

The Personal Characteristics that Influence Tax Auditors' Conciliatory Style: An Empirical Study

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ABSTRACT

The way a tax auditor deals with taxpayers can give an impact on audit settlement outcomes. Qualitative studies show that tax auditors often use the conciliatory style as a strategy to resolve disputes because it expedites audit settlement and promotes long-term compliance. However, there is no study that has empirically examined the factors that influence tax auditors' conciliatory style. This study aims to examine the influence of personal characteristics i.e. attitude towards achieving goals, experience and ethical ideology on tax auditors' conciliatory style in resolving audit settlement disputes. Six hundred and thirty-six questionnaires (63.6% of response rate) were usable for data analysis. The results revealed that all the personal characteristics surveyed significantly influenced tax auditors' conciliatory style. This study can extend the literature on tax auditors' behaviour and facilitate the Inland Revenue Board of Malaysia in better understanding their auditors.

Keywords: Conciliatory style, dispute resolution, enforcement regulatory style, Inland Revenue Board of Malaysia, personal characteristics, tax auditors

INTRODUCTION

The Inland Revenue Board of Malaysia (IRBM) is responsible for administering, assessing, collecting and enforcing direct tax. Tax audit has become a major compliance activity by the IRBM since the implementation of the self-assessment system in 2001. In 2014, the IRBM resolved 1,869,932 tax audit cases and collected RM4,472.42 million in additional taxes and

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penalties from the cases (Inland Revenue Board of Malaysia, 2014).

Tax auditors are responsible for examining taxpayers' returns and verifying that taxpayers have correctly declared their tax liabilities according to law. They act as a public face and represent IRBM in enforcing tax law. The way a tax auditor deals with taxpayers can give an impact on audit outcomes and future compliance. The behaviour of tax auditors in dealing with taxpayers is particularly crucial during resolving audit settlement disputes. A tax auditor has to adopt an appropriate strategy to harmoniously resolve disputes with taxpayers (Smith & Stalans, 1994; Muhammad, 2013).

Researchers have found that the public oppose strict approaches and prefer to be persuaded to comply with the law (Mahmood, 2012). Long-term compliance as well as mutual trust between enforcers and the regulated parties can be fostered by applying the conciliatory style as it builds good relationship and cooperation between the two parties in resolving disputes (Malcolm et al., 2009; May & Winter, 2011). In the context of taxation, the Organisation for Economic Co-operation and Development (OECD) suggests that tax administrators should move from command regulation to soft approaches, for example, the conciliatory style, when taxpayer attitudes towards compliance increases (Organisation for Economic Co-operation and Development, 2004).

Researchers (Smith & Stalans, 1994; Muhammad, 2013) have found that tax

auditors generally adopt the conciliatory style when dealing with taxpayers. Tax auditors' enforcement regulatory approach in dealing with taxpayers can be influenced by several factors including personal characteristics, taxpayers' characteristics and managerial control (Muhammad, 2013). However, the theory has not been tested empirically on tax auditors, particularly on IRBM tax auditors. This study aims to fill the research gap by examining the influence of personal characteristics on tax auditors' conciliatory style in resolving audit settlement disputes.

The first section of this paper discusses the literature review on enforcement regulatory theory, tax auditors' behaviour and factors contributing to personal characteristics. The researcher formulated testable hypotheses for each personal characteristic. This is followed by explanation of research methodology and data analysis process used in this study. The findings are reported in the results and discussion section. Finally, the last section of this paper concludes the study.

LITERATURE REVIEW

Enforcement Regulatory Theory

Enforcement relates to the action of examining an event to determine the nature and degree of non-compliance and to take actions to correct it. Enforcement is vital to make sure that corrective action is taken to protect the environment or to secure compliance with the regulatory system (Abbot, 2009). Enforcement regulatory style

is an approach performed by enforcers to deal with regulated parties in performing their duties (Bardach & Kagan, 1982; Hawkins, 1984; Reiss, 1984). Under the theory, there are two major enforcement regulatory styles adopted by enforcers, the legalistic and the conciliatory style. The legalistic style is based on coercion and compulsion as the primary concern is to stick firmly to tax rules and regulations by utilising punishment for violating the regulation (Bardach & Kagan, 1982; Hawkins & Thomas, 1984; Scholz, 1984; May & Winter, 1999; Malcolm et al., 2009). Applying the legalistic style can result in short-term compliance because of immediate punishment of the public (Braithwaite & Braithwaite, 2000; Leviner, 2008).

On the other hand, the conciliatory style is based on accommodation and cooperation (McAllister, 2009). In this approach, enforcers educate, advice, persuade, negotiate and bargain with the regulated parties (Hawkins, 1984; Hutter, 1989; Winter & May, 2001; Malcolm et al., 2009). They also forgive minor offences and provide technical assistance to facilitate the regulated parties to comply with regulations (Scholz, 1991).

Different enforcement regulatory styles have been employed by enforcers and are discussed in several past studies (e.g. May & Wood, 2003; Leviner, 2006; Murphy, 2008; Mascini & Van Wijk, 2009; Mahmood, 2012). The researchers found that there is a positive influence between enforcement styles and the regulated parties' knowledge of the rules, as well as between the degree of

cooperation between regulated parties and enforcers. Studies also found several factors that influence enforcement regulatory styles, for example, individual characteristics, organisational commitment and social context. However, there are limited studies in the area of taxation that adopt this theory.

Tax Auditors' Behaviour

A tax auditor is a person who interacts with taxpayers during the conduct of an audit and who influences the taxpayers' compliance behaviour (Isa & Pope, 2011). As a representative of the IRBM in each audit interaction with taxpayers, the tax auditor should consider the treatment that is given to taxpayers during an audit process. This is because the way tax auditors treat taxpayers can influence the public's perception towards them. The perception of the public towards tax auditors can be positive or negative depending on the tax auditors' behaviour regarding how tax auditors treat taxpayers and taxpayers' experience when dealing with tax auditors during an audit. If taxpayers have a positive perception of tax auditors, disputes can easily be resolved but if they have a negative perception of tax auditors, disputes can hardly be resolved and both parties then have to spend more time, energy and cost to resolve disputes. Given this point, tax auditors' behaviour is crucial in audit settlement disputes. However, researchers have given little attention to tax auditors' behaviour.

Smith and Stalans (1994) and Muhammad (2013) used enforcement

regulatory theory in their studies to explore tax auditors' strategies in resolving disputes. They found that tax auditors applied different enforcement regulatory styles in resolving disputes such as strict enforcement, threatening, bargaining, finding new correct solutions and holding firm with their decision. There are no other empirical studies that examine tax auditors' enforcement regulatory styles.

Conciliatory Style and Personal Characteristics

Tax Auditors' Conciliatory Style. The conciliatory style is also known as the accommodative, compromise, compliance, co-operative and persuasive style (Versluis, 2003; Malcolm et al., 2009; May & Winter, 2011). Enforcers who adopt this enforcement regulatory style are friendly, lenient, responsive and flexible (Kagan & Scholz, 1984; Murphy, 2008). The approach could cultivate mutual trust between enforcers and regulated parties as the enforcers trust the regulated parties and sympathise with their problems in trying to comply with the regulations. In this approach, enforcers are helpful in providing advice and they are responsive to the concerns raised by the regulated parties (May & Winter, 2011).

Tax auditors generally adopt the conciliatory style when dealing with taxpayers (Smith & Stalans, 1994; Muhammad, 2013). This is consistent with the IRBM's objective of educating taxpayers, particularly those who have lower education levels (Muhammad, 2013). The conciliatory style is also a suitable

strategy to enhance the possibility of ending disputes, expediting audit settlement, avoiding backlog audit cases and promoting future compliance (Muhammad, 2013).

Attitude towards achieving goals. Attitude plays a critical role in employee behaviour towards organisational commitment (Baldwin et al., 2013). Fishbein and Ajzen (1975) defined attitude as the positive and negative evaluative effect of individuals in performing a particular behaviour. Attitude is evaluative where it reflects a person's tendency to react favourably or unfavourably to the attitude object (Wan Sulaiman et al., 2013). Organisational commitment is a connection between employees and the organisation that comprises a strong belief and acceptance of the organisation's goals and values, willingness to put forth considerable effort on the organisation's behalf and higher desire to remain with the organisation (Mowday et al., 1982).

Gbadamosi (2003) asserted that the more favourable the individual's attitudes towards the organisation, the more the acceptance of the individual towards the goals of the organisation for they are willing to strive on behalf of the organisation. When employees are committed to their organisations, they may simply accept and adhere to the organisation's objectives and goals (Valentine et al., 2002). Meyer et al. (1993) and Baugh and Roberts (1994) found that employees who are committed have high performance expectations, and therefore would perform better. This is supported by Imran et al. (2014), who

found a positive significant relationship between organisational commitment and performance.

In tax audit, Muhammad (2013) found that tax auditors who are committed to achieving the IRBM targets i.e. revenue collection and number of completed audit cases tended to be more lenient with taxpayers. The conciliatory style is adopted by the tax auditors to protect the IRBM's good image, ensure that the disputes are settled harmoniously and promote future compliance. Therefore, the following hypothesis was developed:

H1: Attitude towards achieving goals significantly influences the tax auditors' conciliatory style in resolving disputes.

Experience. Enofe et al. (2014) defined experience as competency, skills and knowledge gained by someone through time. In auditing, audit experience refers to knowledge, competencies and capabilities that auditors gain from audit tasks in their profession (Intakhan & Ussahawanitchakit, 2010). In IRBM particularly, those who have more than three years of audit experience can be regarded as experienced tax auditors (Muhammad, 2013). An experienced auditor has the capacity to identify the correct information that will assist in his judgement (Bonner, 1990). He is also able to facilitate the provision of better quality audit findings and produce better recommendations (Badara & Saidin, 2014).

In tax studies, Muhammad (2013) found that experienced tax auditors have better understanding of the behaviour of different taxpayers than inexperienced tax auditors. When dealing with bad-tempered taxpayers, experienced tax auditors will avoid arguing with them, and simply listen to their explanation. These auditors understand the importance of letting the taxpayers calm down and feel respected. Experienced tax auditors are more lenient and relaxed when dealing with taxpayers as they aim to build a good relationship and resolve disputes amicably (Muhammad, 2013). Thus, the following hypothesis was formulated:

H2: Experience significantly influences the tax auditors' conciliatory style in resolving disputes.

Ethical ideologies. Ethical ideologies are a set of beliefs, values and attitudes that may influence one's judgement and decision-making when faced with complex situations and ethical dilemmas (Monga, 2001; Ameh & Odusami, 2010). There are two dimensions in ethical ideologies: idealism and relativism. Idealism refers to the extent to which an individual believes that with the 'right' action, desirable consequences can always be obtained. Idealistic individuals also accept the universal moral principles in making ethical judgement. On the other hand, individuals who repudiate universal moral principles can be termed as relativistic (Forsyth, 1980).

The combination of the two dimensions (idealism and relativism) produces four types of ethical ideology: situationism, absolutism, subjectivism and exceptionism (Forsyth, 1980). As presented in Table 1, individuals with high idealism and high relativism (Situationists) reject moral rules and believe that each situation has to be examined individually (Forsyth, 1980; Chudzicka-Czupala, 2013). Absolutists are individuals with high idealism and low relativism. They maintain rigid adherence to

universal moral principles and they believe that they should produce positive outcomes for everyone involved (Forsyth, 1992). Meanwhile, individuals with low idealism and high relativism are subjectivists who make decisions based on personal values and perspective and reject universal moral principles. Exceptionists are individuals with low idealism and low relativism who respect universal moral principles, but allow exceptions to the rules (Forsyth, 1980; Chudzicka-Czupala, 2013).

Table 1
Taxonomy of ethical ideologies

Idealism	Relativism	
High	High	Low
	Situationist Rejects moral rules; advocates individualistic analysis of each act in each situation; relativistic	Absolutist Assumes that the best possible outcome can always be achieved by following universal moral rules
Low	Subjectivist Appraises based on personal values and perspective rather than universal moral principles; relativistic	Exceptionist Moral absolutes guide judgement but pragmatically open to exceptions to these standards; utilitarian

Source: Forsyth, 1980

Forsyth (1980) developed an ethics position questionnaire, which consists of 20 items that measure idealism (10 items) and relativism (10 items) to determine individuals' ethical ideology. This ethics position questionnaire has been used in many studies such as those of Shaub et al. (1993), Douglas et al. (2001), Davis et al. (2001) and Woodbine et al. (2012). Shaub et al. (1993) found that idealism is associated with greater professional commitment, whereas relativism is associated with lower

professional commitment, organisational commitment and ethical sensitivity. Douglas et al. (2001) found that idealism is related to ethical judgment but there is no significant relationship between relativism and ethical judgment. Davis et al. (2001) found that idealism was a significant predictor of individual judgement of morality and that relativism was unrelated to moral judgement to all scenarios (retiree benefits, consumer deception, foreign labour and environmental pollution) except for one

scenario, healthcare benefits. In a more recent study by Woodbine et al. (2012), the authors found that more idealistic auditors are likely to be less lenient in judging ethical issues that involve problems of independence and objectivity, while more relativistic auditors are more likely to be lenient in judging ethical issues of independence and objectivity.

With regards to the present study, tax auditors were seen as enforcers who must adhere to rules and regulations, make correct decisions and be fair with the public. Tax auditors who adhere to rules and regulations accept universal moral principles and can be categorised as idealistic. Idealistic tax auditors encourage taxpayers to comply with the law and resolve disputes harmoniously. On the other hand, tax auditors who reject universal moral principles can be categorised as relativistic. Relativists believe that moral action depends upon the present situation and individuals involved. They tend to weigh the circumstances more than the ethical principle. Relativistic auditors also tend to take actions that yield one's personal advantage and positive outcome to particular situations (Karande et al., 2002; Kung & Huang, 2013). Elias (2002) and Mohd Mustamil (2010) stated that the relativistic individual is more lenient in judging unethical behaviour and making ethical decisions. Hence, the following hypotheses were developed:

H3: Idealism is significantly related to tax auditors' conciliatory style in resolving disputes.

H4: Relativism is not significantly related to tax auditors' conciliatory style in resolving disputes.

RESEARCH METHODOLOGY

A survey questionnaire was used as the research instrument. The questionnaire had three sections: Section A, B and C. Section A contained the demographic profile including items such as gender, age, education level, position, grade, working experience and work place. Section B contained items for the independent variables. The items were close-ended questions using a five-point Likert scale ranging from 1 (strongly disagree) to 5 (strongly agree). There were six items for measuring tax auditors' attitude towards achieving goals. All the items were adopted from Md. Taib et al. (2008) and Lada et al. (2009). Ten items were adapted from Morgeson and Humphrey (2006) to measure tax auditors' experience. For tax auditors' ethical ideology, questions were adopted from Forsyth (1980) on 20 items. Finally, Section C had five items that were adopted from Lo et al. (2009) to measure tax auditors' conciliatory style behaviour. The questionnaire was written both in Bahasa Melayu and English.

The questionnaire was verified by two experts in the subject area. The first was a senior lecturer in taxation who had eight years' working experience with IRBM. The other expert was an IRBM assistant director from the Division of Statistics and Data Integrity, Department of Tax Operation in Cyberjaya. Several modifications were made based on the comments and suggestions

provided by the experts such as word structure, spelling, translation, font size and format of the questionnaire. Fifty modified questionnaires were distributed to IRBM investigators in the agency's Jalan Duta branch for a pilot test. However, only 21 questionnaires were returned to the researcher. According to Nieswiadomy (2002) a sample size of about 10 participants is sufficient to conduct a pilot study. The reliability analysis was conducted and the Cronbach's alpha value for all variables was found to range from 0.766 to 0.870. Hence, no changes were made to the questionnaire (Nordin & Muhammad, 2015).

After the pilot test, 1,000 copies of the questionnaire were mailed to IRBM tax auditors in Peninsular Malaysia. The tax auditors were responsible for performing desk and field audit on small and medium enterprises (SME). The SMEs had less than RM25 million in turnover yearly and the majority of the taxpayers were not being represented by tax agents when dealing with the IRBM. Six hundred and ninety-two questionnaires were returned by the tax auditors. However, 56 incomplete and unusable questionnaires were excluded from analysis. Thus, only 636 (a response rate of 63.6%) questionnaires were used for analysis.

Data Analysis

The data were keyed in and analysed using the Statistical Package for the Social Sciences (SPSS) version 21 software. The data went through a screening process to identify missing data and outliers. The

researchers found 56 missing values in the dataset. Even though missing data is a common problem in many research studies (Sekaran & Bougie, 2010), the researchers chose to discard the 56 missing values as it was the safest method to deal with missing data (Allison, 2002). As for the outliers, the researchers converted the values for all cases of the variables into standard scores (Hair et al., 2006). The results showed that there were no outliers in the dataset because the scores for all cases of the variables were below 4 (Hair et al., 2006). Subsequently, further analyses such as frequency analysis, exploratory factor analysis, reliability analysis and regression analysis were performed.

RESULTS AND DISCUSSION

Frequency Analysis

Table 1
Demographic profile

Demographic profile	Categories	Frequency	%
Gender	Male	260	40.9
	Female	376	59.1
Age	20-30 years	138	21.7
	31-40 years	428	67.3
	41-50 years	41	6.4
	51 years and above	29	4.6
Education level	Diploma	7	1.1
	Degree	576	90.6
	Master's	34	5.3
	Professional Recognition (e.g: ACCA, MIA)	19	3.0

Table 1 (continue)

Demographic profile	Categories	Frequency	%
Position	Auditor (desk and field audit)	597	93.9
	Audit group leader	38	6.0
	Audit manager	1	0.2
Grade	Grade 41	537	84.4
	Grade 44	95	14.9
	Grade 48	4	0.6
Working experience	0-3 years	127	20.0
	4-6 years	107	16.8
	7-9 years	229	36.0
	10 years and above	173	27.2
Branch that you are working with is located in the state of	Johor	140	22.0
	Melaka	26	4.1
	Negeri Sembilan	33	5.2
	Selangor	97	15.3
	Federal Territory of Kuala Lumpur	61	9.6
	Federal Territory of Putrajaya	18	2.8
	Pahang	18	2.8
	Perak	85	13.4
	Kelantan	13	2.0
	Terengganu	24	3.8
	Pulau Pinang	66	10.4
	Kedah	49	7.7
Perlis	6	0.9	

Table 1 shows that the majority of the respondents were female (i.e. 376 respondents at a percentage of 59.1%). In terms of the respondents' age, the majority of the respondents (67.3%) were aged between

31 and 40 years old, followed by respondents aged between 20 and 30 years old (21.7%). Only 4.6% of the respondents were aged 51 years old and above. A total of 90.6% of the respondents had a Bachelor's degree as their highest education level. Only 5.3% of the respondents had a Master's degree, while 3% had a professional accounting recognition such as the Association of Chartered Certified Accountants (ACCA) and the Malaysian Institute of Accountants (MIA).

The majority of the respondents were members of audit teams (93.9%) and were at grade 41 (84.4%). In terms of work experience, the results showed almost an even number of respondents in each group, with 36.0% of the respondents having 7 to 9 years of working experience, followed by 27.2% of the respondents, who had more than 10 years' working experience and 20.0% of the respondents, who had 0 to 3 years' working experience. The remaining 16.8% of the respondents were those who had 4 to 6 years' working experience. A total of 22% of the respondents worked in Johor, while the lowest percentage, 0.9%, worked in Perlis.

Exploratory Factor Analysis

The exploratory factor analysis can be conducted using the Kaiser-Meyer-Olkin (KMO) measure of sampling adequacy and Bartlett's test of Sphericity. According to Hinton et al. (2014), the Kaiser-Meyer-Olkin (KMO) measure of sampling adequacy is used to test whether the variables

are adequate for correlation. The result showed a value of 0.853, which is above the minimum value of 0.6 for good factor analysis (Tabachnick & Fidell, 2007). As for Bartlett's test of Sphericity, Hinton et al. (2014) mentioned that it is used to see whether there is a relationship between the variables based on the significant p-value <0.05. The result of Bartlett's test of Sphericity for this study was 0.000, which showed significant relationships between the variables.

Direct oblimin rotation was conducted prior to the exploratory factor analysis. The results showed that there were some items that had to be discarded from the analysis. For the independent variables, three items were deleted for attitude towards achieving goals, four items were deleted for experience and 11 items were deleted for ethical ideology. As for the dependent variable, two items were deleted for tax auditors' conciliatory style.

Reliability Analysis

Reliability of the research instrument can be assessed through Cronbach's alpha value. Hair et al. (2011) indicated that the minimum value for Cronbach's alpha is 0.7. Results from the reliability analysis showed that the Cronbach's alpha values for independent variables were 0.870 for attitude towards achieving goals, 0.866 for experience, 0.837 for idealism and 0.716 for relativism while the Cronbach's alpha value for the dependent variable, which was the tax auditors' conciliatory style, was

0.761. This shows that the Cronbach's alpha value for both independent and dependent variables exceeded the minimum value. Therefore, all the items for measuring the variables were considered reliable.

Regression Analysis

The results of the regression analysis are presented in Table 2, Table 3 and Table 4. Table 2 presents the R square value, indicating that 27.2% of the variance in tax auditors' conciliatory style can be explained by all independent variables (attitude towards achieving goals, experience, idealism and relativism). Table 3 shows the F and p-value were 59.079 and 0.000, respectively, which concludes that the regression were statistically significant. Table 4 presents regression coefficient results for each of the independent variables. The results show that all the independent variables i.e. attitude towards achieving goals, experience, idealism and relativism significantly influenced the tax auditors' conciliatory style. All the hypotheses were supported except for H4, as the results showed that relativism was also significantly related to tax auditors' conciliatory style.

Gbadamosi (2003) and Valentine et al. (2002) agreed that employees who are committed to their organisation accept and adhere to the organisation's objectives and goals. In this regard, tax auditors who aim to achieve targets set by the IRBM tend to be lenient with taxpayers (Muhammad, 2013). This study supports prior literature that found that an attitude towards achieving

Table 2
Model summary of regression analysis

Model Summary ^b				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.522 ^a	0.272	0.268	0.41876

a. Predictors: (Constant), RELATIVISM, ATAG, EXP, IDEALISM

b. Dependent Variable: TACS

Table 3
ANOVA Results

Model Summary ^b						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	41.440	4	10.360	59.079	0.000b
	Residual	110.652	631	0.175		
	Total	152.093	635			

a. Dependent Variable: TACS

b. Predictors: (Constant), RELATIVISM, ATAG, EXP, IDEALISM

Table 4
Regression coefficient for the independent variables

Coefficients ^a							
Model	Unstandardised Coefficients		Standardised Coefficients	t	Sig.	Collinearity Statistics	
	B	Std. Error				Beta	Tolerance
	(Constant)	1.450	0.187		7.759	0.000	
	ATAG	0.084	0.026	0.121	3.273	0.001	0.847 1.181
1	EXP	0.282	0.041	0.261	6.859	0.000	0.795 1.257
	IDEALISM	0.183	0.034	0.209	5.342	0.000	0.753 1.328
	RELATIVISM	0.114	0.025	0.161	4.507	0.000	0.907 1.103

a. Dependent Variable: TACS

goals is significantly related to tax auditors' conciliatory style in resolving disputes.

The results also showed that experience influenced the tax auditors' conciliatory style. Experienced tax auditors have dealt with different taxpayers' behaviour (Muhammad, 2013). For example, taxpayers who do not want to present their business

records and documents perceived that record keeping was a waste of time and did not want to agree with the audit findings. In dealing with these taxpayers, experienced tax auditors were more prepared, calm and lenient when resolving disputes as they could use their prior experience and knowledge to build good rapport with the taxpayers and

at the same time, disputes could be resolved harmoniously (Muhammad, 2013).

In terms of ethical ideology, the results showed that both characteristics of idealism and relativism influenced the tax auditors' conciliatory style in resolving audit settlement disputes. As has been explained, idealistic tax auditors accept universal moral principles, aim to have positive outcomes, adhere to rules and regulations and encourage taxpayers to comply with the law. Tax auditors must have idealism as a characteristic to avoid bribery and corruption. The results support the respectable image of IRBM officers, who have had no charges of corruption levelled at them by the Malaysian Anti-Corruption Commission (MACC). Relativistic tax auditors, on the other hand, feel that the ethics of a particular action depends upon the nature of the situation and the taxpayer's actions can be accepted when they yield a positive outcome in a particular situation (Karande et al., 2002; Kung & Huang, 2013). Relativism as a characteristic can be associated with other factors such as managerial control, achieving audit targets, audit settlement deadlines and the different behaviour of taxpayers. These factors require tax auditors to use their best judgement in managing mixed responsibilities (Muhammad, 2013); tax auditors are not only responsible for striving to fulfil their responsibilities to their management (i.e. deadlines, audit targets) but also to the public (i.e. correct decision, fairness to taxpayers). Relativistic

tax auditors use their best judgement, for example, excluding insignificant tax issues, to resolve disputes amicably and expedite audit settlement.

CONCLUSION

As enforcers of law, tax auditors have to adhere to the rules and regulations and be fair to taxpayers. To resolve audit settlement disputes, tax auditors are usually confronted with difficult situations and ethical dilemma (e.g. incomplete records, managerial pressure and unique cases in taxpayers' business operations). In handling these situations and issues, tax auditors have to consider various factors before making a right decision. They also have to use a suitable enforcement style to avoid backlog cases and ensure long-term compliance. This study focussed on the personal characteristics and conciliatory style of tax auditors.

The conciliatory style is the preferred enforcement regulatory method in dealing with the public to promote long-term compliance. Tax auditors who adopt the conciliatory style will educate, advice, persuade, negotiate and bargain with taxpayers. They also forgive minor offences and provide technical assistance to facilitate taxpayers in complying with regulations. The findings of this study revealed that attitude towards achieving goals, experience, idealism and relativism significantly influenced the tax auditors' conciliatory style in resolving audit settlement disputes. Ethical ideology as a factor (i.e. idealism

and relativism) indicated that tax auditors' ethical ideology may change according to situation and issue.

This is among the first empirical study that examined personal characteristics and the conciliatory style adopted by tax auditors. The results not only improve the limited number of published studies on tax auditors' behaviour but can also help IRBM to better understand tax auditors' behaviour. This study, however, only focussed on tax auditors in Peninsular Malaysia and used the purposive sampling technique. Hence, generalisation of the findings from this study need to be treated with caution. This study also did not focus on different stages of dispute resolution in audit settlement. It is recommended that future studies expand the sample size to Sabah and Sarawak and examine other factors such as taxpayers' cooperation, tax agents' behaviour, difficulty of audit cases and stages of the dispute resolution process.

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