

**THE DETERMINANTS OF DELAY SUBMISSION OF COMPANIES'  
TAX RETURNS IN KEDAH**

**A Thesis submitted to the Graduate School in partial fulfillment of  
the requirements for the degree of  
Master of Science (International Accounting)  
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**by  
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December 2003**

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## **ABSTRACT (ENGLISH)**

Submission of return forms within the time specified as provided in the Income Tax Act 1967 is not satisfactory. A major part of the problem is due to low compliance behaviour especially from the individual and company taxpayers. Although the compliance rate among the company taxpayers is low compared to the other categories of taxpayers, it has a strong impact especially on the total amount of tax collection. There are no specific literatures that have identified the factors that influence compliance behaviour in the delay submission of return forms. Therefore, this research is the first attempt to find out the factors that influence the compliance behaviour in late submission of return forms among company taxpayers.

Since the taxpayers' behaviour in delaying the submission of return form is complex, the first objective of this research is to identify taxpayers' level of perception on several related variables. The next objective is to formulate a model on the compliance behaviour in the delay submission of return forms and subsequently to understand how these variables influence the compliance behaviour. The following factors have been hypothesized to be associated with the delay submission of return forms: the factors are demography, perception towards self-assessment system, perception towards complexity of tax laws, perception towards tax agents and perception towards Inland Revenue Board service quality.

Questionnaire and survey methods have been used for the purpose of data collection. Analysis of principal components and multivariate logistic regression was applied on data collected from 350 respondents chosen through systematic sampling. From the analysis of principal components it was found that the attitude against the late submission of return forms could be tested with other variables through the compliance behaviour model. The findings from the logistic regression analysis reveals that perception toward tax agent was associated with delayed submission at  $p < 0.05$ . Meanwhile, variables perception toward self-assessment system and size of company (total asset) were associated at  $p < 0.1$ .

Based on the findings, it can be construed that tax agents role, self-assessment system and the size of a company are important factors in the model of the compliance behaviour in the delay submission of return forms. Meanwhile, complexity of tax laws and quality of services are the factors that least influence the delay submissions. It is proven that the compliance behaviour in the delay submission of return forms is complex and it is suggested that this behaviours should be first disentangled to enable future in depth studies. Therefore, the suitability of the regression model will be enhanced and become more informative.

## **ABSTRAK (BAHASA MELAYU)**

Penyerahan borang retan dalam tempoh masa yang ditetapkan adalah kurang memuaskan sepertimana peruntukan dibawah Akta Cukai Pendapatan 1967. Sebahagian besar masalah tersebut berpunca daripada gelagat kepatuhan yang rendah terutamanya daripada pembayar cukai individu dan syarikat. Walaupun kadar kepatuhan dikalangan pembayar cukai syarikat adalah rendah berbanding dengan lain-lain kategori pembayar cukai, ianya akan memberi kesan yang sangat ketara terutamanya amaun kutipan cukai. Secara khusus, literatur tidak menunjukkan sebarang laporan tentang faktor-faktor yang mempengaruhi gelagat kepatuhan dalam kelewatan untuk mengemukakan borang retan. Justeru itu, kajian ini merupakan cubaan pertama untuk menyiasat faktor-faktor yang mempengaruhi gelagat kepatuhan dalam kelewatan mengemukakan borang retan di kalangan pembayar cukai syarikat.

Memandangkan gelagat pembayar cukai terhadap kelewatan mengemukakan borang retan dalam tempoh masa yang ditetapkan merupakan angkubah yang kompleks maka objektif pertama kajian ini ialah mengenalpasti bentuk hubungan antara angkubah bersandar dan angkubah bebas secara khusus. Ini diikuti pula objektif untuk membentuk model gelagat kepatuhan terhadap kelewatan mengemukakan borang retan dan sekaligus memahami bagaimana angkubah-angkubah yang terlibat mempengaruhi gelagat kepatuhan tersebut. Faktor-faktor berikut dihipotesiskan sebagai mempunyai asosiasi dengan

kelewatan mengemukakan borang retan: faktor berkenaan ialah faktor demografi, persepsi terhadap sistem taksiran sendiri, persepsi terhadap kerumitan undang-undang percukaian, persepsi terhadap agen percukaian dan persepsi terhadap kualiti perkhidmatan Lembaga Hasil Dalam Negeri.

Kaedah tinjauan dan soalselidik telah digunakan bagi tujuan kutipan data. Analisis komponen prinsipal dan regresi logistik multivariat, diaplikasikan ke atas data yang diterima daripada 350 responden yang terpilih melalui persampelan sistematik. Analisis komponen prinsipal mendapati sikap terhadap kelewatan mengemukakan borang retan boleh diuji beserta dengan angkubah-angkubah lain melalui model gelagat kepatuhan. Keputusan analisis regresi logistik mendapati bahawa angkubah persepsi terhadap agen percukaian berasosiasi dengan kelewatan mengemukakan borang retan pada tahap  $p < 0.05$ . Manakala angkubah persepsi terhadap sistem taksiran sendiri dan saiz syarikat (jumlah asset) berasosiasi pada tahap  $p < 0.1$ .

Berdasarkan penemuan di atas, peranan agen percukaian, sistem taksiran sendiri dan saiz sesebuah syarikat adalah merupakan faktor yang penting dalam model gelagat kepatuhan terhadap kelewatan pengemukakan borang retan. Manakala kerumitan undang-undang percukaian dan kualiti perkhidmatan LHDN kurang mempengaruhi kelewatan tersebut. Adalah disahkan bahawa gelagat kepatuhan terhadap pengemukakan borang retan adalah sesuatu yang kompleks dan disarankan bahawa supaya dirungkaikan terlebih dahulu untuk dikaji dengan

lebih lanjut. Dengan cara ini, kebagusan padanan model regresi kepatuhan terhadap kelewatan pengemukaan borang retan diharapkan menjadi bertambah baik dan lebih bermaklumat.



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## **LIST OF ABBREVIATIONS**

ATO = Australia Taxation Office

COMPLEXITY = Perception toward complexity tax laws

DS = delay submission

OAS = Official Assessment System

IRB = Inland Revenue Board

IRS = Inland Revenue Service

KMO = Kaiser-Meyer-Olkin

PCA = Principal Component Analysis

PERSAS = Perception toward self-assessment system

PERGENT = Perception toward tax agent

PERSERV = Perception toward service quality

SERPERF = Service Performance

SERQUAL = Service Quality

SAS = Self-Assessment System

TOTASSET = Total Asset

**CHAPTER ONE**

**THE DETERMINANTS OF DELAY SUBMISSION OF COMPANIES’  
TAX RETURNS IN KEDAH**

**1.0. Introduction**

Non-compliance behaviour is naturally accepted as a negative behaviour. Many studies have been carried out to understand factors that caused or are associated with such behaviour. In taxation, non-compliance behaviours have triggered great attention to the tax authorities of many countries. This is because such behaviour reduces the government revenue and increases the tax administration cost to recover the lost revenue.

Many studies on non-compliance behaviour have been carried out in the area of taxation. However, such studies were generally focused on behaviours that affect directly on the amount of tax payment, i.e. evasion of tax or illegally reduce tax. Very few studies discussed on the aspect of management of tax return. Management of tax returns, i.e. submitting the tax returns within allowable time period, is becoming a great concern to many tax authorities, especially the Inland Revenue Board of Malaysia. This is because; any late



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