CHAPTER 5

CONCLUSION

This chapter concludes the study by briefly describing the objectives and the results of the research. Based on the results, some suggestions are made for the tax administrators and policy makers. Limitations of the study and recommendations for future research are also discussed in this chapter.

5.1 Overview of the study

This study seeks to explore the present structure of the Malaysian tax administrative system, its practice and theory; the literature of voluntary tax compliance and evasion; policy and program measures that have been taken to promote tax compliance and discourage evasion and the perceptions of Malaysian tax collectors and tax agents regarding the current structures of the tax administration and the expectation of an alternative tax administrative system. Data for this study was collected through the use of a survey questionnaire whereby the drop-off method was employed in the survey. Sixty three (63) respondents comprising of 44 tax collectors and 19 tax agents participated in the Survey.

5.2 Interpretation of Survey Findings

The results of the survey are summarised below:

(i) There is a difference in opinion among tax collectors and tax agents as to the performance of IRB. While a great majority of tax collectors seem to belief that the Board is 'efficient', most tax agents did not think so. The split of opinion between these 2 groups of respondents can be observed in a number of issues because the respondents represent two different tax institutions.

(ii) Tax collectors suggest that the 'assessment procedure', 'enforcement procedure', 'staff training program', and 'technical procedure' are the more important practices that the Board should change.

(iii) Other than the 'assessment procedure', tax agents suggest that 'taxpayer service, 'technical procedure', and 'collection procedure' are among the present practices that require change.

(iv) Most respondents are confident with the IRB computation in determining taxes due to the taxpayers.

(v) Taxpayers who have a college, university or professional qualification know how to calculate their own income taxes.

(vi) The literacy level of Malaysian taxpayers is just about average.

(vii) To increase taxpayer awareness and knowledge especially on their own tax matters, the Inland Revenue Board should simplify tax return and forms and provide free pamphlets on how to calculate various taxes. Besides this, taxpayers should be given easy access to all information needed by them.

(viii) Taxpayers who are daily paid/receive income from odd jobs, rental of properties in Malaysia and those with business income have the greatest 'opportunity' and are 'more likely' not to comply with the tax laws.

(ix) To promote voluntary compliance among the taxpaying public measures which IRB should consider include : 'emphasis on taxpayer education', and 'simplifying the tax law'. A common feeling among tax collectors and tax agent is that IRB should also introduce positive incentives to attract taxpayers to comply with the tax law.

(x) The ethics level of Malaysian taxpayers is also about average.

(xi) Most tax collectors are of the view that taxpayers evade taxes because there are opportunities/options available not to comply. However, tax agents feel that the main reason for evasion is due to low tax literacy among taxpayers. In other words they lack the ability to comply with the tax law.

(xii) The survey data indicate that a significant majority of respondents (57%) think the government should allow taxpayers to compute their own taxes. However, a smaller percentage (48%), have reasons to believe that taxpayers will comply voluntarily with the tax law if given the opportunity.

5.3 Contributions of the Study

The outcome of the study would provide the empirical data upon which tax administrators and policy makers may be able to base on action plan in order to deal with tax compliance behaviour more effectively. The survey analysis will function as a measure and framework for administrative reform that will promote the level of voluntary compliance among the Malaysian taxpaying public.

The results of the survey indicate that in order to introduce a new administrative system which is based on voluntary compliance, the current major functions like assessment, collection, enforcement, training and appeal need to be changed. In other words, the government must expect some level of voluntary compliance on the part of taxpayers during the assessment and collection of taxes, as well as enforcement of the law. The acceptable level that IRB can expect is attained when the tax agency can collect the expected tax revenues at an acceptable administrative cost and without burdening taxpayers in exercising their compliance.

The review of the literature reveals that 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. The findings of this study also indicate that in order to gain compliance from the tax community, the tax agency is

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expected not only to be responsible in providing a favourable climate for exercising compliance but must also be successful in detecting and punishing noncompliance.

From the literature review of the Malaysian tax administration given in Chapter 1, it can be concluded that the current Malaysian tax administration is far from being capable of improving its voluntary compliance level. Therefore, a comprehensive overhaul/reform with changes to the current assessment, collection, enforcement, and service procedures and practices as called for.

5.4 Limitations of the Study

This study is an exploratory study and being one, it is not without limitations. Due to time and cost constraints faced by the researcher, the sample size was only limited to 63 respondents comprising 44 tax collectors and 19 tax agents. For the tax collectors' group, the study was confined only to technical officers in three Assessment Branches in the Klang Valley. Samples from other Assessment Branches throughout the country and/or other other Divisions of IRB like Collections, and Investigation Centres may yield different results. The nineteen tax agents only form a small representative group from three tax firms in the Klang Valley.

Although pretesting of the questionnaire was carried out to remove any ambiguities, respondents may still have different representations of the statements used. This may arise from different level of competency in the command of language and level of education.

5.5 Recommendations for Future Research

The limitations mentioned in the previous section point toward a wider scope for future research in this area.

Firstly, the study could be replicated with a larger sample and cover a more diverse area in the country so as to have more generalizable findings. A somewhat similar

survey can also be conducted on individual taxpayers to measure their attitude and literacy levels toward taxation as well as their perceptions of the present tax administration. The results could then be compared with that of tax collectors and tax agents.

A further extension of the study could be undertaken to determine if program responses as determined by tax collectors and tax agents are successful in increasing tax literacy and compliance levels of taxpayers.