



Assessing Tax Awareness Factors Among Art Stream Undergraduates in Malaysia

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ABSTRACT

Taxation is a crucial concern for both the government and society, as tax collection supports national development. Early awareness from a young age is crucial to maintaining high tax collection in the future. Therefore, this study aims to investigate the relationship between tax awareness and four variables identified, namely tax knowledge, personal attitude, tax morale, and the role of tax authorities. The study employs a quantitative method, in which data were collected through a survey completed by 332 respondents, comprising arts stream students from all around Malaysia. The data was run using SPSS version 28. The results indicate that all variables were positively correlated with tax awareness, with all four showing a significant positive relationship. This study is expected to make a beneficial contribution to the development of tax education and to increase tax compliance among eligible future residents in Malaysia. The findings of this study are expected to inform policymakers and relevant authorities within Malaysia's tax system by providing evidence-based insights. In particular, the results may support policy-driven improvements to tax education curricula at the tertiary level as part of a preventive compliance strategy. Such initiatives could strengthen tax awareness among future taxpayers and contribute to a sustained reduction in tax non-compliance in Malaysia.

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1. INTRODUCTION

Taxation is a primary source of government revenue (Baykan & Cek, 2019), and tax collection is essential for the government to administer, manage, and develop the country. The Inland Revenue Board of Malaysia (LHDN) reported that Malaysia collected RM183 billion in taxes in 2023, accounting for approximately 75% of total government revenue, compared with 25% from non-tax sources (Ministry of Finance, 2023). In 2024, the proportion of tax revenue is projected to increase further to 79.2% of total revenue (Ministry of Finance, 2023, p. 5). A portion of these funds is allocated to national security, physical development, and infrastructure, including roads, schools, hospitals, and other educational facilities, which collectively contribute to national welfare and socioeconomic progress.

However, Malaysia's tax-to-Gross Domestic Product (GDP) ratio remained low at 12% as of December 2023, among the lowest in Southeast Asia, compared with Singapore at 21% and Indonesia at 55.8% during the same period (CEIC Data, 2023). In 2024, Malaysia's tax-to-GDP ratio rose slightly to 13.2%, yet it remains below the ASEAN average of 19.8% (Ernst & Young, 2024). A low tax-to-GDP ratio reflects weak fiscal performance, as it is a key indicator of a government's capacity to mobilise revenue relative to the size of its economy (Kagan, 2023). The recorded rate of 13.2% suggests that a substantial portion of Malaysians may still lack awareness or commitment to fulfilling their tax obligations.

International institutions have emphasised the importance of a stronger tax effort. The World Economic Outlook (2019) suggests that developing countries should maintain a minimum tax-to-GDP ratio of 15% to ensure long-term investment capacity and sustainable economic growth. Consistent with this, the Asian Development Bank (2024) recommends that developing nations aim for a threshold of at least 15% to support fiscal sustainability. Malaysia, as a developing country, has yet to meet this benchmark, placing it in a potentially vulnerable fiscal position in the years ahead.

Taxpayer compliance in paying taxes transparently depends on several economic and non-economic factors. Although numerous studies have been conducted to examine tax awareness using economic factors such as tax rates, tax penalties, and individual financial conditions, which have been the primary focus of most previous research (Slemrod, 2018; Sritharan & Salawati, 2019; Mannan, 2020), it is undeniable that non-economic variables are equally important in addressing tax non-compliance issues in our country. Therefore, the government can develop more effective strategies to foster a stronger culture of tax compliance in Malaysia.

Tax non-compliance has become a growing concern for the government, especially since the implementation of the self-assessment system (Mohamad et al., 2023). Taxpayers who fail to comply with the tax system may incur penalties and audit fees (Ghani et al., 2020). Therefore, it is crucial to instil tax awareness among university students at an early stage, as they will become taxpayers upon entering the workforce. This is particularly important for social science students, whose fields of study include psychology, sociology, social work, business, economics, entrepreneurship, and accounting, among others (Bhattacharjee, 2012). Their academic background positions them to pursue careers as researchers or policymakers, roles that both influence and are influenced by national tax policies.

Therefore, this study aims to examine the relationship between tax awareness among social science students at universities throughout Malaysia, focusing on several key factors, including tax knowledge, personal attitudes, tax morality, and the role of tax authorities. To date, research on tax awareness among university students remains limited, as highlighted in studies by Baykan & Cek (2019), Putro et al. (2020), and Sanusi et al. (2021). Hence, the findings from this study are expected to provide valuable insights to relevant stakeholders within Malaysia's tax system. In particular, the results could inform the development and updating of the tax education syllabus at the higher education level. This would serve as a proactive initiative to enhance tax awareness and ultimately reduce tax non-compliance among future taxpayers in Malaysia.

2. METHODS

This study employs a quantitative approach, examining four variables to identify factors influencing tax awareness among social science students: tax knowledge, personal attitude, tax morale, and the role of tax authorities. Students are selected as the target group because they represent future taxpayers. According to statistics released by the Ministry of Higher Education (2023), of the 304,466 graduates in Malaysia, 147,299 are from the arts and social sciences field. This figure represents the study population and is used to determine an appropriate sample size. In line with the latest policy by the Inland Revenue Board (LHDN, 2021), all Malaysian citizens are assigned a tax identification number starting at the age of 18.

The purpose of the questionnaire is to assess respondents' perceptions and awareness of taxation. The questionnaire is divided into six sections. The first section is designed to elicit respondents' demographic characteristics, including gender, age, ethnicity, marital status, and educational level. Sections 2 to 7 consist of questions covering the four independent variables under investigation, as well as one dependent variable. These sections utilise a 7-point Likert scale ranging from (1) Strongly Disagree to (7) Strongly Agree. The tax knowledge variable comprises 8 items: personal attitude (6 items); tax morale (5 items); the role of tax authorities (7 items); and tax awareness (4 items). The data collected were analysed using SPSS. Data analysis was carried out through five statistical tests: descriptive analysis, the Kolmogorov-Smirnov test, Cronbach's Alpha reliability test, Pearson correlation test, and multiple regression analysis.

3. RESULTS AND DISCUSSION

3.1 Descriptive Analysis of Demographic Data

The demographic characteristics of the 332 respondents in this study, namely gender, age, ethnicity, marital status, and education level, were collected. An overall summary of the respondents' demographic profile is presented in Table 1.

Table 1. Respondent Demographics (n = 332)

Item	Description	Frequency	Percentage (%)
Gender	Male	105	31.6
	Female	227	68.4

Age	15 - 19 years	68	20.5
	20 - 29 years	189	56.9
	30 - 39 years	53	16.0
	40 - 49 years	22	6.6
Race	Malay	196	59.0
	Chinese	55	16.6
	Indian	56	16.9
	Others	25	7.5
Marital Status	Marriage	4	1.2
	Single	328	98.8
Level of Education	SPM	30	9.0
	Diploma/STP	69	20.8
	M/Equivalent		
	Bachelor degree	156	47.0
	Master	34	10.2
	PhD	32	9.6
	Professional	11	3.3

The demographic results indicate that two-thirds (68.4%) of respondents were female, and 31.6% were male. The majority of respondents were aged 20-29 years, accounting for 189 individuals (56.9%). Most respondents were Malay, comprising 196 individuals (59%). Nearly all respondents were single: 328 of 332 (98.8%) reported being unmarried. This aligns with respondents' education levels: the majority were still students, with the largest group holding a Bachelor's degree (47%).

3.2 Descriptive Analysis of Constructs

The mean and standard deviation were used as descriptive measures to analyse the constructs, providing an overall view of the factors influencing tax awareness among Social Science Students in Malaysia. Table 2 presents the descriptive results for each variable.

Table 2: Descriptive Analysis of Constructs

Variables	Mean	Standard Deviation
<i>Tax Knowledge</i>	<i>0.6883</i>	<i>0.25881</i>
PC1: I am aware that there are two types of taxes, namely direct tax and indirect tax.	0.74	0.439
PC2: I am aware that LHDNM is the agency responsible for administering direct taxes in Malaysia.	0.82	0.383
PC3: I am aware that the Royal Malaysian Customs Department is the agency responsible for administering indirect taxes in Malaysia.	0.70	0.458
PC4: I am aware of how to calculate personal income tax based on my future earnings.	0.58	0.495
PC5: I am aware that we are required to file our tax returns annually.	0.68	0.466
PC6: I am aware that the Monthly Tax Deduction (MTD) system is	0.67	0.472

provided for monthly tax deductions.

PC7: I am aware that expenses such as education, insurance, or Takaful can reduce the amount of tax payable. 0.71 0.455

PC8: I am aware that purchasing books can reduce the amount of tax payable to the government. 0.61 0.489

<i>Personal Attitude</i>	<i>5.4367</i>	<i>1.24797</i>
SP1: I will report my income tax as it is.	5.18	1.664
SP2: I will pay my income tax before the due date.	5.47	1.598
SP3: I will not manipulate any of my income figures for tax declaration purposes.	5.42	1.770
SP4: I will pay any outstanding tax due.	5.46	1.605
SP5: I will comply with all applicable laws and regulations under the Malaysian tax act.	5.58	1.520
SP6: I will properly keep all records of my tax filings.	5.51	1.727
<i>Tax Morale</i>		
MC1: I believe that paying taxes is the right thing to do as a good citizen.	5.56	1.600
MC2: I believe that every citizen should comply with all tax-related regulations.	5.58	1.675
MC3: I will voluntarily comply with tax laws.	5.53	1.747
MC4: I will not cheat on taxes, even if I have the opportunity to do so.	5.53	1.714
MC5: Tax evasion is unethical for everyone.	5.32	1.747
<i>The role of tax authorities</i>	<i>5.0529</i>	<i>1.30363</i>
PBC1: LHDNM has provided tax-related information to the public.	5.15	1.674
PBC2: LHDNM has actively conducted programs to help students better understand taxation in Malaysia.	4.93	1.754
PBC3: I can access information about taxpayer responsibilities through mass media.	5.0	1.664
PBC4: LHDNM is fair and impartial in its actions.	5.15	1.724
PBC5: I have high confidence in LHDNM's ability to manage tax collection in the country.	5.03	1.766
PBC6: LHDNM has initiated awareness programs to encourage students to be responsible taxpayers.	4.91	1.728
PBC7: I can easily approach tax officers with any questions about taxation.	5.21	1.728
<i>Tax awareness</i>	<i>5.5377</i>	<i>1.33414</i>
KC1: Tax awareness should begin at a young age.	5.55	1.599
KC2: I am aware that taxes must be paid once my income exceeds the threshold.	5.64	1.614
KC3: I am aware that tax evaders may face penalties in the future.	5.47	1.770
KC4: I am aware that tax collection supports the country's social and economic development.	5.49	1.598

A mean score approaching seven (7) indicates strong agreement, six (6) indicates agreement, five (5) indicates slight agreement, four (4) is neutral, three (3) indicates slight disagreement, two (2) indicates disagreement, and one (1) indicates strong disagreement. An

exception applies to the tax knowledge variable, which uses binary (Yes/No) responses. For this variable, a mean between 0 and 0.5 reflects a tendency toward “No,” while a mean between 0.51 and 1 reflects a tendency toward “Yes.”

The independent variable, tax knowledge, had a mean of 0.6883, indicating that more than half of the respondents answered "Yes" to the provided statements, reflecting a relatively high level of tax knowledge. The low standard deviation of 0.25881 suggests that responses were consistent and closely clustered around the mean. For variables measured on the 7-point Likert scale, tax awareness had the highest mean score (5.5377), with a standard deviation of 1.33414, indicating moderate variability in responses. In contrast, the role of tax authorities recorded the lowest mean score (5.0529), with a standard deviation of 1.30363. Other variables, such as personal attitude (mean = 5.4367, SD = 1.24797) and tax morale (mean = 5.5018, SD = 1.36557), showed similar means and standard deviations. In conclusion, aside from tax knowledge, all other variables recorded mean values between 5.05 and 5.5, indicating that respondents generally agreed somewhat with the statements presented in the questionnaire.

3.3 Cronbach's Alpha Analysis

Cronbach's alpha is a key statistic used in studies of test construction (Cortina, 1993). Its value ranges from 0.0 to 1.0, with 1.0 indicating perfect correlation among items and 0.0 indicating no correlation (Adamson & Prion, 2013). Table 3 presents the reliability test results for each variable in this study.

The variable Role of Tax Authorities had the highest reliability (0.876), followed by Tax Morale (0.864), Personal Attitude (0.851), and Tax Awareness (0.825), all of which indicate good internal consistency. Meanwhile, the Tax Knowledge variable had the lowest Cronbach's Alpha of 0.695, which is still acceptable, though slightly below the preferred threshold of 0.70 (Taber, 2018).

Table 3: Cronbach's Alpha and Reliability of Construct

Variables	Cronbach's Alpha	N Item	Reliability
Tax Knowledge	0.695	8	Acceptable
Personal Attitude	0.851	6	Good
Tax Morale	0.864	5	Good
The Role of Tax Authorities	0.876	7	Good
Tax Awareness	0.825	4	Good

3.4 Kolmogorov-Smirnov Test

The Kolmogorov-Smirnov (KS) test was used to assess the normality of the data in this study. The KS test is a hypothesis test that assesses whether a hypothesised probability distribution differs significantly from the observed distribution of the study's data (Cong et al., 2010). A distribution is considered normal if the p-value exceeds 0.05; otherwise, it is considered not normally distributed if the p-value is less than 0.05. Table 4 presents the results of the KS test conducted for each variable in this study.

Table 4. Kolmogorov-Smirnov Test of Normality

	Statistic	df	Sig.
Tax Knowledge	.148	332	<.001
Personal Attitude	.168	332	<.001
Tax Morale	.157	332	<.001
The Role of Tax Authorities	.116	332	<.001
Tax Awareness	.169	332	<.001

All variables exhibited non-normality (p-values < 0.001). This outcome is consistent with findings by Hasiloglu (2023), who stated that Likert-scale items are not suitable for the Kolmogorov-Smirnov (KS) test because the repetitive nature of Likert responses often yields inaccurate p-values and a false indication of non-normality. Therefore, the author suggests assessing normality using skewness and kurtosis for each variable as a more appropriate alternative. Table 5 presents the results for skewness and kurtosis of all variables.

Table 5. Skewness & Kurtosis

		Statistic	Std. Error
Tax Knowledge	Skewness	-.325	.134
	Kurtosis	-.970	.267
Personal Attitude	Skewness	-.395	.134
	Kurtosis	-1.108	.267
Tax Morale	Skewness	-.586	.134
	Kurtosis	-.826	.267
The Role of Tax Authorities	Skewness	-.093	.134
	Kurtosis	-1.120	.267
Tax Awareness	Skewness	-.625	.134
	Kurtosis	-.819	.267

The acceptable ranges for skewness and kurtosis are -2.49 to 2.33 and -1.92 to 7.41, respectively (Blanca, 2013). Based on the table, the skewness and kurtosis values for all variables fall within these specified ranges. Therefore, it can be concluded that the data is usually distributed, despite the results of the Kolmogorov-Smirnov test.

3.5 Pearson Correlation Analysis

Pearson correlation is used to examine the relationship between two observed variables and to quantify its strength (Schober et al., 2018). A value close to 1 indicates a strong relationship between the variables, while a value close to 0 indicates a weak relationship. Table 6 presents the Pearson correlation results for each variable in this study.

Table 6. Pearson Correlation Analysis

Item	Tax Awareness	Tax Knowledge	Personal Attitude	Tax Morale	The Role of Tax Authorities

Tax Awareness	1				
Tax Knowledge	.429	1			
Personal Attitude	.804	.441	1		
Tax Morale	.777	.364	.804	1	
The Role of Tax Authorities	.627	.398	.602	.658	1

Table 6 presents the Pearson correlation coefficients between tax awareness and the independent variables. Personal attitude exhibits the strongest positive correlation with tax awareness ($r = 0.804$), followed by tax morale ($r = 0.777$) and the role of tax authorities ($r = 0.627$), all indicating strong relationships. Tax knowledge shows a moderate positive correlation ($r = 0.429$). These results suggest that all variables are positively associated with tax awareness, with personal attitude and tax morale emerging as the most influential factors.

3.6 Multiple Regression Analysis

Multiple Regression Analysis is a statistical method used to examine the relationship among two or more variables (Rubinfeld, 2000).

Table 7: Model Summary

Model	R	R Square	Adjusted R-Square	Std. Error of the Estimate
1	0.842	0.709	0.705	0.72421

The regression model reveals a strong positive relationship between the dependent variable (tax awareness) and the independent variables, as evidenced by an R-squared value of 0.709. The R^2 value of 0.709 suggests that 70.9% of the variance in tax awareness is explained by tax knowledge, personal attitude, tax morale, and the role of tax authorities.

Furthermore, the standard error of the estimate (0.72421) indicates a low level of prediction error. Overall, the model fits the data well and provides reliable explanatory power.

Table 8. ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	417.468	4	104.412	199.076	<.001
	Residual	171.506	327	.524		
	Total	589.154	331			

The ANOVA results indicate that the regression model is statistically significant, $F(4, 327) = 199.076$, $p < .001$. This confirms that the independent variables, tax knowledge, personal attitude, tax morale, and the role of tax authorities, significantly contribute to explaining variations in tax awareness. These findings support the model's validity and demonstrate the explanatory power of the predictors.

Table 9. Multiple Regression Analysis

Model	Unstandardised Coefficients		Standardised Coefficients	t	Sig.
	B	Std. Error	Beta		
	1 (Constant)	.373	.190		

Tax Knowledge	.352	.175	.068	2.014	.045
Personal Attitude	.483	.056	.451	8.609	<.001
Tax Morale	.298	.053	.305	5.632	<.001
The Role of Tax Authorities	.131	.042	.128	3.129	.002

Based on the coefficient table, the results indicate that all independent variables, tax knowledge, personal attitude, tax morale, and the role of tax authorities, have a significant relationship with tax awareness, as all p-values are less than 0.05. The unstandardised coefficient for tax knowledge indicates that a 1-unit increase in tax knowledge is associated with a 0.352 increase in the tax awareness index. Similarly, the other variables contribute significantly to the tax awareness index, as their coefficients are statistically significant. This finding confirms that all four factors play a meaningful role in influencing tax awareness among social science students in Malaysia.

The findings of this study underscore the significance of tax knowledge, personal attitude, tax morale, and the role of tax authorities in promoting tax awareness among social science students in Malaysia. Among the four variables examined, personal attitude showed the strongest positive relationship with tax awareness. This relationship reflects how students' perceptions of taxation influence their willingness to comply with tax laws and become responsible taxpayers. These results underscore the importance of fostering positive attitudes toward taxation through awareness and educational initiatives. Such efforts are crucial in shaping responsible individuals who are conscious of their tax obligations and understand the broader role of taxes in national development.

The findings also carry significant policy implications. The government needs to integrate tax education into curricula at all levels to equip students with essential tax knowledge, such as payment procedures and the positive impact of taxation on national development. In addition, expanding access to online tax information and organising tax literacy workshops can further improve students' understanding. Beyond education reform, the government could also simplify tax declaration and payment procedures to encourage higher compliance. In the long term, such proactive measures could help improve Malaysia's tax-to-GDP ratio, which has remained relatively low in recent years. However, this study is not without limitations. It focuses solely on the views of social science students, even though students in the science stream constitute a larger proportion of the student population in Malaysia. Moreover, the study assesses tax awareness in a general context, without segmenting students by background. For future research, it is recommended that science students be included as respondents to explore their level of tax awareness. Comparative studies could also be conducted to assess differences in tax awareness between students from rural and urban areas.

4. CONCLUSION

The findings of this study underscore the significance of tax knowledge, personal attitude, tax morale, and the role of tax authorities in promoting tax awareness among social science students in Malaysia. Among the four variables examined, personal attitude showed the strongest positive relationship with tax awareness. This relationship reflects how

students' perceptions of taxation influence their willingness to comply with tax laws and become responsible taxpayers. These results underscore the importance of fostering positive attitudes toward taxation through awareness and educational initiatives. Such efforts are crucial in shaping responsible individuals who are conscious of their tax obligations and understand the broader role of taxes in national development.

5. AUTHOR NOTE

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