

## **CHAPTER 5: CONCLUSIONS & RECOMMENDATION**

## 5.1 Summary and conclusion

Past studies have shown that demographic factors influence taxpayers' intention to tax e-filing (Fu, Farn & Chao, 2005). Research findings have suggested that there was a significant difference between taxpayers who pay their tax liability manually or electronically. Analysis shows that manual taxpayers are mostly older than electronic taxpayers, with higher level of education and more working experience though having computer and internet facilities at work or home. This explains that the current taxpayers' behavior is reflected by age.

Electronic taxpayers mostly younger working adult that work in private sector, have already use the computer and access to the internet for longer period and basically submitted their tax return form using e-filing. This is the things that need to be focus on that encourage taxpayers to do e-payment. Younger people that mostly working in private usually have time constraint to pay tax at the counter since they have less annual leave and sometimes have to stay long hours. Other than that, they are exposed to the latest technology and are confident to use it since they have been using the computer and access to the internet more than the manual taxpayers. Addition to that, they also have use almost the same method in e-filing, then there's no reason why they did not use e-payment since it is easier, cheaper and less time consuming.

In comparison, even though older taxpayers have computer and internet facilities at work or home, they did not use the e-payment system due to the fact that they were not really using the facilities or exposed to electronic payments before. Therefore, they are not really confident in using the e-payment method in settling their tax liability with IRBM. Meanwhile, younger taxpayers are more exposed to the facilities since they are using the computer and accessing the internet for longer period. Due to that, they are more confident in using the e-payment method since they are familiar with the facilities and most probably they are common user of the other electronic payment method available in the market.

The taxpayers' perception on e-payment is ascertained based on the descriptive analysis done. Their perception towards resources that facilitate the e-payment method is good. They do not think that it is expensive and difficult to use since all equipments are easily available. They also feel safe and secure when using e-payment, since they did not perceived risk in the system. In term of technology support, respondents were slightly agreed that it easy for them to get support when using computer or internet either at home or work. Feedback from respondents shows that they slightly agree with the statements that it easy for them to learn and use e-payment method. In other words, taxpayers perceived that e-payment method is beneficial since they agree that it is useful, easy to use, compatible and safe. It is within the current norm that e-payment is widely used for various transaction and they feel comfortable using it since they have

the technology and resources available that facilitate the system. This has answered the second objective of this study.

The third objective to identify the motivation to use e-payment is shown when analysis was done on certain demographic factors which show significant effect towards variables tested. When analysis done on the perception of taxpayers who submit their tax return form and pay their tax liability manually and electronically, it shows that manual taxpayers are being motivated by the usefulness, compatibility and ease of use of the system. Subjective norm does also contribute towards taxpayers that pay their tax manually. Meanwhile, electronic taxpayers are being motivated by the low risk of the system itself. As low risk involvement of the system does motivate them to use the e-payment method, resources facilitating condition does also contribute towards their motivation. It shows that taxpayers who have experience will be motivated to keep on using the system so long there's no risk involved in their transaction. While taxpayers who have never use the system feel that they will be motivated to use it if they find it useful, easy to use and if the system is compatible with their daily routine and acceptable by norm.

The study has found that the sole contributor which significantly affects the taxpayers' intention towards e-payment is the usefulness of the system. PU was the largest determinant of BI in regression analysis while CMP goes second. SE is the third largest determinant while PEOU is the fourth largest determinant

towards BI in regression analysis. The other variable, like SN, PR, RFC and TFC does not really significant and does not show much contribution towards BI. SN falls under fifth factor that determine usage of e-payment amongst taxpayers under regression analysis. Meanwhile, PR becomes the least important determinant under regression. RFC and TFC do complement each other since it become as the sixth and seventh contributor towards BI. The study has given better understanding on the effect of perceived usefulness (PU) and perceived ease of use (PEOU) in the context of e-payment acceptance amongst taxpayers in Malaysia. As has been proven by many researchers, PU has become the major determinants towards acceptance of new system, so as acceptance of the e-payment system amongst Malaysian taxpayers. PEOU does not give significant affect towards Malaysian taxpayers in accepting e-payment system for tax purposes.

The findings of this study has shown that IRBM and the government has done a lot in educating the citizen on the technology usage which most respondents accept that resources and technology facilitating conditions in Malaysian tax system is good. These factors has been analysed to give less important determinant amongst taxpayers intentions to use e-payment method. It is also proven by analysis on perceived risk factor that resulted become the least important factor of all that affect the behavioral intention of taxpayers towards the e-payment system. This highlighted that the confidence level of respondents on electronic payment is high and taxpayers does not really concern on the security

and privacy of their information with the parties involve. They trust both the IRBM and the panel banks will keep it confidential from public since they have open up the account with the said bank.

The factors that need to be focus on are the usefulness and compatibility of the system to taxpayers. As long as the IRBM can prove and ensure that it is beneficial and useful to them, taxpayers are willing to use the system at anytime. While doing their work at the office or at home, taxpayers can still log on to the IRBM's website or their panel banks to do their transaction successfully at the fingertips anytime. They do not have to worry to rush during office hour and go to the IRBM's counter or to the banks to settle their tax liability. The hassle of traffic jam and full parking no longer exist.

Other than that, some concern should be put towards the ease of use and efficacy of the system since there's some point that shows it does give some determinant toward behavioral intention. Though most taxpayers agree that the online system is easy to use and they are capable to use the system, still IRBM and banks have to make it more user-friendly and understandable in order to attract more non users to start using it in the future. They have to show that everyone can learn to use the system easily and belief that they can adopt it fast.

## 5.2 Suggestion and recommendation for future research

From field study carried out while distributing the survey questions to taxpayers that use e-filing facility at IRBM's branches (Kg Attap, Cheras and Shah Alam) some point were observed that the taxpayers are not introduced for such method due to the fact that they did not provide the facilities at the branches. The e-filing services that being used at the branches is using intranet while for e-payment, they need to use internet. This is the limitation that they faced currently, that's why they are not really promoting on the e-payment usage. People who do not have computer and internet facilities cannot use e-payment though they use the e-filing method. Some the officer also advice them either to pay at the IRBM's counter at Jalan Duta or at their panel banks instead. This is something that needs to be studied further in the future if the need of e-payment is critical.

Awareness of IRBM's tax officers about an e-payment system is important. They should be encouraged to use the services first. Then only campaigns are followed to make taxpayers clear about benefits of the e-payment system, thereby encouraging and persuading them to use the service. Advantages of an e-payment system need to be highlighted for example it is time saving: fast to process and refund; cost effective: paperless and less storage; accurate: automatic calculation and verification by computer; easy and convenient: open even non-business hours; increase of productivity: reduction of workload enhancing quality and accuracy of information; and secure: PIN, ID, password, challenge questions, etc.

Before setting up an e-payment system, IRBM should have an agreement with all commercial banks to become tax-administration agents. It is important to note that some banks have a limit for e-payment due to the security reason. Hence, when selecting banks, pilot projects with specific groups of taxpayers are necessary before spreading out to other sectors and then nationwide. If tax authorities treat all taxpayers equally and friendly, the possibility of mandatory compliance will be possibly considered. More banks involves in the system means more taxpayers can use e-payment. The coverage of highest possible online users will lead to more taxpayers using the e-payment system.

### **5.3 Implications to beneficial parties**

This study might beneficial to both taxpayers and tax authorities. Taxpayers with lack of knowledge on such system might be exposed with the information while filling up the survey form and might more for it. While tax authorities might also consider more promotion and advertisement on the system itself and also start to educate taxpayers to use both e-filing and e-payment at the same time. They might consider in giving the facilities available to assist taxpayers to do e-filing and e-payment at their branches as well. For a start it might be bit costly, but in future they might make it mandatory for all taxpayers to pay electronically as has been practiced in India currently.



In India, the optional scheme of electronic payment of taxes for income-tax payers was introduced in 2004. With a view to expand the scope of electronic payment of taxes, the Government of India proposed to make the scheme mandatory for income-tax payers made applicable from 1st April, 2008. Tax-payers can make electronic payment of taxes through the internet banking facility offered by the authorized banks. They will also be provided with an option to make electronic payment of taxes through internet by way of credit or debit cards. Moving forward, IRBM might have to follow the Government of India in making e-payment method mandatory to all taxpayers in order to gain the most benefits from it. But, again the IRBM have to ensure that the local environment as a whole is enabled for electronic payment in order to get full acceptance on the technology and norm changes.

Firstly, is the need to put the payment infrastructure in place. The infrastructure for making payments would need to be widened and enhanced to provide the convenient access to electronic payments. In addition, solutions need to be developed to enable users to integrate easily with the payment offerings. Secondly, the product range, the range of services would need to be expanded to cater for the different payment needs of individual and business sectors. Thirdly, the pricing framework, the formulation of a transparent and cost-effective pricing framework is important to provide the incentive structure that would spur the adoption of electronic means of payments. Fourth, is the taxpayer's awareness programs need to be implemented to inculcate the behavioral change

to the need to be trust and confidence in the electronic payment system. The fifth area relates to the standards, the setting of common standards to address the interoperability of systems including standardising the payment messaging format is vital to the wider acceptance of electronic payment. Finally, is the need to ensure the security and integrity of the payment system which thus requires the supporting regulatory and legal framework to be in place

The main issue in proving to all taxpayers that using e-payment method in the current settlement of tax liability is the success of the online transaction goes to the right account with the correct amount, no extra charges incurred. This is the challenges faced by both the IRBM and Central Bank of Malaysia in supporting the facilities provided buy the institutions involve in the overall electronic payment process. It is not an easy task to ensure that the e-payment system runs smoothly and efficiently all the time since it involves different technical aspect of an electronic payment process. Not only maintaining the hardware but also the software in used for the e-payment system to be stable and reliable enough to handle large amount of transaction especially during the peak period when it is close to the deadline. This is important since most taxpayers perceived everything is perfect in order to believe that the transaction made is completed successfully.

Building confidence for taxpayers about the system through seminars, consultancy. Through this information on the e-payment system could be made

as easy access and understanding, and be regularly updated. Regular training should be organized for tax officials and taxpayers to catch up with developments and their awareness about the e-payment system. Different types of mass media such as TV, radio, brochure and bulletin should be used to increase awareness of people about those services and output evaluation elements should be set up to evaluate the implementation of the system. Some output measurements can be used, such as: outstanding debt, number of users, times of usage and so on.

The challenges might be faced by IRBM is in ensuring that computer system is capable to cover all activities. They have to ensure that their system is up all the time with enough ICT resources to assist in delivering and efficient services. The security of transaction made is another issue that needs to be discussed with all the panel banks involved. Once the system is fully tested then their duty shifted in building confidence and awareness for all taxpayers to switch from manual payment to e-payment. This can be done phase by phase starting from reducing filing assistance by opening one stop counter or conducting service month. All enquiry service can be done via e-mail, phone, fax through their hotline number. Once all this being implemented, then they can proceed to the next step whereby all transaction must be done online.