Property taxation: the encouraging factors for payment among the taxpayers

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Abstract

Purpose – The purpose of this study was identifying factors that encourage property tax payment among property owners, specifically from the residential property segment within the Malaysian context. This aim is derived from existing evidence which clearly indicates a steady annual increase in property tax arrears from non-complying property owners as reported by the local governments (LGs).

Design/methodology/approach – This research was conducted using a survey method where a questionnaire was used as the research instrument in garnering the necessary study data. The collected data was analyzed through quantitative means towards gleaning study findings to fulfil the set objectives. The analyses used within this study were reliability analysis, descriptive analysis and factor analysis.

Findings – Research findings indicate that there are five factors that encourage property tax payment, namely, the proactive action capability of LGs; stimulation of payment; quality of staff and service; reliable tax foundation and governance; and smart expenditure. The identification of these factors has the potential to act as a mitigation mechanism for LGs to alleviate the issue of property tax arrears.

Research limitations/implications – The findings of this study may be used by LGs in developing a comprehensive action plan to encourage property owners to pay taxes. The study findings are exploratory in nature, based on the locality of the LG selected in this study, the Penang Island City Council (MBPP). As such, the findings may not be considered as a generalization of the property tax situation throughout Malaysia as study data was only collected from the administrative region of MBPP. However, these findings can still be used as a basis in establishing similar studies within other LGs which demonstrate similar characteristics with MBPP.

Originality/value – In the Malaysian scenario, the focus of the previous studies on property tax arrears revolves around actions that have been taken by LGs to encourage the payment of property tax. However, in this study, the determination of encouraging factors is no longer referred to LG perspectives but was investigated from the taxpayer dimension. This approach allows new mitigating ideas to be developed and adds value in the context of a different perspective towards establishing a more practicable action plan in reducing property tax arrears.

Keywords Property tax, Taxpayers, Encouraging factors, Tax arrears

Paper type Research paper

1. Introduction

Property tax, or commonly referred to as "assessment tax", is a form of local taxation imposed by local governments (LGs) on property owners. In the context of tax administration, properties are considered to be "holdings" and include several types of property such as residential, commercial, industrial, institutional, and vacant properties. In Malaysia, the source of power in levying this tax is established in the provisions of the Local Government Act 1976 (Act 171). Part XV of the Act expressly emphasizes the aspect of property taxes. This form of taxation is generally the main tax revenue for LGs. According to Usilappan (1998) and Alias (2000), 65% or almost two-thirds of property tax revenues constitute the major portion of the entire revenue of LGs throughout the nation. Imposing property taxes is usually deemed as a reimbursement towards the services provided by the LGs such as the provision of infrastructure including drainage, road and street lighting, physical development efforts, community development, upkeep of open areas designated for recreational activities and other similar forms of service. Furthermore, it is an annual charge on ownership or occupation of property where the proceeds are used to offset the costs of providing municipal services such as refuse disposal, provision and running of markets, maternity homes and parks (Babawale, 2013). This indicated that property taxes are levied to offset or cover these costs pertaining to the development and maintenance of public infrastructure and facilities meant to cater for the needs of the local communities.

In Malaysia, property tax is determined through two main methods: annual value appraisal and added value taxation. Annual value is derived from the estimated annual gross rental value or, in other words, the rental amount that is deemed to be reasonably generated within a year from a said property or holding if it were to be leased and assuming the property owner(s) makes good on all payments related to repairs, insurances, maintenance as well as all public taxes. The annual value is calculated by the following formula:

$$\text{Annual Value} = \text{Estimated Gross Monthly Rental} \times 12 \, \text{months}$$

After the annual value has been determined, the actual amount of tax payable by the property owner(s) is determined by a stipulated rate of percentage. This rate is determined by LGs (with the approval of the state authority) and is based on the type of property as well as the location and zoning. As an example, if the annual value of Property A is deemed to be RM20,000.00 and the predetermined rate is 8%, the assessment tax that needs to be paid will amount to RM1,600.00 per annum. Another way of determining payable property tax is through the added value method. Added value is based on the current market value of a property or holding. The required amount of payable property tax is calculated by imposing a prevalent rate onto the determined added value. Amendments to the annual value or added value may occur because of the following:

- a new building or structure is erected on the property;
- existing buildings or parts thereof that are renovated, refurbished, demolished/ rebuilt or when there is any form of improvement done on the said property;
- the discovery of holdings that were previously excluded from the valuation list;
- a change in ownership or the issuance of a new title deed; and
- any variation to the holding because of planning laws which may either appreciate or depreciate the annual value.

Based on these calculations, LGs have the prerogative to impose the annual payable tax on the property owners. LGs are able to strategize the right approach in collecting property taxes by continuously monitoring and updating property records within their administrative jurisdiction. In addition to having a precise method to determine the amount of payable property taxes, assessment tax management and administration practices in Malaysia are also effectively governed by legal provisions as stipulated in Part XV (sections 127 to 164) of Local Government Act 1976 (Act 171). These legal provisions dictate that assessment tax collection be conducted in a transparent manner to encourage tax payers to perform their legal obligations confidently. LGs, being organizations that have the required authority and equipped with a proper taxation structure, are able to set assessment tax rates that are commensurate with the different tax-paying capabilities of property owners. A lower rate may be imposed on properties that are categorized as low-cost holdings as means to not financially burden the relevant owners. This rationale enables the tax payers to pay the stipulated tax without too much concern. LGs are also given the authority via Act 171 to accept, consider and finally decide on any application done regarding reduction of taxes or protests on the tax amount imposed. This is another instance that demonstrates the avenues property owners have in regards to obliging their taxation responsibilities. This in effect should create a positive inducement towards the payment of property taxes and in turn increase tax collection performance within LGs. A good tax collection rate is certainly vital in ensuring LGs are able to attain the required revenue to operate at an optimal level.

While society at large does realize and acknowledge both the significance and utility of revenues garnered via property taxes, the issue of tax evasion still frequently occurs. Property owners who do not pay their property tax are a common presence in almost every district under the jurisdiction of LGs. What is more unsettling is the fact that some LGs have recorded an alarming increase in property tax arrears on an annual basis. Based on the compiled audit findings and statistics as published in a series of reports by the Auditor General of the National Audit Department, Malaysia (NADM) on the states in Malaysia in 2014 (refer to Table 1), the issue of property tax arrears is omnipresent in all Malaysian states. A NADM report further states that assessment tax arrears in Malaysia are at a

State	No. of LGs	Property tax RM million	Tax arrears RM million	Percentage of tax arrears (%)
Terengganu	7	95.74	107.86	112.66
Perak	15	217.78	74.74	34.32
Sarawak	26	231.19	82.47	35.67
Perlis	1	14.63	16.4	112.10
Pahang	11	112.46	47.68	42.40
Kedah	11	96.31	89.81	93.25
Kelantan	12	42.03	45.79	108.95
Kuala Lumpur	1	974.67	273.74	28.09
Pulau Pinang	2	315.89	94.34	29.86
Selangor	12	1,225.62	471.28	38.45
N. Sembilan	8	138.54	86.34	62.32
Melaka	4	144.66	56.62	39.14
Johor	15	521.05	203.29	39.02
Sabah	24	107.43	75.51	70.29
	149	4,238.00	1,725.87	40.72

Source: National Audit Department, Malaysia (2014)

Table 1.
Percentage of property tax arrears according to individual states in 2014

worrying level (Abdul Razak *et al.*, 2017). Pawi *et al.* (2012) had previously discovered that the amount of revenue collected steadily decreased because of a rise in property tax arrears that subsequently affected administrative capabilities and, as a result, also adversely affected the delivery of services by LGs. As a means to mitigate or at the very least minimize the worrying amount of property tax arrears, LGs initiated and undertook several counter measures and follow-up action. These responses were aimed at establishing factors that would stimulate a positive commitment on the part of the property owners in settling their tax arrears and in turn progressively increase revenues earned and collected by the LGs. It is within this context that this research was undertaken; in attempting to identify factors that will encourage property owners to fully settle all due taxes imposed on their properties. This research only focuses on the residential property owners segment as this type of property is the largest in terms of quantity within LGs. The selection of this property segment is further underlined by the fact that, in most LGs, residential property owners form the largest group of property tax defaulters.

Table 1 clearly indicates that tax arrears are prevalent in all states within Malaysia. The amount owed varies from state to state and LG to LG. These audit findings do not detail out the main factors or causes that led to arrears in terms of the tax collected. Nonetheless, the report did provide general suggestions that advice these LG entities to proactively take the necessary measures in mitigating this issue of tax arrears. Previous studies on Malaysian tax assessments issues initially tied the occurrence of tax arrears to weaknesses within tax administration practices. More contemporary studies, however, now point towards taxpayer attitude and behaviour as another significant factor leading to tax arrears. Abdul Razak *et al.* (2017) discovered that while LGs have taken all sorts of steps to increase assessment tax collection, there are still property tax owners who are reluctant in paying these stipulated taxes. Another study by Mohd *et al.* (2018) establishes that the attitude and financial standing of the tax payers are another factor that clearly contributes towards arrears in property taxes. The existence of this attitude factor is an indication that tax avoidance is arguably widespread within the tax-paying community in Malaysia.

2. Factors encouraging tax payment

A review of existing literature pertaining to the subject matter of property tax has shown that there have been several studies conducted both at global and local scales. On the international front, a study undertaken by Bird and Slack (2002) discussed the significance and importance of property taxes in relation to national development, the varieties of property tax structure and administration as well as several property tax reforms that have taken place in various countries. Another study by England *et al.* (2013) focused on the impacts of property taxation on residential real estate development via specific economic development models. Stranahan *et al.* (2014), on the other hand, conducted a study to analyze the burden of property taxes relative to current income levels and was among the first studies to analyze the vertical and horizontal equity implications of two important property tax preferences, the homestead exemption (HSE) and annual assessment caps. Collier *et al.* (2018), through the publication of "Land and property taxes for municipal finance", outlined in detail the importance and necessity of property tax revenues within the context of municipal development, policy decisions for land and property tax reform in cities, and also the implementation of land and property tax systems. These international scale studies clearly underscore that the levying of property taxes in any given nation is a necessary vital aspect, and apart from facilitating added physical development capital, property taxation also creates specific spillover effects that positively influence the development of various other sectors. What these previous studies may lack in, however, is the focus on discoursing

the issue of property tax evasion and more importantly, arrears. This is apparently in contrast with the previous research done locally in Malaysia, where the scenario of property tax arrears has been given a clear and direct emphasis by the corresponding researchers. For instance, in a study by Pawi *et al.* (2012), the Malaysian local government assessment tax collection and arrears performance in each LG were analyzed, where the "Star Rating" concept was applied to address the performance of assessment tax collection in Malaysia. Another study conducted by Umar *et al.* (2012) aimed in finding out the reasons behind the prevailing decrease in property tax collection through investigating expectations of the taxpayers on the property tax revenues generated by the LGs. Mohd *et al.* (2018) subsequently examined the factors of property tax arrears and offered suggestions on how to overcome those obstacles, albeit within the scope of LGs in the northern region of Malaysia.

Another glaring omission within the current body of existing literature is the exclusion of studies geared towards identifying factors that may encourage and positively influence property taxpayers to unilaterally fulfil their tax commitments. This study aims to shed some much needed light on this issue but will not necessarily limit its investigation and subsequent findings on factors for property taxes alone. The factors identified in this study may also be relevant for other forms of taxation, including income tax and other similar taxes such as zakat. This will certainly allow the findings of this study to be generalized and applied within the subject matter of tax arrears while being relevant and true to the aim of the study. The discussion regarding these encouraging factors will revolve around several specific themes. The first theme will be centred on the credibility of the agency which imposes the said property tax, which, in the study context, is the LGs. As stated previously, LGs impose property taxes as a means to cover the development and maintenance of public infrastructure facilities within their area of jurisdiction. As such, expenditure trends and efficiency of the LGs should be aligned with the intent of imposing these property taxes. LGs should be transparent and open in allowing taxpayers to be aware of how their tax dollars are being spent and in the manner as well as purpose they are being expended. The service quality of LGs, particularly related to public infrastructure development and maintenance activities, should also be at the very best level. These development and maintenance activities have to be planned and exercised based on the needs and priorities of the concerned local communities. Even the customer service rendered to the taxpayers during their interactions with the LGs needs to be at a desirable and cordial manner. An instance of this would be where LGs persevere to provide counter-service that is customer friendly and adheres to accepted service and regulatory standards. Johnston and Clark (2008) state that the front desks or counters in an organization would be the first interface between the service provider and the customer or user. Front desk or counter services are perceived to be the main agents of promoting the right attitude to customers. The attitude and behaviour of frontline staff will create an indelible impression on the minds of the customers with regards to the level of service quality and eventually will influence the customer's satisfaction levels. These factors within the LG agencies will help to convince taxpayers that their tax dollars are being used in the right way and, by extension, will spur them to continue paying the property taxes imposed upon them.

Within the context of credibility, the integrity of the LG property tax administration and management system would also be seen as a factor that may push taxpayers towards settling their dues. The integrity of this system should be scrutinized from various angles, including processes related to notification, delivery, tax review and other related aspects. The presence of an effective and efficient property tax administration and management system within the confines of the LG would ensure that the taxpayers are getting clear input regarding the taxes and in a timely manner. A truly effective property tax system will also

be able to diminish any sentiments of bias and unfairness among taxpayers as the system would be in place to allow for a transparent and just levying of the property taxes in accordance to prevailing rates and legislation. This situation will encourage taxpayers to pay off their taxes. A transparent and efficient taxation system can also be a form of assurance to LGs whether their administrative capabilities are viewed in positive manner or seen to be in an adverse state. Ismail (2016) explained that a sound LG administration and management should include a systematic taxation process that strictly adheres to current legal provisions in attempting to reduce tax evasion and default. Pawi (2013) looked into the efficiency of the LGs via the integration of quality systems such as client charters, ISO or Total Quality Management implementation, strategic planning programmes, 5S practices and other similar approaches. These quality systems are capable of producing LG employees who are more efficient which by extension will support the presence of a fundamentally improved property tax management and administration system. Besides these, factors that encourage and promote tax payment may also be derived from the basis and structure of the tax itself. The prevailing tax rates should commensurate with the actual ability of the community to pay these taxes while adhering to rational, just and balanced tax calculations. An extremely high tax rate will just become an added financial burden to the local community and may become one of the leading reasons why certain taxpayer groups choose not to settle their taxes. The basis of the tax being levied as well as how the taxes are calculated have to be clearly understood by all parties concerned. This will negate any unfounded perceptions that the imposed taxes are nothing but transparent, uniform and just and exercised with any prejudice or bias based on creed, social standing, political affiliations or any other dispositions. If there are indeed variations in the tax structure because of certain conditions, the LGs should continuously engage with the related communities in addressing these differences and explain the rationale behind different tax structures in a precise, easy-to-understand and clear way. Another aspect of LG administration that can encourage a good tax-paying environment is the focus on establishing a proactive and continuous engagement with the taxpayers. LGs should always keep the taxpayers aware and informed about the responsibilities of paying taxes. This may help in addressing tax arrears issues that were simply because of oversight by the property owners rather than an intentional desire to not commit to their obligations.

Factors that encourage property tax payments may also be related to the aspect of tax education and awareness among members of the local community. The community should be instilled with adequate knowledge and exposure regarding the necessity and importance of property taxes. The educational strategy that should be used has to be able to generate understanding as well as positive perception and awareness in the minds of the taxpayers. Tax education has to be implemented with a multi-pronged approach to ensure all strata of society in general and the property owners in particular have sufficient knowledge and information about the property taxes that are imposed on them. An effective educational strategy will allow the property owners to acknowledge and understand their rights as well as the rights of the LGs in levying these taxes. Educating the masses has to be undertaken continuously so that the property owners will always have a clear understanding towards any continual variations or changes in the basis and structure of the property taxes. A clear comprehension of these changes will accord the taxpayers with a form of maturity that will in turn establish the much needed positive perception with regards to taxation mechanisms used by the LGs. Without precise understanding or knowledge, taxpayers might be inclined to bear a negative attitude towards taxes as it is essentially an added financial burden to society. However, armed with sufficient knowledge, taxpayers will be able to assess and analyze any information disseminated and make informed decisions without resorting to

unwarranted opinions or reaction. The knowledge retained by the taxpayers will also act as a continuous reminder to settle and pay off the due property taxes imposed upon them. The education context also needs to be supplemented with targeted awareness programmes which will reinforce this positive taxpaying attitude within the segment of property owners. When awareness is lacking or fleeting, any and all disseminated information or knowledge will merely be a mental recollection with no intent to act positively on the part of the property owners. Awareness programmes are in reality a form of spiritual guidance and encouragement as they are able to entice the taxpayer to fulfil their tax obligations. Programmes such as campaigns, advertisements and community-based programmes can act as successful platforms to engage the taxpaying public and bring them closer to the LGs. According to Abdul Razak *et al.* (2017), promotional campaigns are one of the better methods of information notification and delivery regarding a specific subject or product that can be used by both the public and private sector. This can be attempted in various ways via the distribution of brochures and pamphlets, postings of banners and streamers, electronic media canvassing and the use of digital platforms such as websites. Promotional campaigns such as these would act as a dynamic interface in allowing the general public to get to know the LGs in a more cordial setting. It can be surmised that knowledge and awareness are two complementary elements that work well hand in hand in establishing willingness and adherence to taxpaying responsibilities among property owners.

Influence from close personal contacts as well as the surrounding environment may also act as both facilitators and deterrents for property owners when it comes to settling due taxes. From a psychological perspective, the presence of close contacts such as spouses, children or parents who often advise or remind taxpayers about their tax obligations will create an inherent sense of willingness and effort in fulfilling these obligations or to settle any existing arrears. This continued presence and coaxing will also discipline property owners towards doing the right thing. The surrounding environment, or more accurately termed as neighbourhood and local norms or culture, may also act as a factor that promotes property tax payment among property owners. Close knit communities that live within a neighbourhood that practices common good norms will often rub off this feeling of responsibility among their community members. Community living will also create this sense of shame and guilt if any one of their members fails to live up to the expectations, norms and responsibilities that have become part of the community's everyday culture. These two components can act as a mechanism that will be a continuous reminder to property owners in adhering to their tax payment obligations. Therefore, it will only be beneficial for the LGs if they can actively identify and adopt specific approaches that will allow close contacts and positive neighbourhood norms to form the aforementioned mechanism which will encourage taxpayers to settle or pay off their taxes in a timely fashion.

Other encouraging incentives such as promotions, discounts, lucky draws, gifts and prizes, appreciation showcases and other similar inducements can be considered as part of micro actions that need to be undertaken to keep encouraging property owners to pay their taxes on time. These forms of actions will definitely increase the motivation in property taxpayers as they offer these taxpayers added benefits if they were to pay their taxes as stipulated. Some of these incentives, however, are normally only offered to a select group of taxpayers. For example, special award ceremonies or appreciation events are only accorded to those who have shown to have a good tax payment track record based on payments made as per schedule. Tax incentives, whether in the form of discounts, tax rebates or tax exemptions given by the government, do impart a positive effect on local development. Another aspect that can be deemed to push property owners towards paying their taxes

would the availability of multiple payment facilities or platforms. As today's working adults are seemingly getting busier by the day, it would definitely not be in the best interest of the LGs to retain conventional and manual paying methods. With the availability of broadband internet services and the advent of information technology, various alternative payment platforms can be offered to property owners to allow them to make payment at their convenience. If initially online payments methods centred on internet banking, there are now several avant garde payment portals, e-wallets and applications that are easy to access, sophisticated and, more importantly, secure and safe to use. Manual payment methods should, however, be still maintained and retained to cater for the segment of property owners who may be more comfortable and confident with this conventional form of payment. Manual payments would require the LGs to improve on their service quality, particularly at the front desks or counters. Issues such as overcrowding, lack of empathy in frontline staff and unreliable counter service schedules would need to be clearly addressed and resolved.

In addition to these other factors, the aspect of law enforcement can also be considered as an encouraging factor. The current standing practice with most LGs is to impose penalties or additional charges on the defaulting property owners, especially those who have failed to pay their taxes within a stipulated time period. Act 171 authorizes LGs to seal and seize moveable assets belonging to property owners who have high tax arrears. Although this may seem as coercing property owners into settling their taxes, in the long run, however, this form of enforcement will be able to act as constant reminder and lesson for the property owners which will eventually encourage them to pay off all their due taxes. Previous studies have indicated that individual or group behaviour can be determined by the formation of laws which clearly enunciate the need for individuals and society to be more aware of their legal responsibilities and obligations. Bilz and Nadler (2013) reinforce this notion through their study which concludes that:

> [. . .] law can influence moral attitudes by recharacterizing behaviour previously thought of as harmless, by signalling moral approval for behaviours previously thought of as outside the domain of morality, or by developing a general reputation for doing what justice requires and by providing high quality treatment to citizens.

The enactment and enforcement of laws and regulatory provisions will galvanize local communities towards understanding the importance of paying LG property taxes. Nonetheless, enforcement should be considered as a last resort for LGs to recoup unpaid taxes and other more strategic methods to encourage payment need to be first implemented and exhausted.

The discussions within the literature review of this are more inclined towards assessment tax issues originating from residential properties than those inflicting other categories of property. Nonetheless, the discussions put forth here are still generally relevant within the context of other property types (such as industrial, commercial, services and others) as adherence to tax-paying obligations refers mainly to factors that may encourage taxpayers of all categories to pay the relevant property taxes imposed upon them. In reality, almost all taxpayers, regardless of the different types of properties they own, are essentially homeowners themselves. Previous studies have also shown that there are no distinct differences when it comes to adherence to paying taxes even when looked at from the lens of different property segments. Based on the aforementioned themes, the research hypothesis is elucidated as follows:

H0. Factors that encourage property tax payment revolve around nine discussion themes consisting of expenditure of taxation agency; service quality; taxation

basis, structure and management; staff excellence; education and awareness; payment facility; law enforcement; reminders, negotiations and incentives; and second-party and environmental influence as listed in Table 2. Based on these nine discussion themes, a further 25 constructs or statements regarding the encouraging factors were derived and developed (refer to Table 2).

3. Research methodology

This study was conducted using a quantitative approach where the survey method had been specifically used to collect the required data. Questionnaire forms were developed as the research instrument and subsequently distributed to the respondents via face-to-face interactions. This study determined the locality of research to be areas under the jurisdiction of the Penang Island City Council (MBPP) and only involved local respondents who were categorized as being residential property owners. The selection of MBPP area of jurisdiction was largely because of current issues of importance at the time this study was initiated. Through a MBPP media release in 2017, an official statement was issued urging property owners to settle their assessment taxes as MBBP was facing a surmounting tax arrears issue. During that year, the current assessment tax arrears reported by MBPP amounted to RM74.24m or 32% from the actual total tax that was supposed to be collected in that year, RM232,557,589.27. Through the same statement, MBPP also announced that the income from assessment taxes contributed towards 53.45% of all MBPP revenues. Another factor that influenced the selection of MBPP as the study area is the fact that residential properties were the second largest sector in terms of assessment tax revenues for MBPP. The 2017 annual MBPP report showed that this residential sector provided around 30% or RM70,251,387.03 of the total assessment tax billings. The areas within the jurisdiction of MBPP are also one of the most densely populated neighbourhoods in Malaysia. Other municipalities and LGs that recorded tax arrears rates of more than 100% were not selected for this study because of difficulties in getting cooperation from the related parties and, furthermore, while the tax arrears rate may have been high, the actual quantum of tax revenues and number of residential units were not as high as those at MBPP. Other factors such as study costs, study timeline and duration as well as ease of obtaining data factored into justifying MBPP as the sole focus of this study.

There was no definite data found to denote the actual number of residential property owners within the study area under the administration of MBPP. This lack of information posed a slight drawback in determining the actual total population of study respondents. However, data gleaned from the 2017 annual MBPP report pointed to a total of 254,839 units of registered residential properties that were eligible for property taxation. The report further segmented the residential property typologies into three categories of low-cost residences (86,135 units), strata-based residences (97,419 units) and landed residential properties (71,285 units). Assuming 1.5 owners own one unit of any type of residential property, the estimated research population was estimated to be 169,893 property owners. Based on the sample size tabulation by Cohen et al. (2001), the corresponding sample size for this research is a total of 383 respondents. An equivalent number of 383 questionnaire forms were then printed and distributed to property owners that were selected through a simple random sampling method. This sampling method was used to allow all residential property owners within the population to have an equal probability and chance of being selected as study respondents. The random sampling used in this study was undertaken by randomly drawing lots of the corresponding residential units within the study area under the jurisdiction of MBPP based on the designated districts and zones. The lots were determined

No.	Discussion theme	Reference source	Developed construct/statement	Code
1.	Expenditure of taxation agency	Palil (2010), Engida and Baisa (2014); Tilahun (2018)	LGs' expenditure is transparent and efficient	EF1
			LGs spend according to and in line with the purpose of taxation	EF2
2.	Service quality	Fjeldstad (2004), Ismail (2008); Helhel and Ahmed (2014)	LGs have a good image and reputation in terms of service	EF3
			LGs provide satisfactory service	EF4
3.	Taxation basis, structure and management	Palil (2010); Bărbuţă-Mişu (2011); Engida and Baisa (2014), Helhel and Ahmed (2014); Hauptman et al. (2014), Tilahun (2018); Abd Hamid et al. (2019)	LGs impose a non-burdening tax rate	EF5
			LGs establish clear and uniform taxation basis and structure	EF6
			LGs implement an uncomplicated and simple tax system	EF7
			LGs introduce property tax payment terms and procedures that are easy to follow	EF8
			LGs have proper tax administration and management methods	EF9
4.	Staff excellence	Höglund (2016)	LG staff are friendly and caring	EF10
			LG staff are knowledgeable and able to address any related problems	EF11
			LG staff are proactively concerned about the needs of property taxpayers	EF12
5.	Education and awareness	Engida and Baisa (2014), Savitri and Musfialdy (2016); Turmin and Osman (2018)	LGs provide adequate tax education to the property taxpayers	EF13
			LGs organize related and relevant awareness programmes	EF14
6.	Payment facility	Anuar and Othman (2010), Yaakub et al. (2016); Borrego et al. (2013)	LGs use various methods of payment for property tax	EF15
			LGs introduce safe and easy payment methods	EF16
			LGs appoint committed collection agents	EF17
7.	Law enforcement	Park and Hyun (2003), Engida and Baisa (2014); Oladipupo and Obazee (2016), Abdul Razak et al. (2017); Tilahun (2018)	LGs impose additional fines or charges	EF18
			LGs exercise seal and seize actions on properties with unpaid taxes	EF19
			LGs initiate court proceedings	EF20
8.	Reminders, negotiations and incentives	Bărbuţă-Mişu (2011); Che Azmi and Voon (2014), Engida and Baisa (2014)	LGs issue constant reminders to the property taxpayers	EF21
			LGs provide fair negotiations channels on outstanding taxes	EF22
			LGs create various payment incentives such as discounts, gifts, lucky draws and the like	EF23
9.	Second-party and environmental influence	Torgler and Schneider (2007), Ali et al. (2013); Engida and Baisa (2014), Putnam et al. (2016); Tilahun (2018)	LGs able to influence second parties to encourage and remind property taxpayers	EF24
			LGs able to instil a tax-compliance culture in neighbourhoods	EF25

Table 2.
Themes and references related to tax payment encouraging factors and the developed research constructs

by the actual registered residential unit numbers derived from the standard sheet obtained from MBPP. After the lots were drawn, study enumerators visited the respective residences. There were no pre-set criteria used in determining the corresponding property owners. If the property owners were not present during the time of visit, a set of questionnaire and supplementary notes were left at the place of residence for follow-up visits.

The study questionnaire was developed using 25 constructs which were specifically derived from previous study statements and research findings which delve into the factors that encourage property tax payment. Each of these constructs was furnished with a five-point Likert scale response scheme consisting the choices of "strongly disagree", "disagree", "somewhat agree", "agree" and "strongly agree". Using the door-to-door survey approach, the questionnaires were then dispersed to the respective study respondents based on the random selection of the residential premises. Data obtained through this survey was subsequently analyzed using a quantitative methodology using descriptive and factor analyses. Descriptive analysis was undertaken to ascertain the trends and inclinations of responses registered by the respondents against the queries posed within the questionnaire. This is in line with the supposition by McClave *et al.* (2005) that defines descriptive statistics as using numerical and graphical methods to look for patterns in a data set, to summarize the information revealed in a data set and to present the information in a convenient form. Factor analysis, on the other hand, was used to identify certain factors that were related to encouraging the payment of property taxes based on statements and constructs gleaned through previous literature that were listed in the study questionnaire as a means to elicit feedback from the respondents. A study by Nik Omar (2017) similarly used factor analysis as a statistical method to identify factors that influenced the use of technology among entrepreneurs where the data quotient was the basis in determining the most influential factor with regards to the context of the study.

4. Analyses results and findings
4.1 Demographic results
Out of the 383 sample size, only 261 respondents participated in the survey by answering and returning the questionnaire forms. These duly completed and returned forms amounted to a 67.9% response rate for this study, which is deemed to be more than adequate for the purpose of this research. A majority of the study respondents comprise of those aged between 30 and 40 years, representing 61.7% of the total respondents. The total number of female respondents was higher than male respondents with a percentage of 51% representing 133 persons. A large majority of the respondents were of Malay ethnicity (75.9%) compared to Chinese and Indian ethnicity. In terms of marital status, respondents who were married at the time of the survey formed the majority of 73.6% while those who were single constituted of 53 respondents (20.3%). A majority of the respondents held either a bachelor's degree or professional qualification (85 respondents or 32.6%). In terms of employment status, 123 respondents (47.1%) were working in the government sector, 109 persons (41.8%) were working in the private sector, 19 respondents (7.3%) were self-employed and 10 persons (3.8%) were unemployed at the time of the survey. Most of the respondents (97 persons or 37.2%) in this study were earning RM3,001.00 to RM5,000.00 per month as their income, followed by respondents with a monthly income of RM5,001.00 to RM 10,000.00 (72 respondents or 27.6%), those with a monthly income of RM1,500.00 to RM3,000.00 represented by 52 respondents or 19.9%, with 21 respondents (8.0%) earning a monthly income of more than RM10,000.00 while 19 study respondents or 7.3% were earning a monthly income of less than RM1,500.00. Most of the respondents of this survey owned one residential property (223 persons or 85.4%).

4.2 Descriptive analysis and results

Table 3 shows the results of each related item in the study questionnaire.

Descriptive analysis was used in this study to obtain an overview of the general pattern and trend denoted by the respondents' feedback to the statements posed to them in the study questionnaire. Based on the results listed in Table 3, the analysis on the 25 constructs can be descriptively placed under three different categories, as shown in Table 4. As a result of the descriptive analysis and subsequent trend identification, the three constructs listed under the weak trend category were no longer considered to be significant for the next stage of factor analysis, where the encouraging factors related to property tax payment would be determined. These three constructs are as follows: LGs impose additional fines or charges (EF18), LGs exercise seal and seize action on properties with unpaid taxes (EF19); and LGs initiate court proceedings (EF20). This exclusion was based on the findings that a large majority of the respondents did not deem or view these three constructs pertaining to law enforcement as having a significant or major association with factors that may encourage property tax payment. In eliminating these three constructs, only the remaining 22 constructs/variables were further analysed via factor analysis. The Kruskal–Wallis H test was also undertaken at this stage to determine whether there is any statistically significant difference between two or more respondent groups against the study variables. As indicated in Table 3, the analysis found that the differences of respondent groups from varying levels of education and income were not significant against study variables except for a very small number of variables. For varying respondents in terms of level of education, three variables exhibited significant differences, namely, the variables of LGs provide adequate tax education to the property taxpayers (EF13), LGs issue constant reminders to the property taxpayers (EF21) and LGs instil a tax-compliance culture in neighbourhoods (EF25). As for the respondent groups from different levels of income, only one variable demonstrated a significant difference, the variable being LG staff are friendly and caring (EF10).

4.3 Results of factor analysis

Factor analysis was used within the context of this study to collate the statements related to factors that encourage property tax payment into distinctive categories or groups of factors. There is a need, however, to carry out several other tests such as the Cronbach's alpha reliability test, Kaiser–Meyer–Olkin (KMO) test and Bartlett's test of sphericity. These tests are designed to ensure that the garnered data is dependable, appropriate and valid to be subjected to factor analysis. In this study, the value of Cronbach's alpha recorded via the reliability test was 0.782. A Cronbach's alpha value of between 0.7 and 0.8 is interpreted as having a good level of reliability and is acceptable. This directly indicates that the study instrument was sound and of high consistency, and thus suitable to be used in the research. The KMO test was conducted to indicate the suitability of data, where it measures the sampling adequacy for each variable within a given model as well as the complete model. Based on the results of the analysis, the registered KMO value was 0.797 and this clearly indicates sampling adequacy. Bartlett's test of sphericity used on the study data returned a Chi-square value of 6,691.536 and the significant value of 0.000 (where $p < 0.05$). This demonstrates that there is a good correlation between the constructs or variables tested in this study and are therefore suitable for the next process. A KMO value that exceeds 0.5, and a significant value of less than 0.05 from the Bartlett's test, point to the study data set being acceptable and suitable for the purposes of implementing factor analysis (Table 5).

4.3.1 Factor analysis. The results of the factor analysis undertaken are as shown in Table 6.

Variable code	Frequency/percentage					% of Agreement	Mean	Mode	SD	Analysis of variance (Kruskal–Wallis H) asymp. sig.**	
	1	2	3	4	5*					Level of education	Level of income
EF1	0	6 / 2.3	35 / 13.4	137 / 52.5	83 / 31.8	84.3	4.14	4.00	0.7260	0.500	0.254
EF2	0	1 / 0.4	31 / 11.9	137 / 50.9	83 / 36.8	87.7	4.24	4.00	0.6674	0.601	0.152
EF3	0	0	5 / 2.0	140 / 53.6	116 / 44.4	98.1	4.43	4.00	0.5328	0.839	0.201
EF4	0	0	5 / 1.9	143 / 54.8	113 / 43.3	98.1	4.41	4.00	0.5310	0.938	0.094
EF5	0	0	0	121 / 46.4	140 / 53.6	100	4.54	5.00	0.4997	0.374	0.834
EF6	0	7 / 2.7	60 / 23.0	158 / 60.5	36 / 13.8	74.3	3.85	4.00	0.6750	0.254	0.230
EF7	0	7 / 2.7	57 / 21.8	149 / 57.1	48 / 18.4	75.5	3.91	4.00	0.7098	0.534	0.344
EF8	0	11 / 4.2	82 / 31.4	143 / 54.8	25 / 9.6	64.4	3.70	4.00	0.6991	0.091	0.116
EF9	0	6 / 2.3	53 / 20.3	155 / 59.4	47 / 18.0	77.4	3.93	4.00	0.6871	0.572	0.206
EF10	0	0	5 / 1.9	138 / 52.9	118 / 45.2	98.1	4.43	4.00	0.5337	0.491	0.038
EF11	0	0	5 / 1.9	156 / 59.8	100 / 38.3	98.1	4.36	4.00	0.5204	0.130	0.102
EF12	0	0	5 / 1.9	151 / 57.9	105 / 40.2	98.1	4.38	4.00	0.5250	0.727	0.616
EF13	0	7 / 2.7	77 / 29.5	150 / 57.5	27 / 10.3	67.8	3.75	4.00	0.6688	0.005	0.263
EF14	0	9 / 3.4	76 / 29.1	150 / 57.5	26 / 10	67.5	3.74	4.00	0.6801	0.141	0.391
EF15	0	0	12 / 4.6	132 / 50.6	117 / 44.8	95.4	4.40	4.00	0.5776	0.366	0.777
EF16	0	0	10 / 3.8	174 / 66.7	77 / 29.5	96.2	4.26	4.00	0.5181	0.861	0.847

(continued)

Table 3.
Descriptive results for statement of encouraging factors for property tax payment

Variable code		Frequency/percentage 1	2	3	4	5*	% of Agreement	Mean	Mode	SD	Analysis of variance (Kruskal–Wallis H) asymp. sig.** Level of education	Level of income
EF17		0	0	24	152	85	90.8	4.23	4.00	0.6036	0.805	0.833
		0	0	9.2	58.2	32.6						
EF18		7	39	115	85	15	38.3	3.23	3.00	0.8710	0.153	0.405
		2.7	14.9	44.1	32.6	5.7						
EF19		13	46	116	79	7	33.0	3.08	3.00	0.8842	0.290	0.443
		5.0	17.6	44.4	30.3	2.7						
EF20		18	42	111	78	12	34.5	3.09	3.00	0.9563	0.201	0.652
		6.9	16.1	42.5	29.9	4.6						
EF21		0	8	74	150	29	68.6	3.77	4.00	0.6814	0.018	0.516
		0	3.1	28.4	57.5	11.1						
EF22		0	0	5	128	128	98.1	4.47	4.00	0.5372	0.674	0.726
		0	0	1.9	49.05	49.05						
EF23		0	0	1	128	132	99.6	4.50	5.00	0.5089	0.195	0.810
		0	0	0.4	49	50.6						
EF24		0	7	75	153	26	68.6	3.76	4.00	0.6616	0.152	0.393
		0	2.7	28.7	58.6	10.0						
EF25		0	9	71	157	24	69.4	3.75	4.00	0.6645	0.038	0.368
		0	3.4	27.2	60.2	9.2						

Notes: *1 = strongly disagree, 2 = disagree, 3 = somewhat agree, 4 = agree and 5 = strongly agree; **significant at the 0.05 level

Table 3.

Category	Criteria	List of construct/variable (code)
Strong trend	i. Percentage of agreement exceeding 80% ii. A mean score that is equal to or higher than 4 iii. A mode score that is equal to or higher than 4	EF1, EF2, EF3, EF4, EF5, EF10, EF11, EF12, EF15, EF16, EF17, EF22 and EF23
Medium trend	i. Percentage of agreement that is below 80% but is no less than 50% ii. A mean score less than 4 but equals or exceeds 3.5 iii. A mode score that is less than 4	EF6, EF7, EF8, EF9, EF13, EF14, EF21, EF24 and EF25
Weak trend	i. Percentage of agreement that is less than 50% ii. A mean score that is equal to or less than 3 iii. A mode score that is equal to or less than 3	EF18, EF19 and EF20

Table 4.
Derived trends from
descriptive results

No.	Test	Results
1.	Cronbach's alpha reliability test	0.789
2.	Kaiser–Meyer–Olkin (KMO)	0.811
3.	Bartlett's test of sphericity	Approx. Chi-square 5,787.182 df = 231 Sig. = 0.000

Table 5.
Results of reliability
test, KMO and
Bartlett's test

Table 6 shows the results of the factor analysis undertaken onto the developed 22 constructs that form the statements defining factors that encourage property tax payment. Based on Table 6 as well as the graphical representation illustrated via the Scree plot in Figure 1, five components can be easily identified as having an eigenvalue of 1.0 or greater, explaining around 81% of the total cumulative variance. The higher percentages of total variance justifies that a strong relationship exists among a group of variables under a study. The analysis results also demonstrate that the 22 study variables were collated under five main themes of factors (components). The first component that was formed involves five variables, representing 20% of the total study variables. These five variables are as follows: LGs issue constant reminders to the property taxpayers; LGs influence second parties to encourage and remind property taxpayers; LGs organize related and relevant awareness programmes; LGs provide adequate tax education to the property taxpayers; and LGs instil a tax-compliance culture in neighbourhoods. All these statements returned a high correlation value. Through the factor analysis, the value of the loading factor for each variable was able to be clearly identified. Comrey and Lee (1992) cited the often-used guideline for interpreting loading as follows: 0.71 = excellent, 0.63 = very good, 0.55 = good, 0.45 = fair and 0.32 = poor. The loading factor value recorded by each of these statements under the first factor was in the range of 0.896–0.871. These values indicate that there is a significant correlation between all five statements under the banner of the first factor (component). The next component contains six variables or 24% of the total variables included in the study. These six variables registered loading values that range from very good to excellent, where their values firmly sit in the range of 0.634–0.849 in terms of loading value. Component 3 comprises five variables, representing 20% of the total variables, with loadings of values from 0.774 to 0.904, making these variables to fall under what is considered to be an excellent range. In Component 4, there are four variables present, representing 16% of the total study variables. These four variables exhibit loading values

| Statements of encouraging factors for property tax payment	Components					Communalities
	1	2	3	4	5	
Factor 1: LGs' capability for proactive action						
LGs issue constant reminders to the property taxpayers	0.896					0.938
LGs able to influence second parties to encourage and remind property taxpayers	0.894					0.930
LGs organize related and relevant awareness programmes	0.890					0.926
LGs provide adequate tax education to the property taxpayers	0.885					0.912
LGs able to instil a tax compliance culture in neighbourhoods	0.871					0.913
Factor 2: Payment stimuli						
LGs use various methods of payment for property tax		0.849				0.866
LGs create various payment incentives such as discounts, gifts, lucky draws and the like		0.800				0.808
LGs provide fair negotiation channels on outstanding taxes		0.758				0.693
LGs impose a non-burdening tax rate		0.747				0.717
LGs introduce safe and easy payment methods		0.704				0.608
LGs appoint committed collection agents		0.634				0.522
Factor 3: Quality of staff and service						
LG staff are friendly and caring			0.904			0.910
LGs have a good image and reputation in terms of service			0.862			0.802
LG staff are knowledgeable and able to address any related problems			0.808			0.757
LGs provide satisfactory service			0.799			0.718
LG staff are proactively concerned about the needs of property taxpayers			0.774			0.703
Factor 4: Reliable tax foundation and governance						
LGs implement an uncomplicated and simple tax system				0.828		0.931
LGs have proper tax administration and management methods				0.823		0.877
LGs establish clear and uniform tax basis and structures				0.784		0.872
LGs introduce property tax payment terms and procedures that are easy to follow				0.686		0.565
Factor 5: Smart and efficacious expenditure						
LGs spend according to and in line with the purpose of taxation					0.921	0.913
LGs' expenditure is transparent and efficient					0.912	0.919
Eigenvalues	4.189	4.083	3.921	3.152	1.817	
Variance (%)	21.904	18.559	17.822	14.327	8.257	
Cumulative variance (%)	21.904	40.463	58.285	72.612	80.869	

Table 6.
Factor analysis results
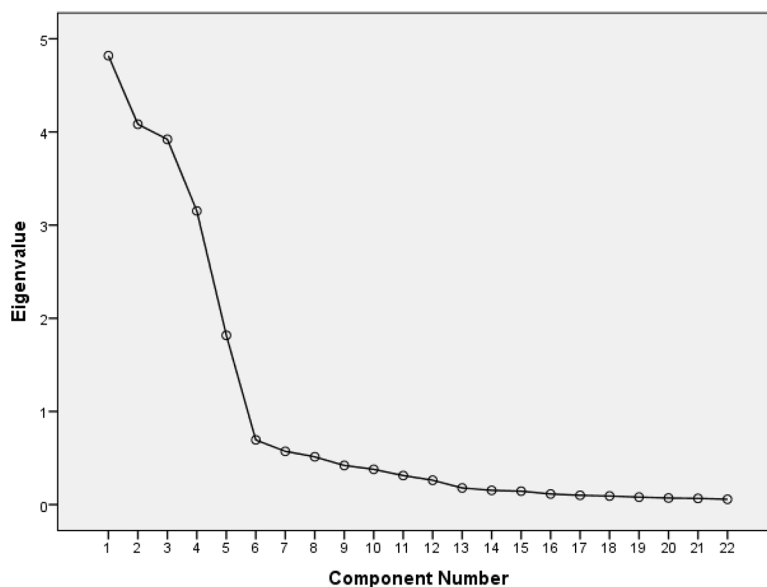
Figure 1.
Scree plot

between 0.686 and 0.828 and are justifiably regarded to be in the range of very good to excellent. Finally, two variables have been placed under component five. The loading values of these two variables are 0.921 and 0.821, respectively. Both loadings are in the excellent range.

5. Findings and discussion

As stated early on in this article, the main purpose of this study was to determine encouraging factors for property tax payment by way of using identified constructs gleaned from review of existing literature. Based on the findings of the descriptive analysis, it was found that out of the 25 constructs/variables that were initially identified, only 22 constructs could be considered as being significant enough to be further scrutinized and examined via factor analysis. The outcome of the factor analysis was the grouping of these 22 constructs/ variables under the umbrella of five distinctive main factors (components). The first factor was themed as "LGs' capability for proactive action", where this factor addresses the ability and capacity of the LGs to proactively implement specific action in ensuring taxpayers exercise their legal responsibility of settling the due property taxes. Proactive action towards this end is indeed necessary to achieve the target of increasing LGs' financial sustainability as addressed by Sarwoto (2010). The form or nature of proactive action in this context entails the implementation of several specific approaches or strategies that would ensure property taxpayers are constantly reminded to pay their respective taxes. These reminders may even originate from the LG organization itself or alternatively from other sources or parties. An aspect of the variables listed under this factor is the ability of the LG to educate second parties as well as to inculcate a tax-compliance culture within the surrounding neighbourhoods as intermediary proxies that will remind and alert property owners to fulfil their tax-paying responsibilities. Proactive action is also closely tied to the capacity of the LG organizations to hold awareness programmes that are able to entice taxpayers to participate in these programmes and, as a direct takeaway, instil an innate

realization within themselves about the necessity to pay their property taxes. Awareness on taxation is directly associated with the act of reminding taxpayers. This has been explained by Hastuti (2014), where it was stressed that being notified and aware is very important to achieve taxpayers' compliance because tax compliance is vital in safeguarding and sustaining government expenditure. Proactive action may also revolve around the ability of the LGs in executing specific educational programmes. These programmes are designed in a way to enlighten the masses about the importance and necessity of timely tax payment as a means of ensuring a better quality of life in the local community.

The second factor developed in this study is under the banner of "Payment stimuli". In the initial "payment facility" theme as discussed in the literature review section of this article, only three constructs were listed in this theme, revolving around the various forms of payment facilities, safe and secure payment methods and the presence of supporting agencies that facilitate as well as assist in tax collection and remittance. The factor analysis, however, garnered a total of six constructs that fall under the payment stimuli factor where these constructs were not merely limited to the LGs committing themselves to the aforementioned payment facility constructs, but rather further extended to include additional considerations such as the need to ensure a pragmatic taxation rate, incentives to encourage tax payment and the room for negotiation and discussion on the payment of outstanding taxes. These additions point to the fact that the scope of payment stimuli is relatively wider than what was initially discussed within the theme of payment facility based on gleaning the available literature. This essentially indicates that there is a significant need to expand the original scope to cater other similar constructs or variables, resulting in the breadth of the payment stimuli factor as formulated in this study. In terms of the rate and magnitude of tax to be imposed, a lower and reasonable rate will influence a higher tendency among taxpayers to settle their respective property taxes. Tax payment incentives can act as an additional encouragement to taxpayers in fulfilling their tax obligations. The use of incentives can be seen as a form of positive acknowledgement accorded to the taxpayers. Tax amnesties introduced by several LGs during certain specific periods also are a kind of incentive that may have a favourable impact towards decreasing tax arrears in Malaysia as it allows for a slight reduction on the financial amount that needs to be settled by the offending taxpayers. There also needs to be room for negotiation when it comes to tax payment. Property owners who are facing financial difficulties in settling the due taxes may use this avenue for negotiation to allow the arrangement of payment schemes that will assist these affected owners in paying their arrears and eventually become responsible taxpayers.

The findings of this study also point to the existence of a specific factor that encourages property tax payment in form of "Quality of staff and service". This factor is labelled as such because the five constructs carried within it focus on staff efficiency and expertise as well as a service quality level demonstrated by the LGs that can be highly regarded in the minds of the local community, in particular, the property taxpayers. All taxpayers should be treated accordingly without prejudice via a level of service that does not discriminate. LG staff or officers need to possess sufficient expertise and skill when it comes to giving advice, guidance and assistance to taxpayers when the need arises. The service quality of LGs is generally a product of the quality inherent within LG staff, as more often than not, these frontline staff deal and transact directly with the property taxpayers. Providing good service will establish a comfortable atmosphere during the interactions between taxpayers and staff enabling positive experiences and future perceptions. This might then impart a sense of encouragement for the taxpayers to pay their taxes in a timely manner. Another mitigating factor within this banner is the image and work quality portrayed by the LG staff

or employees. With high work standards and quality, a favourable image and reputation of the LG can be forged. On the flipside, if LG staff do not profess to an acceptable level of service quality, the image of the entire LG may degrade and falter. A positive reputation can be maintained and sustained over time if LG staff keep meeting the demands and satisfaction levels required by the taxpaying public. By doing so, the public will come to a realization that it is worth their efforts, consideration and time in paying the assessment rates, and this realization will spur them to fulfil their duty in settling their assessment rates within the stipulated time (Mohd *et al.*, 2018).

The fourth factor developed in this study is the "Reliable Tax Foundation and Governance" factor, consisting of four constructs that touch on the tax base, structure, procedure and property tax administration and management system exercised by the LGs onto the residential property owners. A reliable tax foundation can generally refer to the basic clarity and accuracy of taxation elements, tax structure and the related property tax procedures. Reliable governance hinges on an effective tax administration and management system practiced by the LG. This is what Hauptman *et al.* (2014) discovered; that the important way to encourage tax compliance is to keep the rules as clear and simple as possible, while overly complicated tax systems are associated with high evasion. This discovery implies that unreliable tax governance in LGs will ensue in a form of mental fatigue within the taxpayers and eventually lead to prolonged tax arrears. From the literature review, originally five constructs were listed under a similar theme with this factor, but the factor analysis streamlined the constructs into four apt statements. The "LGs impose a non-burdening tax rate" construct was excluded from the final list under this theme but emerged under the "Payment stimuli" factor. This reshuffling of where this construct was housed indicates that the study respondents view the aspect of imposed tax rate suitability is not being part of tax base and structure, but more suited to be placed as a form of stimulus that pushes property taxpayers to fulfil their taxation obligations.

The fifth and final factor generated in this study is termed as the "Smart and efficacious expenditure" factor. The factor is nominated as such because the two constructs under the purview of this factor clearly emphasize the need for LGs to constantly demonstrate efficient, transparent and justifiable expenditure to the community at large and the taxpaying public in particular. This in turn will convince the taxpayers that their hard-earned monies are expended in the right manner towards elevating the standard of living for the related communities. This finding is also consistent with discussions put forth in early literature review section of this article. Besides this, the finding also suggests that constructs gleaned from the literature under the enforcement theme were not significant enough to be included as determinant encouraging factors that promote property tax payment. This is underlined by the fact that study respondents do not perceive enforcement to be an encouraging factor but rather view it as a form of burden, penalty and a threat-like action taken by the LGs towards taxpayers and their payment habits.

In the literature section, the theme of discussion regarding encouraging factors of assessment tax payment revolves around nine distinct categories. Eventually, however, after study data was analyzed, these encouraging factors were realigned and streamlined to five categories. Therefore, this study rejects the initial hypothesis of this research and affirms the alternative hypothesis that encouraging factors of property tax payment involve five specific factors as follows: LGs' capability for proactive action; payment stimuli; quality of staff and service; reliable tax foundation and governance; and smart and efficacious expenditure.

The rejection of the null hypothesis explicitly demonstrates that the findings of this research to vary from the discourse apparent in and gleaned from existing literature. This

difference can be attributed to several aspects, particularly those concerning the prominent factors, where this study concluded with five factors, whereas previous literature alludes to nine different themes that paint a larger and wider dimension regarding the spectrum of the encouraging factors. The dissimilarity of the content/construct within each factor is another finding of this research towards contributing a new outlook to current body of knowledge. For instance, discussions regarding service quality were not merely limited to image, reputation or a star-rating system within the LG organizations but also encroached the subject of personality and quality, expertise and sensibility of the staff employed under each LG organization. In addition, the findings of this study also determine that legal enforcement factors such as seizures and asset forfeiture, penalties and court proceedings are in no uncertain terms considered as a factor that may encourage property tax payment. This finding diverges from the discourse in previous literature where enforcement methods were deemed to be a factor that can increase property tax collection.

6. Conclusion

For a LG organization, revenue from property taxes is a major source of income as well as a means to enable the organization to effectively render a host of services to the local communities. The issue of property tax arrears has been a prolonged bane that afflicts a large majority of these LG organizations. This issue reduces the financial capabilities of LGs in bearing the fiscal cost of successful service provision. Numerous efforts have been implemented by the LGs to address this issue of property tax arrears with the hopes of effectively mitigating this problem. In this study, five factors that encourage property tax payment were determined via responses and feedback canvassed from a select group of property taxpayers. This determination of factors could prove as a direct impetus for LGs to undertake precise and relevant strategies as well as action plans in ensuring taxpayers are constantly engaged and receptive to fulfilling their taxation obligations and responsibilities. These forms of inducement would not help the LGs to realize their intent of generating maximum income from property tax revenues but more importantly help to alleviate the long-standing problem of assessment tax arrears as well as to progressively stop the almost cancerous-like growth of this unwanted issue.

The findings of this study should be seen as a segue to a larger more comprehensive study being conducted throughout entire Malaysia. The scope of this study involved a relatively small participation in terms of sample size and, in particular, only involving respondents from one specific locality under the jurisdiction and operations of one specific LG. In Malaysia, there are over 100 different localities that come under the purview of different and various LG organizations. Therefore, while the findings of this study are valid and significant, there is a clear need for a study of similar intent to be carried out in a large scale to further validate the findings. Apart from the geographical and administrative factors, other salient demographic aspects such as age, strata of society, level of income and other corresponding elements may also need to be comparative variables in further enhancing the already significant study findings. Within the context of larger and more extensive studies, findings from those studies may be beneficial in developing a comprehensive as well as effective assessment tax policy or management and administration framework. The developed policy or framework will be able to integrate the discovered tax payment encouraging factors as means to mitigate the problem of tax arrears faced by LGs within Malaysia. Future studies should scrutinize all encouraging factors that influence tax-paying habits in arriving at findings that are not only relevant and reliable but, more importantly, practical.

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