THE FEASIBILITY OF DEVELOPING
A NEW TAX ADMINISTRATIVE SYSTEM
FOR INLAND REVENUE BOARD, MALAYSIA
BASED ON VOLUNTARY COMPLIANCE

By

MARINA BINTI A. AZIZ

Bachelor of Science

University of Malaya

1983

Submitted to the Faculty of

Economics and Administration

University of Malaya

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the requirements for the Degree of

MASTER OF BUSINESS ADMINISTRATION

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ABSTRACT

The goal of modern tax administration is to foster voluntary tax compliance, and that the level of voluntary compliance is one of the determinants of an effective tax administration.

It is the intention of the researcher to look at an alternative method that promises to be more effective than the present system of tax administration particularly in its assessment and collection function. The alternative system is based on voluntary taxpayer compliance.

To achieve this objective, the research effort explores the voluntary tax compliance and evasion determinants for individual taxpayers and policy and program responses introduced to ensure tax compliance and disincentives to tax evasion.

The research methodology included the construction and administration of a survey questionnaire distributed to 63 tax collectors and tax agents. The survey instrument was designed to measure the respondents' perceptions of the Malaysian tax administrative system, the level of taxpayer compliance, the literacy and ethics of taxpayers, and to identify alternative policy and program responses that will help promote voluntary compliance.

Results of the study revealed that most tax collectors believe that IRB should change the present practice and system in assessment and collection of taxes, enforcement of the tax law, and training of tax collectors. Most tax agents feel IRB should change the present tax assessment, taxpayer service, and technical procedures.

Tax collectors and tax agents are also of the view that IRB place greater emphasis on fiscal and tax education as well as tax assistance in order to promote voluntary tax compliance among the Malaysian public.

Since taxpayer's compliance level affects the tax collection, it becomes the responsibility of IRB to provide a favourable climate for exercising voluntary compliance. One of the ways is through an administrative reform with changes to the current assessment, collection, enforcement, and service procedures and practices.

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