CHAPTER 3

RESEARCH METHODOLOGY

The primary objective of this paper is to develop an alternative tax system for Malaysia based on voluntary taxpayer compliance. To achieve this research objective, the methodology employed was by way of a survey on Malaysian tax collectors and tax agents. This chapter describes the design of the research questionnaire, the sampling procedure, the data collection procedure, and data analysis.

3.1. Research Questionnaire Design

The survey instrument was a nine page questionnaire in two sections (see Appendix 1) Section A which consisted of 20 questions/statements (16 forced-choice (closed-ended) and four open-ended) 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 to promote voluntary compliance. Section B was designed to develop personal data of the respondents. Specifically, the survey examines:

In Section A,

(i) The respondents’ general perception about the present Inland Revenue Board (IRB) as a whole, its functions and what should be done to the current tax administrative system as in questions 1 through 4 such as:

‘In general, what is your opinion about the efficiency of the Inland Revenue Board (IRB) as a tax collecting agency?’

(1) Highly efficient (2) Fairly efficient (3) Not efficient (4) Extremely inefficient (5) Not sure;’ and ‘You are entrusted in leading the management of IRB. Do you think you would make changes to the Board’s current practices?

(1) Yes (2) No (3) Not sure”.

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(ii) General concepts of a self-assessment tax system and the idea of introducing it in IRB as in questions 5 through 7. Among others, question 6 asked: 'How do you feel should the government approve the implementation of the self-assessment system i.e. taxpayers computing their own taxes? (1) I would agree (2) I do not agree (3) It depends'.

(iii) Tax awareness and literacy of taxpayers.

Question 8 was asked in order to identify group(s) of taxpayers who know how to manage their own tax affairs without any assistance from tax agents while question 14 was an attempt to rate Malaysian taxpayers' literacy level from the perspectives of tax collectors and tax agents. This was followed by question 15 whereby 8 possible programs to improve tax literacy listed and respondents were required to rank them.

(iv) Data on voluntary tax compliance

Question 9 and 13 among others were intended to identify group(s) of taxpayers with a particular source of income who have options not to comply with the tax law and group(s) of taxpayers who have negative attitudes toward taxation. This was followed by question 19 whereby 7 possible programs to promote voluntary compliance listed and respondents were required to rank them.

(v) Data on tax evasion

The level of tax ethics of Malaysian taxpayers was recorded vide question 16 which asked: 'How would you rate taxpayers' ethics on his/her own tax matters, on a scale of 1 through 9 (with 9 being very ethical and 1 being very unethical)?'. Finally, the survey instrument was also designed to prioritise some of the possible causes of tax evasion as per question 17.
In Section B, the demographic information of the respondents were collected. It covered age, sex, marital status, monthly personal income, education level, occupational status, and tax experience. The demographic variables were measured through close-ended multiple choice questions where respondents were asked to categorise their demographic profiles.

Due to the constraints faced by the researcher, only one version, the English version of the questionnaire was produced although there was intention initially to produce a Bahasa Melayu translation. Therefore, only respondents who were quite conversant with English language participated in the survey particularly the group of tax collectors from IRB.

3.2. Sampling procedure

The study was conducted on two groups of respondents which comprise of tax collectors (public tax administrators) and tax agents. As for the tax collectors, a total of forty-eight technical officers working in the Assessment Branches in Jalan Duta, Jalan Kg. Attap, and Wangsa Maju were surveyed. The respondents ranging from the positions of Senior Assistant Director to Assessment Officer were selected from the staff list of all three branches. The cooperation received from the staff was excellent with forty-four (ninety-two percent) of the questionnaire completed and returned.

As for the second group of respondents, tax agents as defined under Section 153(a), (b), and (c) of the Income Tax Act of 1967 (as amended) were randomly selected for the survey. Under the Act, a tax agent means:

(a) a professional accountant authorized by or under any written law to be an auditor of companies;

(b) any other professional accountant approved by the Minister [of Finance]; or

(c) any other person approved by the Minister on the recommendation of the Director General.
The tax firms that were randomly selected for the survey were also allowed to select their technical staff to participate in this study. Though a smaller number of questionnaires (twenty-one) were sent out to the tax firms compared to IRB, the response rate for tax agents was as high as for tax collectors (nineteen questionnaires (91%) were completed and returned). In total, the survey was conducted among 63 respondents. This gives a response rate of 91 percent.

3.3. Data Collection Procedure

Before the actual data collection process was carried out, a pretest was conducted. 4 sets of the questionnaire were given out to respondents in the Jalan Kg. Attap office in order to detect ambiguity or bias in the questions. Only minor adjustments were made to the scale in questions 1 dan 4 in Section A.

The relevant data was collected using the survey method over a period of three weeks. The self-administered drop-off method was used whereby the questionnaires were distributed by hand through friends and acquaintances who are working in the three Assessment Branches concerned and the selected tax firms. They were briefed beforehand on the requirements of the survey. The completed questionnaire were collected personally.

3.4. Data analysis

The survey data (closed-ended responses) were analysed using the Statistical Package for Social Science/PC+ Program (SPSS/PC+). By using this statistical tool, the researcher ran frequency distributions for all variables as well as selected crosstabulations controlling education, occupation, and tax experience. Crosstabulation analysis was also conducted between two respondents groups and selected variables in order to examine the relationship of two or more variables.
The data was analyzed according to the sub-group used in the study: tax collectors and tax agents. In this way, the researcher was not only able to analyse the respondents in total but also examine and evaluate any pattern, similarity, peculiarity, and significant difference in responses between the two respondent groups. The open-ended responses were examined for similarity in response pattern before the responses were categorized and summarized for reporting purposes.