tax introductory students meanwhile Richardson (2005) and Richardson (2006) provide dimensions of tax fairness results based on the survey of postgraduate's business students in different countries. Other study, Benk & Budak (2012) had used a sample of tax professional's member while Christensen and Weihrich (1996) also used respondents among tax professional's who involved tax auditors, tax educators and tax practitioner. However this study select only tax agents as respondents to represent tax professional's.

To summarize, as shown in Table 6 below, this study has classified the prior studies that used Gerbing's indicators to classify the dimensions of tax fairness in developed and developing countries and into three types of respondents which are tax practitioners, tax knowledge, and general taxpayers. We further classified taxpayers as general taxpayers, while tax introductory students and postgraduate students were assumed to have tax knowledge. Tax practitioners are individuals who did jobs related to tax such as tax auditors, tax educators and tax practitioners, including those who have membership in professional bodies. We then simplified that tax knowledge and tax practitioners provide five and six dimensions, regardless if they were from developed or developing countries, while general taxpayers were able to produce three and four dimensions. However, the specific result in developing countries provides only three while developed countries provide four dimensions. The reason is slightly different because, in the United States, there are lots of tax programmes offered to the public (Mohd Rizal, 2010), therefore their knowledge is considered better than in a developing country.

Table 6: Summary of Tax Fairness Dimensions of Study used Gerbing's Measurement

Authors	Tax Fairness Dimensions	Types of Participants	Types of Country
Gerbing (1988)	4 dimensions	General Taxpayers	Developed (United States)
Christensen et al. (1994)	5 dimensions	Tax introductory students (Tax knowledge)	Developed (United States)
Christensen and Weihrich (1996)	5 dimensions	Tax auditors, tax educators and tax practitioners (Tax professionals)	Developed (United States)
Richardson (2005)	5 dimensions	Postgraduates business students (Tax Knowledge)	Developed (Australia)
Richardson (2006)	6 dimensions 1)	Postgraduate business students (Tax Knowledge)	Developed (Hong Kong)
Anna Azriati & Perumal (2008)	3 dimensions 1)	General taxpayers	Developing (Malaysia)
Benk & Budak (2012)	6 dimensions	Tax professionals	Developing (Turkey)
This study	6 dimensions	Tax agents (Tax professional)	Developing (Malaysia)

CONCLUSIONS

The study used exploratory factor analysis to analyse Gerbing's items for tax fairness in Malaysia. This study found six dimensions of individual tax fairness in Malaysia which are 'self-interest', 'general fairness', 'exchange with government', 'tax rate structure', 'special provision' and 'tax system equality/inequality'. Meanwhile, for the second objective, it was found that respondents who are knowledgeable and practice professionalism in tax compliance may provide a better view of tax fairness dimensions, even in a developing country.

These results are expected to provide implications to both the theory and practice of tax fairness dimensions in Malaysia. This study may contribute to new information of tax fairness dimensions to the Inland Revenue Board (IRB), and to the government as well as we believe this contribution is related to revenue collection of individual tax income in

Malaysia, especially for the Middle 40 (M40) income group. Shanmugam & Zulkifflee (2017) mentioned that these group in Malaysia may choose not to comply and evade tax as they perceived that they are not being treated fairly by the government as compared to other groups such as Top 20 (T20) and Below 40 (B40).

Therefore, a suggestion for future research, the government through the tax agency, IRB should increase tax fairness among individual taxpayers, especially among the M40 group to encourage them to comply to paying income tax. We suggest using our findings to find new dimensions that could be used as moderators or mediators to find the relationship of perceptions of tax fairness towards tax compliance or tax evasion in Malaysia.

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