

ABSTRACT

Many studies have been done on the on acceptance of e-filing to amongst taxpayers. One of it carried out by Fu, Farn and Chao (2005) that conducted a survey in China. However, not many studies focus on tax e-payment yet. Therefore, this study is done in order to really examine and investigate in the real world, how is the acceptance of Malaysian taxpayers in using e-payment, especially in paying their tax liability. The main objective of the study is first is to compare the criteria of both manual and electronic taxpayers towards the usage of e-payment method in paying their tax liability with the government. Second is to ascertain the taxpayers' perception on e-payment. Third is to identify the motivation to use e-payment. Lastly is to understand the affect of perceived usefulness (PU) and perceived ease of use (PEOU) in the context of e-payment acceptance amongst taxpayers in Malaysia. Compatibility (CMP) being included that serves as an antecedent of both PU and PEOU. The study adopts and extends the Theory of Acceptance Model (TAM) and Theory of Perceived Behavior (TPB) which are based on the Theory of Reasoned Action (TRA) and also to include perceived risk (PR) subjective norm (SN) which has been highlighted to give significant effect towards behavior of users towards usage of certain system.

Keyword: e-payment, Theory of Acceptance Model (TAM), Theory of Planned Behavior (TPB), taxpayers

CHAPTER 1: INTRODUCTION

1.1. Background of the study

The Prime Minister, Dato' Seri Najib in his Budget 2010 speech lays firm foundation for a high-income economy which promote electronic services particularly on the payment method. Amongst issue highlighted; all public-listed firms would be required to offer e-Dividend to shareholders to increase efficiency of the payment system; the government proposed to give tax relief to broadband subscription fees by up to RM500 a year from 2010 to 2012 to individual taxpayers while civil servants can now apply for computer loans once in three years from five years before up to a maximum of RM5,000 in order to raise computer literacy and all public-listed companies are expected to offer e-dividend and stock broking companies to provide e-payment options.

Studies have shown that shifting from paper based to more electronic based payment systems can generate an annual savings up to 1% of GDP. Further research has also shown that it becomes a catalyst that promotes increased consumption spending. Moreover, it can also enhance financial inclusion by extending financial services to the unbanked communities. In so doing, such communities would be brought into the formal financial system and into the economic mainstream. This would not only promote the opening of banking accounts amongst this target group but would also enable them to enjoy lower the cost of financial services and better means of savings, thus benefiting the economy as a whole.

As the electronic payment channels become more easily accessible, user-friendly and offered at a low cost, it would thus provide the opportunity to shift the remittance flows from the informal to formal channels. Indeed, electronic payments can be one of the strategic tools to meet these objectives and achieve higher economic growth. Electronic payment increases operational efficiency and improves productivity levels through expedient payments and receipts of funds. Electronic payments would also provide the speed and convenience of making payments from any place or time. It also reduces costs through the reduction of redeployment of resources used for handling cash and cheques.

Among the series of initiatives that have been implemented to promote the greater use of electronic payment relates to the leadership role of the Government in the migration to electronic means of payment. As most individuals and businesses have payment transactions with the Government, the role of the Government in accepting electronic payments has provided an important catalyst for the adoption of electronic payment on a national scale. In this regard, Bank Negara Malaysia has been in active partnership with the Government to drive the electronic payment agenda. This has also served to reinforce the Government's objective to enhance the efficiency of the public delivery system. This collaboration has resulted in the acceptance of the use of cards including the ATM card, which also functions as a debit card, for over the counter services and

the offering of payment services via Internet banking and the Internet-based Financial Process Exchange (FPX) payment system.

Not only Bank Negara Malaysia, the IRBM is now moving towards the same paradigm. Using e-payment will not only benefit the government but also the nation as a whole, including tax payers. Researches such as Hoffman et al., (1995), Alba et al., (1997) and Peterson et al., (1997) have discussed several benefits that offered to the consumers with regards to most online activities. The Internet allows consumers to conduct transactions within a few mouse clicks. To the IRBM, e-payment minimizes the tax officers' workload and operational cost due to the payment of tax liability is done in a paperless environment. It is also reduces the costs of processing, clearing and handling of cash/cheques. To the taxpayers, e-payment offers convenient, saves time from queuing at the counter or hassle to post the cheque to the IRBM office and they are able to settle their outstanding tax liability at their convenience. Tax e-payment provides many aspects of convenience to a degree that is not quite available through traditional channels. These conveniences can serve as a key driver of e-payment acceptance.

Amongst benefits of electronic payment is very convenient for the taxpayers. In most cases, you only need to enter your account information once. The information is then stored in a database on the web server. When they come back to the web site, they just log in with id and password. Completing a

transaction is as simple as clicking a mouse. All they have to do is confirm their payment and they are done. Electronic payment lowers costs for an individual or organisation. The more payments they can process electronically, the less they spend on paper and postage.

It is well recognized that the application of information technology in tax administrations is one the most critical measures to improve the tax compliance. It is also one of the most focused points for tax administration reforms in many developing countries including Malaysia. E-filing and e-payment have been the important factor towards taxpayer services to increase convenience in filing tax returns and paying taxes as well as bringing benefits to the tax authorities. While many developing countries have introduced e-tax services with success, many other developing countries are at the preparation stage or have not introduced the system yet. Many studies have been done on the on acceptance of e-filing to amongst taxpayers. One of it carried out by Fu, Farn and Chao (2005) that conducted a survey in China. However, not many studies that focuses on e-payment yet. Therefore, this study is done in order to really examine and investigate in the real world, how is the acceptance of Malaysian taxpayers in using e-payment, especially in paying their tax liability.

1.2 Purpose of the study

Past studies on tax compliance suggest that evasion or compliance is attributable to both economic and social-psychological factors, which complement one another. Therefore in order for the IRBM to battle tax evasion and improve compliance, they should implement policies and programs covering both economic and psychological responses (Hasseldine and Bebbington, 1991). Among the proposals that need to be practiced all over the world in order to improve on the compliance are; increase audit activities; penalties and sanctions; taxpayer education and service; positive incentives; e-filing and e-payment.

Therefore, the IRBM has taken a step in introducing e-payment under the Self Assessment System (SAS). SAS requires taxpayers to understand all the rules and regulations that govern taxation in Malaysia. This is necessary because taxpayers will have to calculate themselves the amount of tax they need to pay and make the payment to the IRBM (Mustafa, 1996). In other words, they have to know what they should comply to when submitting the tax return form using e-filing and make payment using e-payment.

Taking into all consideration in, whether introducing e-payment is really a beneficial step both to taxpayers and the IRBM itself is a question. This study will concentrate on finding the result of the system after few years being introduced, whether taxpayers willing to adopt with the new method in making payment

electronically. The issue that was highlighted for this study is the different of taxpayers' overview towards the usage of e-payment method in Malaysian tax system. The IRBM has given an alternative for taxpayers to make payment electronically by just one click so that payment can be done within the specified period. E-payment is one of the method that being use by the government to improve tax compliance of taxpayers with minimum cost for tax collection.

1.3. Significance of the study

This study was carried out basically to help practitioners and researches better understand the taxpayers' acceptance towards e-payment method in the current Malaysian tax structure. It is in line with the environment of IT savvy amongst the Malaysian citizen. Survey was done in order to investigate technology acceptance of Malaysian individual taxpayers in settling their tax liability by using various method introduced by the Inland Revenue Board of Malaysia (IRBM).

The significant of the study can be described as follows. First, it will add to the existing e-payment literatures by focusing on the importance of the perceived usefulness on the acceptance of tax e-payment in Malaysia. Second, it is useful to the IRBM to identify the variables that the taxpayers perceive to be important about the e-payment method in the tax system. Lastly, findings from the study can be a useful guide to the service provider (IRBM and commercial banks) in

their strategy development through highlighting the areas that the e-payment system could be further improved for better performance in the future.

1.4. Objectives of the study

Fu, Farn and Chao (2005) has highlighted in their research that manual taxpayers had lower education, older with less computer, internet experience and IS resources, and also online less frequently compare to electronic taxpayers. Electronic taxpayers were found experienced with eTax which adjust their system-specific perception to reflect their interaction with the system. While manual taxpayers might not have had one since they may base their perception on general belief about computers and its usage. Base on the findings, the first objective were established in comparing the criteria of both manual and electronic taxpayers towards the usage of e-payment method in paying their tax liability with the government.

The Inland Revenue Board of Malaysia (IRBM) has launched the 2010 Income Tax Payers Service Month (BPPC) with the first session to start April 1 and end on April 30. (Bernama, 31 March 2010). It's a service for income tax payers especially for individual tax payers getting income from other sources apart from business with a theme; "Tax at Your Finger Tips: Lets e". It has called all tax payers to use the electronic systems such as e-filing, e-Payment, e-Registration, and others. This statement shows that the Malaysian tax authority really want to

make it happen that every tax payers are encourage to use e-filing and also e-payment.

This has been supported by the statement from Chief Executive Officer of IRBM, Datuk Hasmah Abdullah, on 31st March 2010; "Electronic communication and transactions are a key part of Inland Revenue Board of Malaysia (IRBM)'s service delivery. IRBM is committed to taxpayers' online security and has built robust systems to support online transactions. For best success, individuals and businesses also need to be aware of safe online practices. With an increasing number of Malaysians expected to file tax returns electronically this year, IRBM advises people to be cautious when responding to SMS and email messages, especially those claiming that the recipient owes money or is entitled to a tax refund,"

The IRBM has done a lot in promoting e-payment method, but how taxpayers react to those promotions is a question to ask. Therefore, the second objective of the study is to ascertain the taxpayers' perception on e-payment.

IRBM has provides the convenience of filing taxes and payment online through its e-filing and e-payment services, where taxpayers can submit their tax return and make payment electronically through the Internet. As at the end of 2009, 1.6 million Malaysian taxpayers have registered for e-filing services, and it hopes to receive 2 million income tax returns online this year (The Star, 10 March 2010).

IRBM has deployed a comprehensive security infrastructure for its electronic services and is using the public-and private key encryption system for the services. Backup systems and disaster recovery measures have also been setup to ensure business continuity.

Those statements made by IRBM shows assurance and promotion towards all taxpayers to use e-payment method. Their action thus support statement made by Dr Zeti Akhtar Aziz, in 2008;” The adoption of a more expedient and efficient means of payment will substantially increase the level of efficiency and thus reduce costs. An important function and responsibility of the Central Bank is to promote the development of safe and efficient payment systems. Any inability to make payments in an economy would have a far reaching and widespread impact on society. Therefore to ensure that the public and businesses can make payments in a safe and efficient manner, the government is taking advantage of the technology and innovation wave and to move towards more efficient payment modes.”

Through statements made by the IRBM it seems that taxpayers have started to accept the usage of e-payment method. Though, they still try to improve their services in order to gain confidence from all taxpayers to use it. That is why the third objective comes in to identify the motivation to use e-payment amongst taxpayers.

While IRBM is promoting taxpayers in using electronic payment in paying their tax liability, Central Bank is ensuring that the system is safe, efficient and secured. To test the level of acceptance amongst taxpayers in using the e-payment method in settling their liability with the government two different aspects need to be study. The acceptance on the technology and also acceptance on the new paradigm can be classified as perceive ease to use (PEOU) and perceived usefulness (PU). But most individual reluctant to use the electronic medium in making transaction especially the one that involves money is the risk that might occur if the system is not secured or proven with good service quality. This can be classified as perceived risk (PR).

This is where the last objective comes in, to understand the affect of perceived usefulness (PU) and perceived ease of use (PEOU) in the context of e-payment acceptance amongst taxpayers in Malaysia. Usefulness and ease of use is considered as the most important factor in the acceptance of e-payment which drives users to start using it and continue with it once they perceive it is beneficial to them. Compatibility (CMP) being included that serves as an antecedent of both PU and PEOU. The study adopts and extends the Theory of Acceptance Model (TAM) and Theory of Perceived Behavior (TPB) which are based on the Theory of Reasoned Action (TRA) and also to include perceived risk (PR) subjective norm (SN) which has been highlighted to give significant effect towards behavior of users towards usage of certain system.

1.5 Limitation of the study

This study is an exploratory study and being one, it is not without limitations. The plan was originally to get reach of more people from different background for the survey so that I can get better view of the e-payment acceptance amongst taxpayers in Malaysia but due to limited time and cost constraints faced, the sample size was only limited to 179 respondents and most of them are basically from similar background (i.e. highly educated and employed with same range of income that pay tax through the monthly tax deduction). Therefore, since the sample size that use e-payment is so small then the correct behavior can't really be predicted precisely.

The limitations mentioned point toward a wider sample for future research in this area. Firstly, the study could be replicated with a larger sample and cover a group of employed and self-employed or maybe companies to make a clearer comparison. Secondly, an interview with tax consultants or the Inland Revenue Board can be carried out to see their perceptions towards tax e-payment. Thirdly, spread out the survey to people from different background and demographic area. There is also a need for further studies to be conducted in order to analyse knowledge factor on e-payment behaviors, especially among taxpayers who do not pay and submit their tax return form electronically.