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**AN EXPLORATORY STUDY OF USERS' PERCEPTIONS ON TAX
DISCLOSURE IN ANNUAL REPORTS OF MALAYSIAN COMPANIES**

By

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(International Accounting)**



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ABSTRACT

The annual report is an important document that provides key information for different range of stakeholders to understand a company's performance. Users of financial reporting commonly access to the tax information from the companies' annual report to make decisions. This study is carried out to explore the user's perceptions pertaining to the tax disclosure in the annual reports of listed companies in Malaysia. The main objectives is to determine user's perception on the importance of tax disclosure, current tax disclosure and usefulness of more tax disclosure. This study also to identify any differences between users and their perceptions on level of tax disclosure knowledge.

Findings from this study show that tax information disclosed by Malaysia Company's annual report is limited. Stakeholder as user of annual report agreed that tax disclosure section is an important part for tax information as annual report is the main sources of company tax information available to stakeholders. Thus, more tax information is needed to be disclosed in annual report. Stakeholder believes that tax disclosure is beneficial in facilitating decision making.

Tax professional and IRBM officer as the major groups of respondent in this study believe that tax disclosure helps tax authorities in handling their tax audit. With more tax information disclosed in annual report, companies' tax practices will be discussed in detail and thus increased the tax transparency.

In conclusion, this study found that users of annual reports in Malaysia perceive that tax disclosure is an important part of accounting disclosure in the annual reports but it is still, not detail and too technical to be interpreted. Users of annual reports in Malaysia also agreed that more tax disclosure would be useful for stakeholders to comprehend tax matters of the companies. In short, users perceive that relevant and sufficient tax disclosure would improve the quality of the annual reports of Malaysian companies as well as enhancing its transparency.

Keywords: tax disclosure, annual report, users' perceptions, stakeholder,

ABSTRAK

Laporan tahunan adalah dokumen penting yang menyediakan maklumat penting untuk kegunaan pengguna dan pihak berkepentingan yang berbeza untuk memahami prestasi syarikat. Pengguna laporan kewangan biasanya akses maklumat cukai daripada laporan tahunan syarikat untuk membuat keputusan. Tujuan kajian ini adalah untuk mengetahui mengenai persepsi pengguna mengenai pendedahan cukai dalam laporan tahunan. Kajian ini dijalankan untuk meneroka persepsi pengguna mengenai pendedahan cukai dalam laporan tahunan syarikat-syarikat yang tersenarai di Malaysia. Objektif utama adalah untuk menentukan persepsi pengguna mengenai kepentingan pendedahan cukai, mengetahui tahap pendedahan cukai dalam laporan tahunan semasa dan kepentingan kepada pengguna untuk syarikat melaporkan lebih pendedahan cukai. Kajian ini juga untuk mengenal pasti perbezaan persepsi antara pengguna laporan tahunan di Malaysia dan tahap pengetahuan berkaitan pendedahan cukai.

Dapatan kajian ini menunjukkan bahawa maklumat berkaitan cukai yang didedahkan oleh laporan tahunan syarikat-syarikat di Malaysia adalah terhad. Pihak berkepentingan yang merupakan pengguna laporan tahunan menunjukkan bahawa bahagian maklumat pendedahan cukai di dalam laporan tahunan adalah satu bahagian penting untuk mendapatkan maklumat berkaitan cukai. Laporan tahunan adalah merupakan sumber utama maklumat cukai syarikat disediakan untuk pihak yang berkepentingan. Oleh itu, lebih banyak maklumat cukai yang diperlukan untuk didedahkan dalam laporan tahunan. Pihak berkepentingan percaya bahawa pendedahan cukai memberi manfaat dalam memudahkan membuat keputusan.

Cukai profesional dan pegawai LHDNM sebagai kumpulan utama responden dalam kajian ini percaya bahawa pendedahan cukai dapat membantu pihak berkuasa cukai dalam mengendalikan audit cukai mereka. Lebih maklumat cukai didedahkan didalam laporan tahunan, amalan percukaian syarikat dapat dijelaskan dengan lebih teliti dan mewujudkan ketelusan cukai.

Kesimpulannya, dapatan kajian ini, menunjukkan, pengguna bersetuju bahawa pendedahan cukai adalah penting dari sebahagian pendedahan perakaunan di dalam laporan tahunan, namun begitu, maklumat cukai adalah terhad dan terlalu teknikal untuk difahami. Pengguna laporan tahunan di Malaysia juga bersetuju bahawa pendedahan cukai sangat berguna kepada semua pengguna untuk mengetahui perkara berkaitan cukai syarikat. Pengguna juga percaya bahawa pendedahan cukai yang mencukupi dan relevan akan dapat mewujudkan laporan tahunan yang lebih berkualiti dan telus.

Kata kunci : pendedahan cukai, laporan tahunan, persepsi pengguna, pihak berkepentingan

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LIST OF ABBREVIATIONS

BTDs	Book Tax Differences
IRBM	Inland Revenue Board of Malaysia
MIA	Malaysia Institute of Accountant
OECD	Organisations for Economic Co-operation Developments
SPSS	Statistical Package for Social Sciences
UUM	Universiti Utara Malaysia



UUM
Universiti Utara Malaysia

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

Annual report is an important document that provides key information for different range of stakeholders to understand a company's performance and position. Stakeholders including regulators, potential investors and the public rely on the annual report as an effective communication channel to show a real picture of the company performance. However, each of the users would refer to different types of information from the annual report to make economic decision that suits their needs.

Generally, there are two groups of annual report users: internal and external. For external users, annual reports are solely reliable way of knowing companies' operations and activities. Annual reports are available and freely reachable for stakeholders such as business partners, customers, media, suppliers, non-governmental organizations, investors, academics, researchers and the public as a whole (Young, 2016). Annual reports also serve as an information sources to the users, especially their financial performance through its financial reports and disclosures of tax matters related to the company.

Ironically, the cases of Enron-type corporate financial accounting scandals in the beginning of the millennium have given rise to a renewed interest in corporate tax disclosure. When Enron collapsed, news coverage revealed that this company and other fraudulent corporations reported enormous financial accounting profits to their

shareholders but little taxable income to the government. Hence, the renewed interest in public disclosure of tax information sprang from the notion that large corporations were engaged in too much tax sheltering, and that this was a symptom of a greater problem in the business ethics of corporate America (Benshalom, 2014). Indeed anecdotal evidence suggesting a connection between corporate fraud and aggressive tax planning has motivated academics and policymakers to reconsider tax disclosure as a way to monitor corporate governance and to limit tax avoidance activities (Benshalom, 2014).

As stakeholders also comprise of tax authorities particularly and the public generally, they are interested on the impact of the companies' tax matters and how it is related to their tasks. They want to know how the companies' tax management impacts the business strategy of the organisation, shareholders value and the impact of taxes paid by companies as part of their economic contribution to the communities in which they operate (Landolf, 2008).

Historically, tax has been perceived as a technical subject and is limited interest to most stakeholder groups. However, in a dynamic environment and rapid rise of public awareness, tax matters have received high curiosity from various stakeholders. Stakeholders are beginning to understand about a company's tax strategy and how a company approaches tax, its attitude to planning and compliance to the extent of the way it balances the pressures of minimising taxes to enhance shareholder returns while managing risks to its reputation (Landolf, 2008). However, disclosure of tax information in the annual report is limited and some of the users have difficulty in

understanding tax information. In addition, the tax information disclosed is perceived too minimal and complex to understand as it lacks of detailed information (Morgant, 2006).

In Malaysia, companies prepare annual reports by adhering to the Company Act and Malaysian Financial Reporting Standard (MFRS) issued by Malaysian Accounting Standard Board (MASB). MFRS has outlined the disclosure requirements for the company to report their performance for a certain financial year. By virtue of MFRS 112 companies' income tax disclosure in the annual report includes the disclosure on the deferred tax which is too technical for the general public to understand. It requires users to apprehend at least basic knowledge in taxation to be able to translate it into useful information. For instance, deferred tax shows a temporary differences which is the differences between the carrying amount of asset or liability in the statement of financial position and its tax base. Thus, it is claimed that the disclosure of tax information is still insufficient which give a limited information related to company tax matters (MASB, 2016). At international level for example, the tax information of Google and Apple cases were claimed in the mainstream media, as not technically complete and correct which give inappropriate responses to the user (Oortwijn, 2013)

Many of the challenge inherent in the current debate around tax are exacerbated by the lack of a commonly understood language. Among other factors, the companies are called for the greater tax transparency. Tax transparency can firstly be viewed as the way an organisation communicates its approach to tax and to the amount of tax its pay. It is how organization provides clarity on the complex area of tax and give stakeholders

confidence that tax are fairly being paid (Young, 2016). Governments realise that the increase in tax transparency can generate a lot of information and evidence for tax authorities. This will reduced the possibility of non-compliant taxpayers in a country (Sayaques, Barbellion, & Chiri, 2016). As for the tax authorities, relevant tax disclosure may assist them in their risks assessment related to detecting potential tax avoidance in relation to tax audit and investigation procedures (Grocott, 2010).

Particularly, relevant tax disclosure is believed to enable tax authorities to capture information of book tax differences (BTDs) forefront without having to wait for tax returns to be filed. BTDs are the result of different reporting regulations between accounting GAAP and tax laws (Md Noor, Nik Mohd Rashid, Mastuki, & Bardai, 2011) which resulted in two different amount of income reported in the annual report and the company's tax return.

Currently, financial reports just show the current tax payable, by virtue of MFRS 112. There is no specific guideline on disclosure of tax matters in the Malaysian financial reporting requirement pertaining to direct tax and indirect tax (Young, 2016). Unlike in the US, for example, they are advancing on the tax reporting by requiring companies to disclose the uncertain tax positions, as the International Accounting Standard Board (IASB) sought to align International Financial Reporting Standard (IFRS) with United States Generally Accepted Accounting Principles (US GAAP). This could create unrecognised tax benefits (UTBs) that are very relevant for tax authorities and the public as a whole.

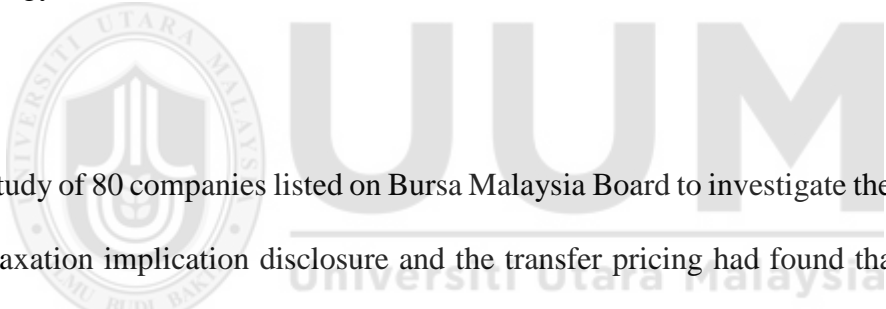
1.2 Problem Statements

In order to achieve the global tax transparency, OECD encourages developed and developing countries to disclose more tax information for the benefit of the stakeholders. This is because by enhancing tax transparency would provide fair information to the stakeholders (Grocott, 2010). Furthermore, as there are many businesses carried out across countries nowadays, tax transparency would assist the tax authorities of different countries involved to manage their tax system in a more effective and efficient manner. Indirectly, tax transparency helps to control tax regulations and at the same time increase countries tax revenue. Due to this scenario, tax disclosure needs to become the main focus by companies in Malaysia, especially multinational companies (MNCs) as their financial statements need to be more transparent including more tax disclosure in the annual report.

According to Benshalom (2014), increased or mandatory tax disclosure would encourage a more sincere and accountable public debate about the impact of corporations' tax-planning activities and, more broadly, about the role of corporate power in a democracy. Having more tax disclosure in annual report would give a good reputation of the company as it may increase public disclosure related to good governance and tax administration of the companies. Specifically, in favour of disclosure are the principles of transparency, accountability and fairness (Devos & Zackrisson, 2015).

However, it remains difficult to determine which taxpayers should be covered by tax disclosure requirements, and the information that should be disclosed. Disclosing tax

return information is obviously in conflict with the notion of taxpayers' privacy protection. In the US, for instance, taxpayers' privacy is such an important principle that the Internal Revenue Service (IRS) is restricted even from providing tax return information to other government agencies (Benshalom, 2014). Annual reports of many companies does not disclose additional tax information although it might be important to the stakeholders such as tax authorities for the information related to book tax differences. Additional tax information such as transfer pricing, company tax policy, tax planning and other tax practices are hardly being disclosed in the annual report (Devos & Zackrisson, 2015). In fact, stakeholders want detailed information about the company's tax strategy and how board and executives management managed that strategy (Landolf, 2008).



A study of 80 companies listed on Bursa Malaysia Board to investigate the relationship of taxation implication disclosure and the transfer pricing had found that companies voluntarily disclose the basis of setting up transfer price. However, such disclosure is not adequate to investigate the basis of transfer pricing strategy since taxation implication has been disclosed as consolidated figure and the disclosures are under voluntary practices. The study suggested that an intensive effort should be carried out to improve disclosures in future particularly in relation to tax matters to enable user in assessing its tax implications (Talha, Shah Alam, & Sallehuddin, 2005).

Abdullah and Minhat (2013) found that the Financial Statements Review Committee (FSRC) had also discovered common deficiencies or non-compliance issues in the financial statements such as inadequate disclosures on impairment of assets, deferred

taxation, employee benefit, intangible assets, business combination, leases and segment reporting. It has been reported that, alas the tax disclosure requirement in the annual report only spelled in MFRS 112, it is also not fully disclosed as no nature of evidence supporting recognition of deferred tax assets is presented (Abdullah & Minhat, 2013).

Among all stakeholders, only certain parties such as tax authorities and audit firm that can access the information provided in the annual reports and also tax returns. However, other stakeholders such as investors also deserve to get access to the reliable information in order to avoid misleading decision making. Nevertheless, due to in similar disclosure requirements in the annual reports and tax returns, the information available to stakeholders is not sufficiently transparent for decision making. The IRBM in their 2015 annual report disclosed that there was a tremendous increase from year 2014 to 2015 in additional assessment and penalties raised by IRBM from field audit exercises. In 2014, the amount of additional tax and penalties was RM1.092 million while in 2015, the amount was RM3, 972 million which recorded increments of about 263%. Among the reasons for the additional tax and penalties are due to the differences in tax treatments of companies transactions as reported in the annual reports and the tax returns.

Currently in Malaysia, there is lack of studies in this area of tax disclosures presented in the annual reports. Therefore, in order to increase the quality of tax disclosures or to add the meaning of tax disclosures to broad users of annual reports, this study is

required to explore users' perceptions of current tax disclosures in the annual reports as to recommend whether users perceive to have more tax disclosures prior to determining the appropriate information to be disclosed in the annual reports.

1.3 Research Questions

This study attempts to explore users' perceptions on the tax disclosure in the annual reports of companies in Malaysia. Thus, the following research questions are relevant for this investigation:

1. What is the users' perceptions on the importance of tax disclosure in the annual reports of Malaysian companies?
2. What is the users' perceptions on current tax disclosure in the annual reports of Malaysian companies?
3. What is the users' perceptions on the usefulness of more tax disclosure in the annual reports of Malaysian companies?
4. Is there any difference of users' perceptions on their level of tax disclosure knowledge?

1.4 Research Objectives

The primary objective of this study is to explore users' perceptions on tax disclosure in the annual report of Malaysian companies. Specifically, the objectives of this study are as follows:

1. To determine users' perceptions on the importance of tax disclosure in the annual reports of Malaysian companies.

2. To determine users' perceptions on current tax disclosure in the annual reports of Malaysian companies.
3. To determine users' perceptions on the usefulness of more tax disclosures in the annual reports of Malaysian companies.
4. To identify any difference of users' perceptions on their level of tax disclosure knowledge.

1.5 Scope of study

This study focuses on seeking the perceptions of users on tax disclosure in annual report. The study was conducted at the National Tax Seminar 2016 which held in Alor Setar, Kedah. As this study is an exploratory in nature, convenience sampling is adopted as suggested by Sekaran (2003) thus, respondents are chosen from the participants who attended the National Tax Seminar 2016 to represent users of annual reports. This method is in line with the suggestion by Mohd Suberi (2016). The perceptions of users are discussed and assess following the literature on tax disclosure which include the importance of tax disclosure, current tax disclosure, usefulness of more tax disclosure and level of tax disclosure knowledge.

1.6 Significance of Study

The findings from this study will contribute and enrich the literature in the taxation studies specifically in the area of tax disclosure in the annual reports of Malaysian companies. This exploratory study will shed light to enhance the extend and importance of tax disclosure in reporting practices by listed companies in Malaysia. Towards entering into the global market, Malaysian companies need to aware of the

scenario in the international market. At present, the OECD and many nations around the globe is concerned with tax transparency, which demand the companies to disclose more tax information about a company. In order to be part of the international market and more competitive, companies need to disclose information which fulfil the needs of stakeholders as a whole.

The finding of this study could be a stepping stone of further study pertaining to the details of tax disclosures required by the users. Ultimately, this study contribute to the enhancement of quality and the relevancy of the financial reports of listed companies in Malaysia and also towards the literature surrounding the context of legitimacy theory.

1.7 Thesis Structure

The purpose of this study to explore the users' perception pertaining to the tax disclosure in the annual reports of listed companies in Malaysia. This study is discussed in five chapters for a further understanding of the topic. This thesis is structured as follows:

Chapter one starts the introduction of the study. This chapter presents the background of study, problem statement, research questions, research objectives, scope of study, and significance of the study. Further, relevant literature that related to this study is discussed in chapter two. The literatures discussed in chapter two are literature related to annual report of Malaysian Companies, users' perception studies, tax disclosure and

other empirical studies about tax disclosure. Chapter three provides the explanation on research design, method of data collection. On top of that, population and sample of study, sampling technique, questionnaire design, pilot test, as well as, the data analysis technique are also discussed in this chapter. Next, in chapter four, the discussion of data analysis and interpretation results are presented. This chapter provides detail explanation on the research findings. Finally, Chapter five discusses the conclusion of this study, limitations of the study and recommendations or suggestions for future studies.



CHAPTER TWO

LITERATURE REVIEW

2.1 Chapter Overview

In order to understand the topic being research, a review on the previous studies relating to tax disclosure is important to appreciate what have been already known. This chapter begins with the related theory for this study namely legitimacy theory and later brief discussion about annual reports as a freely available source for disclosure is discussed. Then, this chapter continues with the review of literature relating to tax disclosure, its limitation and usefulness.

2.2 Annual Reports of Malaysian Companies

In Malaysia, a registered company is compulsory to prepare an audited financial statement that complies in accordance to Companies Act 1965 (replaced by Companies Act 2016 with effect from 31 January 2017).

Section 243 and 244 of Companies Act 2016 explain that all companies are required to prepare the financial statement according to the approved accounting standards as specified in Section 2 of Financial Reporting Act 1997. Further, section 257 of the Companies Act 2016 states that companies are required to circulate copies of financial statements and reports to its members while Section 259 specifies that companies have the duty to lodge financial statements and reports with registrar which is Commissioner Commission of Malaysia (CCM).

As an approved accounting standards in Malaysia, MFRS lists out rules and regulations for registered Malaysian companies to adhere. In relation to tax reporting, companies are required to follow MFRS 112, which stipulates matters on the companies income taxes and recognition of deferred tax assets for unrealised losses.

The financial report prepared by the companies acts as a channel to provide information about the financial performance and financial position of the company to the interested parties. The information provided in the financial report is one of the ways the directors explain on how the companies performed in the financial year. It also explains how the directors have executed their duties and provided useful information to the shareholders. Essentially, financial reports consist of four primary financial statements for the current financial period and the comparative previous financial period, the notes of the financial statements, the directors' statement and statutory declaration. The four primary financial statements are the statement of comprehensive income, statement of financial position, statement of changes in equity and statement of cash flows.

Basically, the users access all information on companies performance through annual report at the end of the accounting years. Users rely on information provided in the annual report as it has become the primary sources of information about company strategies and activities. The primary purpose of the annual report is to reflect accountability, particularly to shareholders. Besides the reports explained earlier, other information found in the annual report includes material framed by statutory and regulatory requirements articulated in the Companies Act 2016 (previously Companies

Act 1965) and Bursa Malaysia Securities Berhad (Bursa Malaysia) listing requirements including directors' report, corporate governance report, financial report and auditor's report on the financial report. Additional non-compulsory reporting which supports good corporate governance is normally reflected in reports from the chairman and the chief executive of the company (MIA, 2014).

However, in Malaysia, there is no standard format of annual report rules and regulations which necessarily followed by the Malaysian Companies in preparing the reports. The presentation of annual report of the companies varies according to the size and the capability of the companies. Basically, there is a basic requirement that a company needs to disclose about the companies performance as required by the Companies Act 2016 and Bursa Malaysia Securities Berhad (Bursa Malaysia) but the format or the annual report presentation are varies among companies. Furthermore, the annual report is also one of the ways the companies picture their corporate image to their stakeholders and at the same time to promote and attract new investors. It builds trust and confident of the stakeholders to the companies.

Particularly in tax, the annual report is also useful to the tax authorities in conducting tax audit. Thus, the company directors have responsibilities to produce an annual report that comprises the financial report and to ensure that all information is accurate and comply with the requirement of Companies Act and other rules and regulations.

2.3 Users' Perceptions Studies

Previous studies had discussed and contributed towards the literature on the perceptions of users of annual report. Much research has been studied on perceptions of various users on the quality of disclosure in the companies annual report.

Study by Zoysa & Rudkin (2010) investigated the perceptions of various user of company annual reports in Sri Lanka. This study evaluated the perceptions of various users on the usefulness of financial disclosures in Sri Lanka. Finding from the study showed that user was obtaining information from annual report involving selling, holding or buying shares for decision making. Even though the information provided in the annual report is inadequate, majority of the users in Sri Lanka used annual report as primary source of information and frequently used in decision making (Zoysa & Rudkin, 2010). Another study is by Alattar & Al-Khater (2007) which investigated the perception of five various user groups towards corporate annual reports in Qatar. The users strongly agreed on the usefulness of accounting information provided in the annual report for investment decisions. They preferred to use the annual report as a primary sources for making investment decisions. Mirshekary & Saudagaran (2005) carried out a survey on seven different user groups in Iran and find that users depend more heavily on information obtained from the published annual report rather than on advice from stockbrokers, tips and rumors.

Users of annual report agreed that balance sheet and the profit and loss account are preceived to be the most important section of the annual report (Zoysa & Rudkin, 2010). Different users in Iran has ranked the income statement, the auditors' report

and balance sheet as the three most important parts of annual report. However, the bank loan officer, tax officers and auditors group had a weak level of consensus about the importance of several information items in annual report (Mirshekary & Saudagaran, 2005). Meanwhile, study by Al-Razeen & Karbhari (2004) has examined the perception of five major groups user (individual investors, institutional investor, creditors, government officials and financial analyst) in Saudi Arabia. Similar to Zoysa and Rudkin (2010), the study found that the balance sheet and income statement are the most important sections of the annual report. However, the board of directors' report was found to be least popular for most of the Saudi user groups.

Users in Qatar also agreed that balance sheet and the profit and loss account was an important section in annual report, but they also found that government publications, newspapers and magazines to be very important sources as the information is up to date, useful and easy to access (Alattar & Al-Khater, 2007). However, the users in Sri Lanka relied more on information from annual report rather than information provided by media reviews, newspaper and stockbrokers (Zoysa & Rudkin, 2010).

In the new era of the technology, many of the users obtaining information from online annual report (Rowbottom & Lymer, 2010). In the United Kingdom, employees, professional investors and creditors are found to be the most frequently group of users using the online annual report (Rowbottom & Lymer, 2010). They believed that the online annual report allows the users to obtain information more efficiently.

Mainly, legal and regulatory of Malaysian companies' financial reporting is governed by the Companies Act 2016, MFRS and the Bursa Malaysia listing requirements. Study by M.Ghazali (2010) has investigated the importance and usefulness of corporate annual reports in Malaysia and different perception between users and preparers. Findings from the study found that the preparers (chief financial officers) of the annual report rank the annual report as the most important sources of corporate information. Meanwhile, users (investment analysts) rank the annual report as the second most important after the visit to companies as the users need to have more timely and relevant information from the company (M.Ghazali, 2010). In addition, the study also found that annual report help the users to evaluate a company's performance while for the preparers, they feel that annual report are useful to them for the comparisons of performance among companies.

In order to provide better understanding of the annual report, companies in Malaysia use a voluntary graphical presentation to communicate an effective information to the users (Mohd Isa, 2006). The study found that major users of graphical information in corporate annual report are mainly financial analyst, potential investors and financial investors. By disclosing graphs in the corporate annual report, the companies believe that it would increase credibility and improve relations with stakeholders by providing simple, clear and direct graphical presentation information (Mohd Isa, 2006). The study also found that 75.4 percent of Malaysia public listed companies included graphs in the annual report.

The level of voluntary disclosure in Malaysia corporate annual reports is varied among companies (M. Ghazali, 2009). Most companies in Malaysia are built from family businesses or are government-owned. Study by M. Ghazali (2009), found that that costs is the the main factor that influence the preparer the level of company disclosure of information in annual report. They believe that the companies reluctant not to provide more additional voluntary disclosure as they fear of releasing too much information to their competitors.

Study by Magena, Kinman, & Citron (2007) found that financial analysts and fund managers in the UK perceive that listed companies disclosure items in the profit and loss account and cash flow statements sections as the most important and useful for investment analysis. In contrast, one of four investors in the United States, reported that annual report were so difficult to understand although it helps them in making investment decisions (Epstein & Pava, 2011). Findings from the study also showed that majority of the respondents demand enclosure of further explanation of the financial information in less technical terms.

Myburgh (2001) focused on evaluating the perceptions of the users and the compilers of annual report in South Africa on the importance of voluntary disclosure. The study suggested that compilers and auditors should identify what is perceived to be useful decision-making information in term of user needs. The companies are suggested to add more non-financial information. The study also suggest that effective disclosure policy of the annual report is necessary for the benefit of the users. However, the preparer of annual needs to avoid overload financial disclosure and published a

separate supplementary or summarised report that serve the different needs of the various stakeholders (Myburgh, 2001).

In India, most of the companies do not disclose information items that are perceived by users of financial information as being significant under the financial highlight section of annual report (Chatterjee, 2007). Chatterjee (2007) suggested that in order to make financial highlight section of annual report more useful, companies needs to disclose information that perceive to be significant by the user especially investor. This will enhance the usefulness of the section and the annual report by providing required information needed by the user. Finding from Chatterjee (2007) presented that companies in India are not aware of users' need in annual report are they are more focussed on trying to manage public impression by giving more attention on favourable section in the annual report. Thus, the study suggested that companies need to obtain and disclose information based on local and foreign investors as a further step to improve legitimacy by considering the right of these investors and facilitate the disclosure required by them .

Finding from a study by Deegan & Rankin (1997) indicated that the annual report was perceived by the total group of respondents to be significantly more important than any other sources of information about organizations with the environment. This study also found that shareholders, accounting academics and organizations seek environmental information from the annual report to assist in making various decisions.

Based on the previous studies, many researches discussed on the user's perception on the disclosure of the annual report. It showed that, most of the users rely on the information provided in the annual report for decision making. However, none of the studies specifically discussed the perceptions of users on tax disclosure in the annual report thus, this study focusses on evaluating users' perceptions on tax disclosure in the annual report.

2.4 Tax Disclosure

As mentioned earlier, users of financial reporting include a range of stakeholders such as investors, lenders, regulators, accounting standard setters, analysts, researchers, and legislative as well as public authorities. The stakeholders commonly access to the financial information from the companies' annual report to make decisions. Generally, information provided in a company's annual report comprises of mandatory and voluntary disclosures. Mandatory disclosures are compulsory to be complied by the companies based on the Companies Act and MFR issued by MASB. However, there are some companies that disclose information voluntarily in their annual reports thus, the level of disclosure is varied among companies.

Gunawan & Lina (2015) found that with existing mandatory disclosures in the annual report partially assist the investors in decision making. Perhaps by having more voluntary disclosure could be more beneficial to the investors. Besides, the mandatory and voluntary disclosure together have significant effect on stock trading volume (Gunawan & Lina, 2015). This shows that proper treatment of business

transactions and disclosure are added advantage to the company including disclosure relating to tax activities of the companies.

2.4.1 Importance of Tax Disclosure

The annual report matters because it provides key information that enables a range of stakeholders to understand a company's financial performance, its business model, strategy for future growth and key risks (ICAEW, 2016).

Amongst the vast of other disclosures, tax disclosure is also regarded as an important aspects of annual report as it is the way a companies to communicate on the amount of tax that has been paid and company's strategies as well as their tax approaches. This would help to increase confidence in the stakeholders that companies had provided detail tax information about the tax that has been paid to the tax authorities (Dixon, 2016). In addition, companies are also encouraged to disclose non-financial information related to tax as to communicate more effectively about their tax profile as it may be relevant and useful to the users. Tax disclosure also can be used to enhance the business and increase shareholder value (Dixon, 2016). A relevant and sufficient tax disclosure would reveal more information than what is currently available and users are able to understand tax related activities in the companies (Benshalom, 2014). For example, disclosing segmental information relating to tax matters could signal transfer pricing strategies (Talha, Shah Alam, & Sallehuddin, 2005).

Tax policy also could be a major determinant of managerial financial reporting decision making (Taylor, Tower, & Der Zahn, 2011). Disclosing information about

tax policy in the financial reports of companies is more useful and beneficial to help investor understand the tax situation of the company and would provide public access to tax returns (Mgammal & Ku Ismail, 2015). Tax disclosure also leads to a fairer tax system and more equitable tax that would improve the business environment by attracting many companies to countries with tax transparent and more tax disclosure (Mgammal & Ku Ismail, 2015).

In addition, tax disclosure would enable stakeholders to evaluate book tax differences (BTDs). Different objectives of financial accounting and tax accounting sometimes conflict, resulting in BTDs (Comprix, Graham, & Moore, 2011). BTDs is the difference between income calculated under Generally Accepted Accounting Principles (GAAP) i.e. MFRS and taxable income calculated in accordance with the income tax provisions to calculate companies' tax liabilities (Hanlon, 2005).

BTDs is also used to infer earnings management activities (Blaylock, Shevlin, & Wilson, 2012). A study by Md Noor, Mastuki, & Bardai (2009) on BTDs in Malaysian listed companies between years 2000 to 2004 found that large BTDs could signal tax planning activities. Large BTDs also could have been an indicator of low-quality financial reporting (Hanlon, 2005). Due to the limited tax information, investors find difficulties to evaluate the BTDs that might alarm earnings management (Blaylock, Shevlin, & Wilson, 2012). Companies might also have opportunity to engage in the tax planning strategy and deceive their stakeholders of such activities due to limitation of tax disclosure by that particular company.

Hanlon & Shevlin (2014) also suggested that more disclosure of tax information such as bottom line taxable income or a more detailed reconciliation between book and taxable income could contribute to the transparency of the tax policy and activities of the companies. The study by Blaylock, Shevlin, & Wilson (2012) also had provided useful insight on how the BTM could give a signal of earnings management quality and this shall be derived from sufficient and relevant tax information and disclosure.

Overall, based on the previous studies it showed that tax disclosure in annual report is important to the users. It was the only way of how the company communicates about company tax practices managed by the management. Therefore, for the benefit of the users, companies need to provide more tax information in annual reports to increase shareholder value. This also shows that companies are more transparent of their tax strategy and producing a quality financial statement. Thus, it could increase user confidence toward the companies as the companies might not engage with earnings management.

2.4.2 Current Tax Disclosure

Stakeholders are interested to understand the impact of the company's taxes on its business and on the community. Particularly, stakeholders would want to know how tax impacts the business strategy of the company. They have the right to know whether the company's tax approach has increased their shareholder value and its contribution to the nation (Landolf, 2008). In fact, stakeholders want detailed information about

taxes paid by the company, the company's tax strategy and how that strategy is managed by the board and the executive management (Landolf, 2008).

Although tax disclosures are of mandatory disclosures by virtue of MFRS 112, Devos & Zackrisson (2015) claimed that tax disclosure in the financial report is still limited. They believed that more tax information disclosed by companies in the financial report would be useful to the regulators to monitor corporate governance, to promote tax compliances and to improve the functions of financial markets. The study also indicated that companies that disclose more tax information is perceived to practise good tax policy which is good for the companies' reputation and users.

Benshalom (2014) also claimed that limited tax disclosure might alarm that companies might engage in the tax sheltering transaction as they report different figures to tax authorities and in the financial report. Whilst, information such as penalties paid to the tax authorities, the amount of money saved through authorised tax minimization strategies and of the level investment are amongst controversial information for companies that engage in tax sheltering transactions (Benshalom, 2014). As mentioned, all the items discussed are the information that hardly disclosed in the tax disclosure in financial reporting, which it was controversial to companies but significant information for the stakeholders.

Nevertheless, more information would be more intrusive and expensive to be prepared by companies (Benshalom, 2014). Management of companies are reluctant to disclose more tax information as it costly and to some extent, expose their tax planning

behaviours. Companies only disclosed tax information required by law. However, with the limited tax information, users have a limited access to information on companies' tax strategy relevant to decision making. On the other hand, Towery (2012) suggested that mandatory disclosures of tax aggressiveness to tax authorities could adversely impact the informativeness of financial statement disclosures.

Some of the companies also take an initiative of voluntarily disclosed more tax information to users. But, the information provided is too technical to be understood by non-tax people (Oortwijn, 2013). Tax information in annual report was often seen as a black box that minimally disclosed information about the business (Landolf, 2008). Companies' tax information is said to be lengthy and complicated thus causing confusion about a company's accounting, tax practices and activities (Mgammal & Ku Ismail, 2015).

Benshalom (2014) suggested that tax information provided by companies shall be "*translated*" into a format that is easier to read and comprehend. For that reason, it is important that the presentation of tax disclosure could be made more effective through a set of simple procedures.

Benshalom (2014) also highlighted the agency costs issue pertaining the limited tax disclosure in the financial report. The study stated that despite the companies' requirement to comply with the mandatory tax disclosure as regulated by the accounting standard, the decision on voluntary additional information to be disclosed lies on managers' decision that could have a conflict of interest.

Ylonen & Laine (2015) found that despite companies claimed to have a full commitment to accurate and transparent communications in their corporate social responsibility statement, they have made only limited disclosures on taxation while issues on tax planning, tax risks and tax compliance have been omitted completely. Ylonen & Laine (2015) asserted that companies that genuinely subscribe to values such as transparency, accountability and open communications will have to take more seriously the need to disclose comprehensive and understandable information about their tax policies. However, based on previous research on corporate sustainability and corporate social responsibility (CSR) reporting have shown that voluntary disclosures published by business entities tend to focus more on impression management than on providing any transparent account of activities (Ylonen & Laine, 2015).

Generally, the level of disclosure in annual report differs between industries. In the United Arab Emirates (UAE) for example, banks are found to disclose more than other sectors, with the insurance firms having the lowest level of disclosure. This entails that banking and monetary system have more financial transparency and disclosure as Central Bank's have a strict control on financial institution (Aljifri, 2008).

Based on the previous studies, its clearly stated that tax information provided in the financial report is still limited and too technical to be understood by the users. At present, companies only provided tax disclosure as to comply with the current tax law and accountings standard. As a result, more tax information need to be disclosed and users have a right to know more about a company tax strategy. By providing more tax information such as BTDS, transfer pricing, tax policy and tax planning, its actually

help the companies and users in decision making. For companies, it showed that the companies is perceived to have a good practices of tax policy and this could create a good reputation of the companies to the tax authorities and users. While, for the users, more tax disclosure helps the users in decision making as they confidence with companies might not involved in tax sheltering and aggressive tax plannings.

2.4.3 Usefulness of More Tax Disclosure

Recently, more countries are calling for executive management, board and audit committee to give greater involvement on tax issues. The United Kingdom has been particularly active in this movement and proposed that large businesses to disclose their tax strategy in the annual reports. Almost two third of Financial Times Stock Exchange (FTSE) 100 businesses now voluntarily disclose more tax information such as tax policies, tax principles and tax payment information (Hanson, 2015). This shows that the tax profession has entered into a new era of heightened transparency with demanded more tax information to be disclosed in the annual report.

In order to achieve high level of tax transparency reporting in future a growing number of companies need to disclose their tax strategy, tax planning approaches, risks and target effective tax rates (Hanson, 2015). By having more tax disclosure, it might perceived that the company has a strong ethical stance towards social responsibility in paying tax. This is particularly important as investors need to evaluate the reputational and tax risks on their investments in the company to gain confidence (ICAEW, 2016). Besides, more tax disclosure might also contribute to a quality financial statement (Kubick , Lynch, Mayberry , & Omer , 2014).

Companies that disclose more tax disclosure is actually accepting the concept of tax transparency as the action taken to give stakeholders a better quality insight into their corporate tax profile (Dixon, 2016). However, it is important that the published information is clear to avoid the risk of misinterpretation, especially if the reader does not possess sufficient knowledge of the tax environments in which the multinational operates. For example, many countries provide special incentives where a company undertakes significant capital investment in infrastructure or plant and machinery. The tax paid in a year of significant investment may be reduced as a result of these incentives designed by governments to encourage investment for the mutual benefit of the company and the local economy (ICAEW, 2016).

In addition, by disclosing more tax information it actually helps the tax authority in reducing tax administration cost. A study by Langenmayr (2015) suggested that the government needs to promote voluntary disclosure to companies as this increased net tax revenue as administrative cost might be reduced. The administrative cost for tax authorities can be reduced with voluntary disclosure as cost in administration of fining tax evaders could be higher than the cost that a tax evader incurs when preparing a voluntary disclosures (Langenmayr, 2015).

However, more tax disclosure may violate confidentiality, create confusion with regards to transparency, provide too much power to the Federal government and may have unintended behavioural responses, such as, increasing the cost of business (Devos & Zackrisson, 2015). Study by Mgamal & Ku Ismail (2015), also supported that the disclosure of a company's tax increase the expenses of performing businesses. Hanlon

& Shevlin (2014) asserted that if companies disclosing the entire tax return, it may reveal a confidential information or private business information to the competitors. This might harm companies and give the advantage to competitors (Yeagle, 2012). Furthermore, a few reporting companies believed too much segmental disclosure especially in geographic segment may cause competitive advantages and harm their performance (Talha, Shah Alam, & Sallehuddin, 2005). In addition, there would also a government intervention on confidentiality of the business privacy against the individual rather than the company's data (Mgammal & Ku Ismail, 2015).

Financial transparency and voluntary disclosure are among the pillars of good corporate governance (Chakroun, 2013). By having more tax disclosure, it might portray the quality of the companies' management and at the same time may expose companies to risks especially to rivals. Thus, tallying the type and the extent of information required by stakeholders may assist the companies on delivering relevant and useful tax information.

Basically, based on the previous studies, more tax disclosure is needed to be included in the companies' annual report and it's proved that it's beneficial to the users. This will contribute in creating a quality financial report and show that company perceived to have a strong ethical towards social responsibility and good corporate governance. For the users, the tax information provided could give the investors confidence in evaluating their decision towards their investment. As for now, most of countries are moving toward tax transparency, hence, the need of having more tax information to be disclosed in annual report is necessary. In previous studies also believe, by disclosing

more tax information is actually helping tax authority in their tax administration cost. Thus, more tax disclosure is needed to be include in the companies' annual report as it provides more benefit to the stakeholders.

2.5 Legitimacy Theory

“Legitimacy is a generalized perception or assumption that the actions of an entity are desirable, proper, or appropriate within some socially constructed system of norms, values, beliefs, and definitions.” (Suchman, 1995; Burlea & Popa, 2013). Legitimacy theory has been used to explain the behaviour of organizations in implementing and developing voluntary social and environmental disclosure to obtain and maintain the stakeholders' approval of the companies' activities.

In order to remain legitimate, organisations may conform with or, in a number of different ways, attempt to alter social perceptions, expectations, or value as part of a legitimation process (O'Donovan, 2002). In order to manage legitimacy, corporations need to know how legitimacy can be gained, maintained and lost (O'Donovan, 2002). Legitimation techniques/tactics chosen will differ depending on whether the organisation is trying to gain or to extend legitimacy, to maintain its level of current legitimacy or to repair or to defend its lost or threatened legitimacy (O'Donovan, 2002). The challenge for management in maintaining legitimacy is to identify the key stakeholders and their needs. Organisations need to observe, or even anticipate, change and protect past accomplishments if they are to maintain their legitimacy (O'Donovan, 2002). This legitimation process includes communications i.e. through disclosure in

the annual reports; to the stakeholders to keep stakeholders well-informed with the companies' activities and have their approval (O'Donovan, 2002).

The annual report has long been considered to be major public documents which is a pivotal presentation by a company and has significant influence on the way financial markets and stakeholders reacted (O'Donovan, 2002). For example, managers may use the annual report as a way of correcting misconceptions that the public may have formed about a company/industry and its environmental activities (O'Donovan, 2002). According to O'Donovan (2002), there was a study which showed that 68 percent of the stakeholders surveyed the environmental information from the annual report and 43 percent used other sources to seek for the information.

In addition, from the viewpoint of legitimacy theory, information disclosed is used as a tool for companies to show that they operate according to the value of the society and are socially responsible, as well as providing a picture to get or maintain social legitimacy (Mgammal & Ku Ismail, 2015). In legitimacy theory, the organization usually strive to ensure that they operate within the limits and rules of their respective societies. It is explained that, there is a social agreement between company and the community, forcing the firm to voluntarily submit and disclose information on activities perceived as certain activities of the society (Mgammal & Ku Ismail, 2015). Legitimacy theory thus is connected to tax, in term of communicating tax activities through tax disclosure in the financial reports, in order to inform stakeholders of their tax policy and ultimately maintain their social licenses to operate (Dixon, 2016). Investors have the right to have more disclosure information to helps them to make

decision in less time and Indian companies needs to provide information require by the stakeholders as further to improve the legitimacy (Chatterjee, 2007).

2.6 Literature Gap and Chapter Summary

The implementation of IFRS has entailed a final change in the usual organization of most European groups whereby the tax director is responsible now for the financial disclosures on income taxes included in the published financial statements (Landolf, 2008). Currently, income taxes contains among the least information in the financial reporting. In addition, income taxes also have been identified as the primary source of material weaknesses by the SEC for US companies listed groups. It has been suggested that probably companies should be more focus on tax reporting than only on accounting and financial disclosures (Morgant, 2006). Study by Al-Razeen & Karbhari (2004) also suggested that further research effort is needed to examine current corporate reporting practices to meet the users' demand. This is because the study found that the corporate disclosure in annual report is a complex process. Many parties are affected by this process therefore, it is suggested that an extension of study on the specific informational needs of the external users of corporate information is carried out (Al-Razeen & Karbhari, 2004).

Studies on tax disclosure suffer lack of attention in the accounting research. Previous studies were carried out outside Malaysia and emphasised on the social and environmental disclosure. For tax disclosure study in Malaysia, exploratory study is essential to investigate the current perception of users on the importance of tax disclosure, their perception on current tax disclosure in Malaysian financial reports as

well as their perception on usefulness of more tax disclosure. This is to collect important insight before furthering to discuss to what extent the tax disclosure is considered relevant and sufficient.



CHAPTER THREE

METHODOLOGY

3.1 Introduction

This chapter discusses the research methodology of this study, an exploratory in nature to determine the users' perceptions on tax disclosure in a company's annual report. This chapter is divided into subsections which include research design, data collection method, population and sample of the study, sampling technique, questionnaire distribution, questionnaire design, pilot test and data analysis techniques. This chapter ends with the chapter summary.

3.2 Research Design

This study was carried out using quantitative approach and data was obtained through a survey. The questionnaires were distributed to collect data from the respondents. This study adopted cross-sectional research design where the data collection was done at single point in time.

3.3 Method of Data Collection

The study was conducted at National Tax Seminar 2016 held in Alor Setar, Kedah. The study adopted the data collection method used in Mohd Suberi (2016) to disseminate questionnaires in order to get high respond rate and convenience samples are suitable to be utilised for exploratory research (Sekaran, 2003;). Respondents attended in a seminar were chosen as sample to represent users of financial reports in

Malaysia. In order to obtain valid and reliable respondents, a meeting was set with an Inland Revenue Board Malaysia (IRBM) officer, requesting for the approval to distribute questionnaire in the seminar. The researcher was allowed to distribute the questionnaires to the all participants through an assigned IRBM officer. In addition, this mode of data collection could save more time as all respondents came from different background but gather in one place at one particular time.

3.3.1 Population and Sample of the Study

The population of this study is users of annual reports of Malaysian companies. The sample for this study is the participants who attended the National Tax Seminar 2016 held at Tabung Haji Convention Centre Alor Setar on 14 November 2016. The respondents came from different background of users therefore, they could represent the variation of stakeholders of a company. The respondents have various backgrounds which represent various users of annual reports with various level of knowledge on taxation.

3.3.2 Sampling Technique

According to Sekaran & Bougie (2009), sampling is the process of selecting a sufficient number and appropriate characteristic of elements from the population so that it would be possible to generalize the characteristic of the population based on simple random sampling technique. The sampling for this study was selected based on convenience sampling amongst users of annual report in Malaysia.

3.3.3 Questionnaire Design

Since this is an exploratory study on users' perceptions towards tax disclosure, the questionnaire was self-developed based on the literature related to the objectives of this study. The questionnaire was divided into four sections. Section A was to identify the respondent's demographic background which consisted of four questions on age of the respondent, gender, occupation and organization tenure. Section B consisted of questions asking about respondents' level of tax disclosure knowledge, frequency of assessing/using tax information in annual report and source of assessing company's annual report. In section C, twenty two (22) items were employed to obtain users' perceptions on the importance of tax disclosure, their perception on current tax disclosure and perception on the usefulness of more tax disclosure in the annual report. Respondents were asked to range their perceptions using Likert scale. In the final part in the questionnaire, Section D, an open-ended question was prepared to get respondents' opinion on how tax disclosure can be improved to benefit users and stakeholders in general.

In section C, there were 22 items used to obtain users' perceptions on the importance of tax disclosure, current tax disclosure and usefulness of more tax disclosure in the annual report were developed based on the related articles. Basically, all question asked to the respondent related to the research objective and listed in section C. Later, the question in section C will be divided to three category based on the research objective using factor analysis and further explanation will discussed in chapter 4. Questions in section C are shown in table 3.1 below:

Table 3.1

Item measured users' perceptions on the importance of tax disclosure, current tax disclosure and usefulness of more tax disclosure

No	Item	Article
1.	C1	Annual report is the main source of company's tax information available to stakeholders. (ICAEW, 2016)
2.	C2	Tax disclosure section is an important part to be disclosed in the annual report (Abahoonie, DeFeo, Dunner, & Schmitt, 2013)
3.	C3	Tax disclosure can be used to enhance the business and increase shareholder value. (Dixon, 2016)
4.	C4	Tax information disclosed by companies' annual report is limited. (Landolf, 2008) (Ylonen & Laine, 2015)
5.	C5	Tax information in the Annual Report is difficult to understand. (Landolf, 2008) (Oortwijn, 2013)
6.	C6	Tax information disclosed in the annual report is not detail (Morgant, 2006)
7.	C7	Tax disclosure is beneficial in facilitating decision making (Dixon, 2016)
8.	C8	Treatment of tax affairs should be disclosed as mandatory disclosure in the Annual Report. (Morgant, 2006)
9.	C9	Detailed information on tax affairs should be disclosed to give accurate information about the companies. (Landolf, 2008)
10.	C10	More tax information need to be published as to avoid the risk of misinterpretation. (ICAEW, 2016) (Morgant, 2006)
11.	C11	I believe that the more tax information disclosed by company will enhance company performance. (Dixon, 2016)
12.	C12	Company that disclosed more tax information is the company that have a strong ethical stance towards social responsibility. (Ylonen & Laine, 2015) (Mgammal & Ku Ismail, 2015)
13.	C13	I believe that tax disclosure helps tax authorities in handling their tax audit. (Langenmayr, 2015)
14.	C14	The cost of tax administration by tax authorities can be reduced as more tax information has been disclosed in the Annual Report. (Oortwijn, 2013)
15.	C15	I believe more disclosure of tax information is beneficial to stakeholders. (Dixon, 2016)

Table 3.1 (continued)

16.	C16	I believe that more tax disclosure will provide more valuable information to the stakeholders.	(Landolf, 2008)
17.	C17	I believe that with more disclosure of tax information would indicate that the company had good corporate governance practices.	(Chakroun, 2013)
18.	C18	By disclosing more tax information, tax authorities can increase its efficiency in providing services to tax payers.	(Morgant, 2006)
19.	C19	Tax disclosure is believed to increase tax payer compliance.	(Devos & Zackrisson, 2015)
20.	C20	I believe that more meaningful tax disclosure is necessary to give investors and other stakeholders a better understanding of a company's tax practices.	(Landolf, 2008)
21.	C21	Tax disclosure contributes to the creating a quality financial statements.	(Kubick , Lynch, Mayberry , & Omer , 2014)
22.	C22	I believe that MASB should set rule on disclosing more voluntarily tax information by companies.	(Talha, Shah Alam, & Sallehuddin, 2005)

3.4 Pilot Test

Before questionnaires were distributed to the respondents, a pilot test was conducted to ensure the questionnaire is reliable to be distributed. Pilot study is a small size of total sample before real distribution of questionnaires took place (Mo Alhaj, 2016). The pilot test is important to ensure that research is successfully conducted with valid and accurate questionnaire. The aim of the pilot test is to identify and eliminate the ambiguities, to improve the readability of the questions, to make sure that the measurement scales were correctly used and also to ensure the questionnaire was well and properly structured (Mo Alhaj, 2016). The sample of 30 questionnaires have been distributed to academics, accountants and IRBM officers.

Table 3.2

Reliability Analyses of Items in Section C of the Questionnaire

Reliability Statistics	
Cronbach's Alpha	N of Items
0.954	22

Reliability analysis is to indicate the reliability (consistency) of the instrument i.e. questionnaire used in this study. In general, reliability is represented by Cronbach's Alpha value and if the value is less than 0.6 it is considered to be poor, while 0.7 is acceptable and the value over 0.8 is considered good (Sekaran & Bougie, 2009). Result for the reliability test indicates that all items measured in the questionnaire were reliable with high reliability score i.e. Cronbach's Alpha 0.954 which is considered good for the instrument to be used in this study. Therefore, the questionnaire developed in this study was reliable to be distributed to the respondents.

3.5 Data Analysis Techniques

In this study, the Statistical Package for Social Science (SPSS) Version 20.0 was used to analyse the data collected from the respondents. There are three analyses which have been carried out in this study. Firstly, the reliability analysis was conducted to validate the accuracy and reliability of the questionnaire. Secondly, the validity analysis was conducted to measure the validity of the items in the questionnaire. According to Sekaran & Bougie (2009), it is important for the research instruments to be approved using validity analysis. Thirdly, the descriptive analysis was conducted on the demographic of the respondents and items of the importance of tax disclosure, current tax disclosure and usefulness of more tax disclosure i.e. the mean, frequency and cross-tabulation of the data collected.

3.6 Chapter Summary

This chapter focuses on the discussion of the methodology used in conducting this study. Besides, this chapter also discusses about the research design, methods of data collection and technique used for data analysis. The findings of the data analysis will be discussed in the next chapter.



CHAPTER FOUR

RESULTS AND DISCUSSIONS

4.1 Introduction

This chapter presents the findings from the data analysis of this study. This chapter starts with the presentation of response rates and followed by discussions of the respondent's profile. Next, the reliability and validity analyses are discussed. As this study is an exploratory study, all items test in the Section C of the questionnaire as explained in the Chapter 3 were analysed and reported as descriptive analysis. Finally, cross tabulation analysis are presented to show the differences of users' perceptions on the importance of tax disclosure, current tax disclosure and usefulness of more tax disclosure in the annual report among groups.

4.2 Response Rate

All 250 distributed questionnaires were returned after the seminar session ended. Out of 250 questionnaires, only 212 were answered giving the response rate of 84.8%. The response rate is considered appropriate and valid for cross-sectional study as it exceeded threshold of 30% (Sekaran & Bougie, 2009). However, five of the answered questionnaires were incomplete. Therefore, only 207 questionnaires were usable for analysis.

4.3 Respondents Profile

Table 4.1 below reports the respondents profile from the descriptive analysis of the usable questionnaires.

Table 4.1*Respondents Profile (n=207)*

Category	Frequency	Percentage (%)
Age		
20 – 30 years old	68	32.9
30 – 40 years old	106	51.2
40 – 50 years old	27	13.0
50 and above	6	2.9
Total	207	100
Gender		
Male	45	21.7
Female	162	78.3
Total	207	100
Occupation		
Students	9	4.3
Academic staff	28	13.5
IRBM officer	52	25.2
Professional	97	46.9
Management executive	21	10.1
Total	207	100
Organization Tenure		
< 1 years	10	4.8
1 – 5 years	70	33.8
6 – 10 years	48	23.2
11 – 15 years	43	20.8
16 - 20 years	10	4.8
>20 years	26	12.6
Total	207	100

Out of 207 respondents, 162 (78.3%) were female while the remaining respondents (45 which represent 21.7%) were male. The highest respond to the questionnaires were respondents aged 30 to 40 years old with total of 106 (51.2%), followed by respondents aged 20 to 30 years old with total 68 (32.9%). Others were respondents aged 40 to 50 years old, which was 27 in total (13.0%) and the rest were respondents above 50 years old (6 which represent 2.9%).

As shown in the Table 4.1, for occupation category, respondents of this study came from different career background. The highest are tax professional which represent 46.9%, followed by 25.15% are IRBM officers, 13.5% of the respondents are academics and the rest are management executives and students. Respondents with 1 to 5 years of working experience are the highest respondents for this study with a total of 70 or 33.8%. Meanwhile, respondents with 6 to 10 years of working experience contribute to 23.2% and 20.8% tenure between 11 to 15 years, 12.6% tenure for more than 20 years, and both 16 to 20 years and less than 1 year of working experience represents 4.8%.

In term of the respondents profile for tax disclosure knowledge, frequency of assessing/using tax information in annual report and source of assessing company's annual report, the findings from the descriptive analysis is presented in Table 4.2.

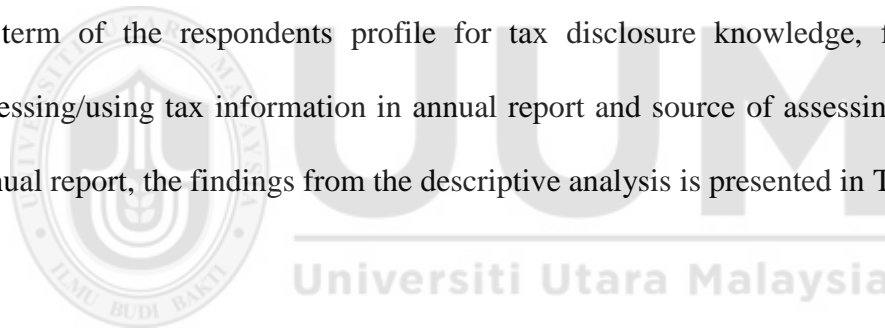


Table 4.2

Respondents Tax Disclosure Knowledge, Frequency of Assessing/Using Tax Information in Annual Report and Source of Assessing Companies Annual Report (N=207)

	Frequency	Percentage (%)
Level of understanding tax information in annual report.		
Expert	13	6.3
Advance	36	17.4
Intermediate	96	46.4
Basic	54	26.0
Awareness	8	3.9
Total	207	100
How often respondent access/use tax information from annual report?		
Frequently use	35	16.9
Almost every time	48	23.2
Occasionally	93	44.9
Almost never	18	8.7
Never use	13	6.3
Total	207	100
Where do you access the tax information in the company's annual report?		
Website of the companies	88	42.5
Bursa Malaysia	32	15.5
IRBM record	87	42.0
Total	207	100

The analysis on the level of understanding on tax information in annual report shows that out of 207 respondents, 96 (46.4%) respondents rated themselves as having intermediate level in their understanding tax information in annual report. Meanwhile, 54 (26.1%) respondents rated themselves as having a basic understanding, 36 (17.4%) respondents rated themselves as having advance level and only 13 (6.3%) respondents have rated themselves as expert users in understanding the tax information in annual report. Finally, only 8 (3.9%) respondents rated themselves as only having an awareness level of understanding tax information in annual report.

In term of the frequencies of accessing and using tax information in the annual reports, out of 207 respondents, 93 (44.9%) respondents occasionally access tax information from the company annual report, 48 (23.2%) of the respondents access almost every time and 35 (16.9%) of the respondents frequently access and use tax information from the annual reports. Meanwhile, only about 15.0% of the respondents never use tax information from annual reports.

As for the question on how the respondents excess the tax information in the company's annual reports, most of the respondents i.e. 88 which represent 42.5% access the annual report from the companies' website, 87 of the respondents or 42.0% access from the IRBM record, and 32 or 15.5% of the respondents access the tax information in the company's annual report from the Bursa Malaysia.

4.4 Data Screening

Data screening and transformation techniques are useful in making sure that data have been correctly entered and that the data distributions are normal (Coakes, Steed, & Ong, 2009). One of the major assumptions for parametric statistics is that the data in the population must be normally distributed. All data collected from the respondents have been tested using normality test to ensure that data is normally distributed. There are a number of different ways to assess the normality assumptions (Coakes, Steed, & Ong, 2009). For this study, visual inspection of the histogram is used to test the assumptions of normality on all items measured. Figure 4.1 presents the histogram with normal curve plot for all items consisting users' perceptions on the importance of

tax disclosure, current tax disclosure and usefulness of more tax disclosure. Thus, the assumption of normality for the data of this study is fulfilled.

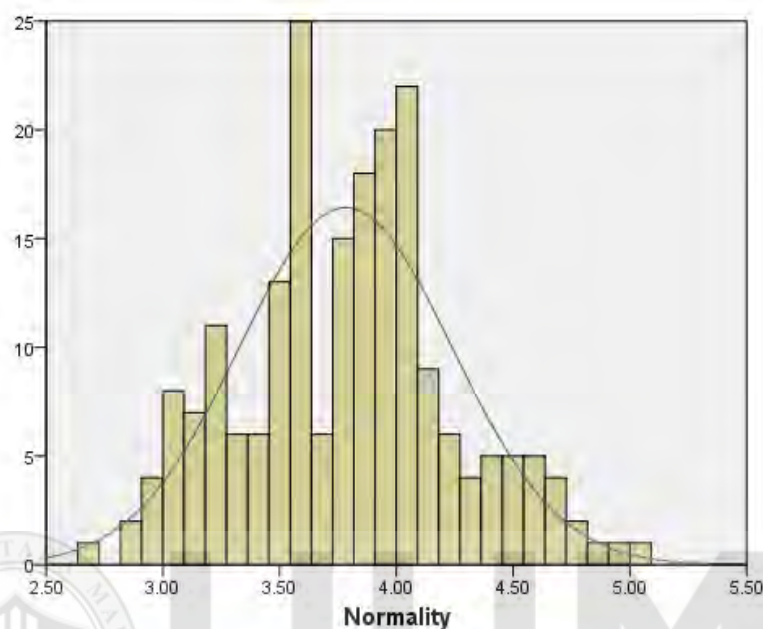


Figure 4.1

Histogram with normal curve plot for items measured on the importance of tax disclosure, current tax disclosure and usefulness of more tax disclosure.

4.5 Reliability Analysis

The reliability analysis is a measure that established by testing for both internal consistency and stability of the items being measured. Consistency indicates how well the items hang together as a set and the value of Cronbach's alpha is a reliability coefficient that used to indicate level of reliability. The closer Cronbach's alpha is to 1, the higher the internal consistency (Sekaran, 2009). In general, the value of Cronbach's alpha less than 0.6 is considered to be poor, the value in the 0.7 range is acceptable and value over 0.8 is considered good (Sekaran, 2009).

Table 4.3

Reliability Analysis (n=207)

Reliability Statistics	
Cronbach's Alpha	Number of Items
.930	22

Table 4.3 shows the findings of reliability analysis using the Cronbach's alpha value. The reliability value is at 0.930 which indicate that the items are considered good and thus, suitable to be analyse for this study.

4.6 Validity Analysis

Validity analysis is usually carried out using factor analysis which is a data reduction technique used to reduce a large number of variables to a smaller set of underlying factors that summarise the essential information contained in the variables (Coakes, Steed, & Ong, 2009). Researchers usually used this factor analysis as to construct a valid instrument, as an additional means of determining whether items are tapping into the same construct. Identification data matrix was performed to check the data through Keiser-Meyer-Olkin (KMO) value besides the Bartlett's test of Sphericity.

Table 4.4 below shows the computation of correlation matrix used to determine the appropriateness of the factor-analytic model.

Table 4.4

Factor Analysis (n=207)

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		0.904
Bartlett's Test of Sphericity	Approx. Chi-Square	3263.579
	df	351
	Sig.	.000

Table 4.4 shows that the Barlett test of sphericity is significant and that the KMO measure of sampling adequacy is far greater than 0.6. Thus, these construct are acceptable for further analyses for this study.

Further, table 4.5 below reports the Rotated Component Matrix in factor analysis to interpret categories or factors of all items measured in this study. From the analysis, all item listed could be categorised to 3 groups, however there are four items that appear to two categories, which is item C16, C21, C17 and C7. The three groups are the users' perception on the importance of tax disclosure (G2), current tax disclosure (G3) and usefulness of more tax disclosure (G1). In the findings, item C16, C21, C17 appear in the G1 and G2, however this item is suitable to be included in the G1 as the value is much higher than the value in G2. In addition, the value of all items that exceed 0.30 is suitable and acceptable to factoring (Yaacob, 2011). Meanwhile, for item C7 is also appearing in two groups which is G1 and G2, however the item is suitable to be included in G2 as the value is higher compared to the value in G1.

As a result, from all 22 items listed in Section C of the questionnaire, which aimed to fulfil the objectives of this study, the items can be categorised into three groups. The groups are the users' perception on the importance of tax disclosure (G2), current tax disclosure (G3) and usefulness of more tax disclosure (G1).

Table 4.5

Rotated Component Matrix (n=207)

	Components		
	G1	G2	G3
C12	.811		
C15	.797		
C10	.776		
C16	.763	.368	
C13	.760		
C9	.759		
C18	.748		
C20	.745		
C21	.728	.351	
C11	.716		
C17	.711	.364	
C8	.692		
C19	.657		
C22	.637		
C14	.608		
C2		.816	
C3		.779	
C1		.696	
C7	.371	.451	
C6			.855
C4			.732
C5			.720

Extraction Method: Principal Component Analysis.

Rotation Method: Varimax with Kaiser Normalization.

a. Rotation converged in 5 iterations.

4.7 Descriptive Statistics

Descriptive statistics is used to explore the data collected and to summarise and describe the data in an informational manner. It is a transformation of raw data into a form that easy to understand and interpret (Yaacob, 2011). Descriptive statistics is useful for this study in order to determine some general observations about data collected as this study is an exploratory in nature. Table 4.6 below portrays the descriptive analysis of the items listed in Table 4.5.

Table 4.6

Descriptive statistics for importance of tax disclosure, current tax disclosure and usefulness of more tax disclosure

Items	N	Minimum	Maximum	Mean	Std. Deviation
Importance	207	2.00	5.00	3.9167	0.50962
Current	207	1.33	5.00	3.5153	0.61591
Usefulness	207	2.20	5.00	3.8006	0.54351

Standards deviations show the degree of freedom and at what range the data spread out from its menu. Table 4.6 shows the standard deviation, mean, minimum and maximum values for category of users' perceptions. The standard deviation falls between 0.50962 and 0.61591 whilst the mean values range from 3.5153 to 3.9167 for the three categories. Items importance of tax disclosure with mean score of 3.9167, show that in average, the respondents agree that the importance of tax disclosure to be included in Malaysian companies' annual report. For items on usefulness of more tax disclosure also show a high mean scored with value 0.38006. In average, most of the respondent agree that more tax disclosure is usefulness to the stakeholders. Finally,

items on current tax disclosure with mean score of 3.5153 showed that most of the respondents agree that current of tax disclosure in Malaysia companies' annual report is limited. The table also shows the average mean score for all the categories is 3.7442 which indicated that most of respondents agree with all item measured in this study.

4.7.1 Importance of Tax Disclosure

The importance of tax disclosure is a component that used to measure whether users perceive tax information in the annual report is important and beneficial to the user or vice versa. Importance and beneficial as explained in the literature review refer to the ability of tax information in enhancing the business and increase shareholder value. Table 4.6.1 below shows the mean ranking on the items used to assess this component.

Table 4.7

Mean of Items Measuring Users' Perceptions on the Importance of Tax Disclosure

No.		Items	Mean
1.	C2	Tax disclosure section is an important part to be disclosed in the annual report	4.05
2.	C3	Tax disclosure can be used to enhance the business and increase shareholder value.	3.93
3.	C1	Annual report is the main source of company's tax information available to stakeholders.	3.87
4.	C7	Tax disclosure is beneficial in facilitating decision making	3.82

As presented in Table 4.7, the mean score for item C2, C3, C1, and C7 are 4.05, 3.93, 3.87 and 3.82 respectively. The mean values for all items are more than 3.5 which represent that the respondents perceived that tax disclosure in company annual report

is important. Specifically, the respondents agree that tax disclosure is an important part to be disclosed in the annual report (C2). Respondents also agree that tax disclosure can be used to enhance the business and increase shareholder value (C3). In addition, respondents also agree that annual report is the main source of company's tax information available to stakeholders (C1). Further, tax disclosure is also perceived as beneficial in facilitating decision making (C7). In average, most of respondents in this study agree with all items measured on the importance of tax disclosure. It indicates that tax disclosure is an important part to be disclosed in companies' annual reports.

4.7.2 Current Tax Disclosure

Table 4.8 shows the mean ranking on the items used to assess users' perceptions on current tax disclosure in the annual reports. This component refers to whether tax information in annual reports is appropriate information and understandable or vice versa.

Table 4.8

Mean of Items Measuring Users' Perceptions on Current Tax Disclosure

No.	Items	Mean
1.	C4	Tax information disclosed by companies' annual report is limited. 3.77
2.	C6	Tax information disclosed in the annual report is not detail. 3.57
3.	C5	Tax information in the Annual Report is difficult to understand. 3.20

Table 4.8 shows the mean of items to measure users' perception on current tax disclosure. Based on the table, the mean score for item C4, C6, and C5 are 3.77, 3.57, and 3.20 respectively. The mean of items C4, C6 and C5 represent that the respondents agree that tax information disclosed by companies' annual report is limited (C4). Respondents also perceive that tax information disclosed in the annual report is not detail (C6). In addition, respondents also perceive that tax information in the annual report is difficult to understand (C5). Based on the findings, most of the respondents agree that the current tax disclosure in companies' annual report is limited and not detailed. However, the respondent less agree that the tax information in the annual report is difficult to understand as most of them have a professional background and familiar with tax matters.

4.7.3 Usefulness of More Tax Disclosure

Table 4.9 below shows the mean of items to measure users' perceptions on the usefulness of more tax disclosure in the annual reports.

Table 4.9*Mean of Items Measuring Users' Perceptions on the Usefulness of More Tax Disclosure*

No.		Items	Mean
1.	C13	I believe that tax disclosure helps tax authorities in handling their tax audit.	3.96
2.	C22	I believe that MASB should set rule on disclosing more voluntarily tax information by companies.	3.94
3.	C16	I believe that more tax disclosure will provide more valuable information to the stakeholders.	3.89
4.	C21	Tax disclosure contributes to the creating a quality financial statements.	3.88
5.	C20	I believe that more meaningful tax disclosure is necessary to give investors and other stakeholders a better understanding of a company's tax practices.	3.87
6.	C19	Tax disclosure is believed to increase taxpayer compliance.	3.81
7.	C18	By disclosing more tax information, tax authorities can increase its efficiency in providing services to taxpayers.	3.81
8.	C17	I believe that with more disclosure of tax information would indicate that the company had good corporate governance practices.	3.81
9.	C15	I believe more disclosure of tax information is beneficial to stakeholders.	3.81
10.	C10	More tax information need to be published as to avoid the risk of misinterpretation.	3.80
11.	C12	Company that disclosed more tax information is the company that have a strong ethical stance towards social responsibility.	3.78
12.	C9	Detailed information on tax affairs should be disclosed to give accurate information about the companies.	3.74
13.	C8	Treatment of tax affairs should be disclosed as mandatory disclosure in the Annual Report.	3.70
14.	C11	I believe that the more tax information disclosed by company will enhance company performance.	3.63
15.	C14	The cost of tax administration by tax authorities can be reduced as more tax information has been disclosed in the Annual Report.	3.58

As presented in Table 4.9, the mean values for all items are more than 3.5 which represent that respondents agree on the usefulness of tax disclosure in the annual report. Item C13 shows the highest mean i.e. 3.96 compared to other items. It indicates that the respondents agree that tax disclosure helps tax authorities in handling their tax audit. Item C22 with the mean of 3.94 shows that the respondents agree that MASB should set rule on disclosing more voluntarily tax information by companies. This notion is supported by items C16 and C21 with mean values of 3.89 and 3.88 accordingly, entails that more tax disclosure will provide more valuable information to the stakeholders and contributes to a quality financial statements.

Respondents also agree that more meaningful tax disclosure is necessary to give investors and other stakeholders a better understanding of a company's tax practices, as showed by item C20 with the mean value of 3.87. Items C19, C18 and C17 show similar mean value i.e. 3.81 which indicates that the respondents believe that more tax disclosure increase taxpayer compliance and the efficiency of tax authorities in providing services to taxpayers. In addition, more tax disclosure reflects that the company had good corporate governance practices.

Further, items C15 and C10 with the mean values of 3.81 and 3.80 accordingly indicates that the respondents agree that more disclosure of tax information is beneficial to stakeholders and could avoid the risk of misinterpretation. In addition, item C12 with the mean value of 3.78 shows that respondents agree that more tax disclosure reflect that the company have a strong ethical stance towards social responsibility. The respondents also agree that more tax disclosure is needed on tax

affairs to give accurate information about the companies (C9). As for the item C8 with the mean value of 3.70 indicates that the respondents agree that more tax disclosure is needed to include mandatory disclosure of treatment of tax affairs in the annual reports. The respondents also agree that more tax disclosure will enhance company performance (C11) and reduce the cost of tax administration by tax authorities (C14). Specifically, it is noted that more tax disclosure is necessary in the companies' annual report as it is beneficial to the stakeholders. Overall, in average most the respondents agree with all item measured on the usefulness of more tax disclosure provided in the annual report.

4.8 Cross Tabulation Analysis

Cross-tabulation analysis (cross-tab) is the appropriate technique for addressing research questions involving relationships among multiples less-than interval variables (Zikmund, Babin, Carr, & Griffin, 2013). Cross-tab allows the comparison of differences among groups based on nominal or ordinal categories. Basically, the cross-tab shows the results in a combined frequency table displaying one variable in rows and another in columns.

Cross Tabulation between Occupation and Tax Disclosure Knowledge

Table 4.10 shows the results of cross tabulation between occupation and tax disclosure knowledge to identify any difference between users and their perceptions on level of tax disclosure knowledge.

Table 4.10*Cross Tabulation between Occupation and Tax Disclosure Knowledge (n=207)*

Occupation	Tax Disclosure Knowledge					Total
	Expert	Advance	Intermediate	Basic	Awareness	
Students	0 0%	0 0%	2 1.0%	7 3.4%	0 0%	9 4.3%
Academic Staff	0 0%	2 1.0%	16 7.7%	8 3.9%	2 1.0%	28 13.6%
IRBM Officer	3 1.4%	15 7.2%	31 15%	3 1.4%	0 0%	52 25.1%
Professional	10 4.8%	15 7.2%	42 20.3%	27 13.0%	3 1.4%	97 46.9%
Management Executive	0 0%	4 1.9%	5 2.4%	9 4.3%	3 1.4%	21 10.1%
Total	13 6.3%	36 17.4%	96 46.4%	54 26.1%	8 3.9%	207 100%

As presented in Table 4.10, majority of the respondents 96 (46.4%) perceive that they have intermediate level of tax disclosure knowledge which is professional (42), IRBM (31), academic staff (16), management executive (5) and students (2). Thirty-six (36) respondents perceive that they possess advance level of tax disclosure knowledge which are 15 professionals and IRBM officers, management executive (4) and academic staff (2). As for the expert level of tax disclosure knowledge, there are 13 respondents that claimed they are in this category i.e. 10 from professional background and three (3) from IRBM officer. They have an expert level on tax disclosure knowledge which align with their professions.

Meanwhile, there are 54 respondents claim that they possess basic tax disclosure knowledge including 27 professionals, management executive (9), academic staff (8),

students (7) and IRBM (3). Only eight (8) respondents have an awareness level of tax disclosure knowledge which is three (3) people from management executive, professional (3), and academic staff (2).

Overall, findings from the table above showed that most of the respondents in this study have an intermediate tax disclosure knowledge which indicate most of the users are familiar with tax disclosure in Malaysia companies' annual reports. The IRBM officers and professionals claimed that they have an expert level of tax knowledge which is aligned with their profession. Basically, the respondent in this study has an intermediate level of tax disclosure knowledge which contribute to significant finding of this study.

4.9 Chapter summary

Chapter four has focussed on discussing on the results retrieved from SPSS version 20.0. Four types of analyses had been used and presented in this chapter namely; descriptive analysis, reliability analysis, validity analysis and cross-tabulation analysis. All these analysis are directed to answer the research question of this study as presented in Chapter 1. Data used in this study were obtained from 207 respondents which represented a response rate of 84.8%. The next chapter which is chapter five discusses and concludes the research findings.

CHAPTER FIVE

DISCUSSIONS, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

The purpose of this study is to determine the perceptions of users on tax disclosure in the annual report. Specifically, the objectives of this study are to determine users' perceptions on the importance of tax disclosure, current tax disclosure and usefulness of more tax disclosure in the annual report. In addition, this study also assesses the level of tax disclosure knowledge as perceived by users themselves. Therefore, this chapter discusses and concludes the findings from data analysis as presented in chapter four and also from opinions of respondents from an open-ended question in the questionnaire. This chapter also explains limitation of the study and provides recommendations for future research related to tax disclosure.

5.2 Discussions of the Findings

The respondents of this study came from various career backgrounds which include professional, IRBM officer, academic staff, management executive and student who attended the National Tax Seminar organized by IRBM Alor Setar branch on 16 November 2016. This study highlights three components of users' perceptions on tax disclosure in companies' annual report i.e. the importance of tax disclosure, current tax disclosure and usefulness of more tax disclosure besides respondents' perceived level of tax disclosure knowledge. In the final part of the questionnaire, there was an open-ended question, which respondents were given opportunity to share their opinions on how tax disclosure can be improved to benefit users of annual reports.

Out of 207 respondents, 24 respondents had given feedback to this question and tax professionals were the majority group of respondents that responded in this section. The opinions of the respondents will be highlighted in this discussions. This study is also to identify any difference users' perceptions on their level of tax disclosure knowledge.

Overall, this study finds that respondents agree that perceived tax disclosure as important part in the annual report. This result is consistent with the study by Mgammal & Ku Ismail (2015) which indicate that disclosing information about tax in annual report is important for the users to help in understanding the company's tax situation. Respondents also perceive that tax disclosure in the annual report is the main source of company's tax information available to stakeholders. These findings are consistent with the previous studies that claimed users obtained information from the annual report as the main sources of information in making their decisions (Zoysa & Rudkin, 2010; Alattar & Al-Khater, 2007; Mirshekary & Saudagaran, 2005; Deegan & Rankin, 1997). In addition, respondents believe that tax disclosure can be used to enhance the business and increase shareholder value besides beneficial in facilitating decision making. This notion is supported by Benshalom (2014) and Dixon (2016). Based on the findings, most respondents agree on the importance of tax disclosure in the Malaysia companies annual report as discussed above

Respondents also commented that tax disclosure will reflect the real picture of the companies' tax practices. However, disclosure should have been complemented with

narrations as additional notes in the financial statements, the respondent stated as follows:

“Provides narrative explanation of a financial statement, provides information the quality & variability performance & have disclosure committees” (Professional).

Respondents also commented that by having more tax disclosure it will show how well the organization do their business and information provided are more accurate for decision making. It also makes the audited report accurate and reliable. The respondents explained as follows:

“In my opinion audited report is more accurate & reliable if you want to look at the tax information of the comp”; (Professional) and “To see whether company set profit after deduct taxation. So I can make decision whether to invest in that company or not” (Student).

For the second objective in this study is to determine the perception on the current tax disclosure whether tax information disclosed in the annual report is enough and appropriate for the users. Most of the respondents agree that tax information disclosed by the company’s annual report is limited and not detailed. This finding is consistent with the previous studied by Devos & Zackrisson (2015) which claimed that tax disclosure in the financial report is still limited. Ylonen & Laine (2015) also agree that companies only disclosed limited disclosure on taxation and the issues on tax planning, tax risks and tax compliance have been omitted completely.

Study by Oortwijn (2013) found that tax information provided in the annual report is too technical to be understood by non-tax people. However, respondents in this study provide the least agreement to say that tax information in the annual report is difficult to understand. This might be because they have vast knowledge in taxation matters and familiar with the tax information in the annual reports.

In contrast, some of the respondents suggested that companies to only provide important tax information rather than to disclose too detailed information. This can provide better understanding of company current tax position to its stakeholders. In addition, it was suggested by the respondents to reduce the amount of unimportant disclosure so that it would make it easier to understand. This practices would also carry less burden on both, for companies to prepare and for stakeholder to read. Among the responses are as follows:

“Provide important tax information rather than too detail tax information as disclosure can provide a better understanding of company current tax position to its stakeholders”;(Professional) and

“Reduce the amount of disclosure content make it easier to understand so that it is less burden on both for companies to prepare and for stakeholders to read” (Academic Staff).

The third objective of this study is to determine users’ perceptions on the usefulness of having more tax information in annual report. This study finds that respondents really agree that more tax disclosure do help the tax authorities in handling their tax audit. This is relevant as most of the respondents are professionals with experience in

tax practices. This finding is consistent with the study by Langenmayr (2015) which found that by way of disclosing more tax information is actually helps the tax authority in reducing tax administration cost.

Respondents in this study also perceive that more tax information is essential to be published as to avoid the risk of misinterpretation by the users. Result from the study is similar with the research by Dixon (2016), which indicate that, it is important that the published information is clear to avoid the risk of misinterpretation, especially if the reader does not have sufficient knowledge of the tax environment in which the multinational operates.

As users of the annual reports are varied, thus the respondents have recommended that the tax disclosure must be disclosed and presented in the simplest presentation so that stakeholder will understand. The respondent stated as below:

“Stakeholders come from various type of people. Not all stakeholder understand about taxation. Thus, it is recommended that the tax disclosure must be disclosed and presented in the simplest presentation so that stakeholder will understand that info” (IRBM Officer).

However, there should be certain guideline on implementation format of tax disclosure and easy for companies to follow. Respondents also suggested that IRBM should give clearer information and guideline to companies so that the company can provide more

relevant tax information. In addition, tax disclosure allows companies to be more transparent to stakeholders. The responses are as shown below:

“Tax disclosure allows comp to be more transparent to the stakeholders. However, there should be certain guideline implemented on this to allow for similar format & easy to compare with other comp” (Professional);

“The IRB should give more clear information and guideline to companies so that the company can provide more efficient tax practices” (Academic Staff); and

“Be transparent upon finalising the account Therefore, the tax figures could be easily reconciled and working papers & account easily followed when viewing the final tax return” (Professional).

In addition, users also believe that companies which disclosed more tax information is the companies that have a strong ethical stance towards social responsibility. This opinion is supported by Hanson (2015) which agreed that by having more tax disclosure, it might perceived that the company has a strong ethical stance towards social responsibility in paying tax.

Respondents in this study also perceived that Malaysia Accounting Standard Board (MASB) should play roles in setting rules on disclosing more voluntarily tax information in the annual reports. This is consistent with Talha, Shah Alam, & Sallehuddin (2005) which suggested that there should be amendments in the rules and regulation which shall only be done after thorough discussion with accounting

standard setter bodies, taxation authorities and the reporting companies. The respondents strongly suggested that more tax disclosure shall be categorised as a mandatory disclosure in the annual reports. Amongst the areas of tax disclosure which users have their concerns are total tax paid by the companies.

Specifically, tax professionals agree that more tax disclosure could assist them in finalising the account. Relevant tax figures presented in the annual reports could then easily reconciled with the preparation of final tax returns to be submitted to tax authorities. Nevertheless, they are fully aware that the level of tax disclosure is subject to Board of Directors' decision as it will be publicly available.

Besides, more tax disclosure might also contribute to quality financial statement (Kubick , Lynch, Mayberry , & Omer , 2014). This is inline with perceptions of users in this study who also foresee that more tax information will provide more valuable information to the stakeholders and contribute to quality financial statements. More tax disclosure is perceived to be able in portraying the companies' tax policies and practices. Chakroun (2013) found that financial transparency and voluntary disclosure are one of the pillars of good corporate governance. This claim is consistent with this study where users also believe that company with more tax disclosure would indicate good corporate governance practices.

Finally, the fourth objective is to determine the difference of users' perceptions on the level of tax disclosure knowledge. Findings from this study on difference perceptions of five group of users on the level of tax disclosure knowledge which is expert,

advance, intermediate, basic and awareness shows that the majority of the respondents of this study perceived that they have intermediate level of tax disclosure knowledge. The IRBM officers and professionals are the group of user that claimed they have the expert level of tax disclosure knowledge which align with their professions. Overall, respondents from this study claimed that they possess tax disclosure knowledge as they claimed to have an intermediate knowledge. Only few respondents stated that they only have awareness level of tax disclosure knowledge.

5.3 Limitation of the Study

This study only include respondents who attended National Tax Seminar 2016 in the northern region. Time frames and authorities approval is the main constraint of having more respondents in this study. The organiser was reluctant to give permission to administer the questionnaire at similar seminar held at other location, approval only granted to the researcher to distribute the questionnaire at the seminar held in Alor Setar. The approval process also took a long time to complete.

As this study is exploratory that only focused on the users' perceptions on the importance of tax disclosure, current tax disclosure and usefulness of more tax disclosure in the annual reports therefore, detail aspect or contents of the tax disclosure is not covered in specific.

5.4 Recommendations for Future Research

Future research on tax disclosure can be conducted to include more respondents throughout Malaysia. It is also recommended that future research to examine items or contents of tax disclosure disclosed by companies in specific besides identifying whether there is any difference in terms of tax disclosure among industries listed on Bursa Malaysia. In addition, future research could also investigate the behavioural aspect of tax disclosure practices among companies based on underlying theory such as legitimacy theory.

5.5 Conclusions

The aim of the study is to determine the users' perceptions on tax disclosure in the annual report of companies in Malaysia the annual report. Main objectives of this study are to determine the perception of the user of annual report in Malaysia on importance of tax disclosure, on current tax disclosure and the usefulness of more tax disclosure. The study also intent to seek the level of tax disclosure knowledge of the user of annual report. Next is to determine the Finding from this study show that in tax information disclosed by Malaysia Company's annual report is limited. Stakeholder as user of annual report agreed that tax disclosure section is an important part for tax information as annual report is the main sources of company tax information available to stakeholders. Thus, more tax information is needed to be disclosed in annual report. Stakeholder believes that tax disclosure is beneficial in facilitating decision making.

Tax professional and IRBM officer as the major groups of respondent in this study believe that tax disclosure helps tax authorities in handling their tax audit. For

practitioners and tax professional, more tax information provided in annual report is actually helping them in tax practices and able to access accurate and reliable information. By having more tax disclosure, investor or public also able to get more valuable information from tax information with the quality financial statements. Tax authorities can increased its efficiency in providing services to tax payers as they can reduced their cost on administration for tracing or penalizing tax evaders. With more tax information disclosed in annual report, companies' tax practices will be discussed in detail and thus increased the tax transparency.

In conclusion, this study found that users of annual reports in Malaysia perceive that tax disclosure is an important part of accounting disclosure in the annual reports but it is still, not detail and too technical to be interpreted. Users of annual reports in Malaysia also agreed that more tax disclosure would be useful for stakeholders to comprehend tax matters of the companies. In short, users perceive that relevant and sufficient tax disclosure would improve the quality of the annual reports of Malaysian companies as well as enhancing its transparency.

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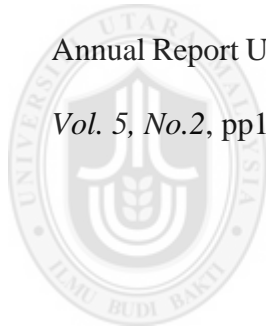
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No:

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Questionnaire Form



Dear respondent,

RE: Master of Science (International Accounting)

With reference to the above, you have been selected as a respondent in this Dissertation study.

I'm doing a Master's degree student in the College of Business, Universiti Utara Malaysia (UUM) conducting a research project in partial fulfilment of the requirements for the degree of Master of Science (International Accounting). The purpose of this research is to seek **the perception of user on tax disclosure in annual report**.

This questionnaire comprises of 6 sections (A,B,and C,). Please indicate your choice by (/) in the box provided.

It would be very much appreciated if you could spare some of your valuable time to complete this survey. Your full co-operation is a pre-requisite to the success of this research endeavour.

All information obtained will be treated as private and confidential.

Please do not hesitate to contact me if you have any queries with regards to this survey. Thank you for your willingness to participate in this survey.

Thank You.

Regards,

Nurul Afza Binti Abd Rashid (Email: afza.rashid.mara.gov.my)

Phone: 013-430 8466

Universiti Utara Malaysia

Appendix A: Questionnaire

Tax Disclosure

**Instruction: Please indicate your choice by putting a (/) within the box.
Indicate your respond for all items.**

Section A: Respondents Profile

1. Age group
 - 20-30 years
 - 30-40 years
 - 40-50 years
 - 50 years and above
2. Gender
 - Male
 - Female
3. Occupation
 - Students
 - Academic Staff
 - Professional
 - IRBM Officer
 - Management Executive
4. Organization tenure
 - < 1 year
 - 1-5 years
 - 6-10 years
 - 11-15 years
 - 16-20 years
 - > 20 years

Section B: Tax Disclosure Knowledge

5. How will you rate your level of understanding on tax information disclose by company annual report.
 - Expert
 - Advance
 - Intermediate/Moderate
 - Basic
 - Awareness
6. On average how often do you access/use tax information from the companies' annual report?
 - Never Use
 - Almost Never
 - Occasionally/Sometime
 - Almost Every Time
 - Frequently Use

7. Where do you access the tax information data from the company's annual report?
- Website of the companies
 - Bursa Saham Malaysia
 - IRBM

Section C: Indicate whether you agree or disagree with each of the following statements.	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
1. Annual Report is the main source of company's tax information available to stakeholders.	1	2	3	4	5
2. Tax disclosure section is an important part to be disclosed in the Annual Report	1	2	3	4	5
3. Tax disclosure can be used to enhance the business and increase shareholder value.	1	2	3	4	5
4. Tax information disclosed by companies Annual Reports is limited.	1	2	3	4	5
5. Tax information in the Annual Report is difficult to understand.	1	2	3	4	5
6. Tax information disclosed in the Annual Report is not detail.	1	2	3	4	5
7. Tax disclosure is beneficial in facilitating decision making.	1	2	3	4	5
8. Treatment of tax affairs should be disclosed as mandatory disclosure in the Annual Report.	1	2	3	4	5
9. Detailed information on tax affairs should be disclosed to give accurate information about the companies.	1	2	3	4	5
10. More tax information need to be published as to avoid the risk of misinterpretation	1	2	3	4	5

Indicate whether you agree or disagree with each of the following statements.	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
11. I believe that the more tax information disclosed by company will enhance company performance.	1	2	3	4	5
12. Company that disclosed more tax information is the company that have a strong ethical stance towards social responsibility	1	2	3	4	5
13. I believe that tax disclosure helps tax authorities in handling their tax audit.	1	2	3	4	5
14. The cost of tax administration by tax authorities can be reduced as more tax information has been disclosed in the Annual Report.	1	2	3	4	5
15. I believe more disclosure of tax information is beneficial to stakeholders.	1	2	3	4	5
16. I believe that more tax disclosure will provide more valuable information to the stakeholders.	1	2	3	4	5
17. I believe that with more disclosure of tax information would indicate that the company had good corporate governance practices.	1	2	3	4	5
18. By disclosing more tax information, tax authorities can increase its efficiency in providing services to tax payers.	1	2	3	4	5
19. Tax disclosure is believed to increase tax payer compliance	1	2	3	4	5
20. I believe that more meaningful tax disclosure is necessary to give investors and other stakeholders a better understanding of a company's tax practices	1	2	3	4	5
21. Tax disclosure contributes to the creating a quality financial statements.	1	2	3	4	5
22. I believe that Malaysian Accounting Standard Boards (MASB) should set rule on disclosing more voluntarily tax information by companies.	1	2	3	4	5

In your opinion, how tax disclosure can be improved to benefit you and other stakeholders?

Thank You on your participation.



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Appendix B

Table 1.1

Frequency on item measured in questionnaire.

No	Item	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Total	Mean
C1	Annual report is the main source of company's tax information available to stakeholders.	1 0.5%	10 4.8%	42 20.3%	116 56%	38 18.4%	207 100%	3.87
C2	Tax disclosure section is an important part to be disclosed in the annual report	2 1.0 %	0 0%	30 14.5%	129 62.3%	46 22.2%	207 100%	4.05
C3	Tax disclosure can be used to enhance the business and increase shareholder value.	0 0%	4 1.9%	43 20.8%	124 59.9%	36 17.4%	207 100%	3.93
C4	Tax information disclosed by companies' annual report is limited.	1 0.5%	5 2.4%	58 28%	119 57.5%	24 11.6%	207 100%	3.77
C5	Tax information in the Annual Report is difficult to understand.	2 1.0%	39 18.8%	97 46.9%	53 25.6%	16 7.7 %	207 100%	3.20
C6	Tax information disclosed in the annual report is not detail	1 0.5%	11 5.3%	86 41.5%	87 42%	22 10.6	207 100%	3.57
C7	Tax disclosure is beneficial in facilitating decision making	0 0%	1 0.5%	49 23.7%	143 69.1%	14 6.8%	207 100%	3.82
C8	Treatment of tax affairs should be disclosed as mandatory disclosure in the Annual Report.	0 0%	6 2.9%	61 29.5%	129 62.3%	11 5.3%	207 100%	3.70
C9	Detailed information on tax affairs should be disclosed to give accurate information about the companies.	0 0%	5 2.4%	58 28%	130 62.8%	14 6.8%	207 100%	3.74

Table 1.1 (Continued)

No	Item	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Total	Mean
C10	More tax information need to be published as to avoid the risk of misinterpretation.	0 0%	5 2.4%	57 27.5%	120 58%	25 12.1%	207 100%	3.80
C11	I believe that the more tax information disclosed by company will enhance company performance.	3 1.4%	11 5.3%	66 31.9%	106 51.2%	21 10.1%	207 100%	3.63
C12	Company that disclosed more tax information is the company that have a strong ethical stance towards social responsibility.	0 0%	10 4.8%	54 26.1%	114 55.1%	29 14.0%	207 100%	3.78
C13	I believe that tax disclosure helps tax authorities in handling their tax audit.	0 0%	5 2.4%	35 16.9%	131 63.3%	36 17.4%	207 100%	3.96
C14	The cost of tax administration by tax authorities can be reduced as more tax information has been disclosed in the Annual Report.	5 2.4%	11 5.3%	75 36.2%	90 43.5%	26 12.6%	207 100%	3.58
C15	I believe more disclosure of tax information is beneficial to stakeholders.	0 0%	8 3.9%	62 30.0%	98 46.3%	39 18.8%	207 100%	3.81
C16	I believe that more tax disclosure will provide more valuable information to the stakeholders.	0 0%	1 0.5%	51 24.6%	125 60.4%	30 14.5%	207 100%	3.89
C17	I believe that with more disclosure of tax information would indicate that the company had good corporate governance practices.	0 0%	7 3.4%	57 27.5%	112 54.1%	31 15.0%	207 100%	3.81

Table 1.1 (Continued)

No	Item	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Total	Mean
C18	By disclosing more tax information, tax authorities can increase its efficiency in providing services to tax payers.	0 0%	7 3.4%	58 28.0%	109 52.7%	33 15.9%	207 100%	3.81
C19	Tax disclosure is believed to increase tax payer compliance.	0 0%	8 3.9%	56 27.1%	111 53.6%	32 15.5%	207 100%	3.81
C20	I believe that more meaningful tax disclosure is necessary to give investors and other stakeholders a better understanding of a company's tax practices.	0 0%	4 1.9%	53 25.6%	116 56.0%	34 16.4%	207 100%	3.87
C21	Tax disclosure contributes to the creating a quality financial statements.	0 0%	1 0.5%	57 27.5%	114 55.1%	35 16.9%	207 100%	3.88
C22	I believe that MASB should set rule on disclosing more voluntarily tax information by companies.	2 1%	1 0.5%	47 22.7%	115 55.6%	42 20.3%	207 100%	3.94

Appendix C- Cross Tabulation

Table 2.1

Cross Tabulation between Occupation and Age

Occupation	Age				Total
	20 - 30	30 - 40	40 - 50	50 and above	
Students	8 3.9%	1 0.5%	0 0%	0 0%	9 4.3%
Academic Staff	4 1.9%	18 8.7%	5 2.4%	1 0.5%	28 13.5%
IRBM Officer	7 3.4%	35 16.9%	9 4.3%	1 0.5%	52 25.1%
Professional	42 20.3%	43 20.8%	10 4.8%	2 1.0%	97 46.9%
Management Executive	7 3.4%	9 4.3%	3 1.4%	2 1.0%	21 10.1%
Total	68 32.9%	106 51.2%	27 13.0%	6 2.9%	207 100%

Table 2.2

Cross Tabulation between Gender and Age

Gender	Age				Total
	20 - 30	30 - 40	40 - 50	50 and above	
Male	14 6.8%	18 8.7%	10 4.8%	3 1.4%	45 21.7%
Female	54 26.1%	88 42.5%	17 8.2%	3 1.4%	162 78.3%
Total	68 32.9%	106 51.2%	27 13.0%	6 2.9%	207 100%

Table 2.3

Cross Tabulation between Occupation and Tenure

Tenure	Students	Academic Staff	IRBM Officer	Professional	Management Executive	Total
< 1 year	3	0	0	5	2	10
	1.4%	0%	0%	2.4%	1.0%	4.8%
1 – 5 years	4	4	25	26	11	70
	1.9%	1.9%	12.1%	12.6%	5.3%	33.8%
6 – 10 years	1	11	8	24	4	48
	0.5%	5.3%	3.9%	11.6%	1.9%	23.2%
11-15 years	0	8	16	18	1	43
	0%	3.9%	7.7%	8.7%	0.5%	20.8%
16-20 years	0	3	1	5	1	10
	0%	1.4%	0.5%	2.4%	0.5%	4.8%
>20 years	1	2	2	19	2	26
	0.5%	1.0%	1.0%	9.2%	1.0%	12.6%
Total	9	28	52	97	21	207
	4.3%	13.5%	25.1%	46.9%	10.1%	100%

Table 2.4

Cross Tabulation between Occupation and Average on access tax information from annual report

Occupation	Average Frequency on Access Tax Information (Annual Report)					Total
	Never use	Almost never	Occasionally	Almost every time	Frequently use	
Students	2	0	5	1	1	9
	1.0%	0%	2.4%	0.5%	0.5%	4.3%
Academic Staff	4	3	18	2	1	28
	1.9%	1.4%	8.7%	1.0%	0.5%	13.5%
IRBM Officer	3	1	14	22	12	52
	1.4%	0.5%	6.8%	10.6%	5.8%	25.1%
Professional	2	11	45	21	18	97
	1.0%	5.3%	21.7%	10.1%	8.7%	46.9%
Management Executive	2	3	11	2	3	21
	1.0%	1.4%	5.3%	1.0%	1.4%	10.1%
Total	13	18	93	48	35	207
	6.3%	8.7%	44.9%	23.2%	16.9%	100%

Table 2.5

C4- Tax information disclosed by companies' annual report is limited.

Scale	Students	Academic Staff	IRBM Officer	Professional	Management Executive	Total
Strongly Disagree	0 0%	0 0%	1 0.5%	0 0%	0 0%	1 0.5%
Disagree	0 0%	2 1.0%	1 0.5%	2 1.0%	0 0%	5 2.4%
Neutral	4 1.9%	5 2.4%	6 2.9%	35 16.9%	8 3.9%	58 28.0%
Agree	5 2.4%	17 8.2%	35 16.9%	51 24.6%	11 5.3%	119 57.5%
Strongly Agree	0 0%	4 1.9%	9 4.3%	9 4.3%	2 1.0%	24 11.6%
Total	9 4.3%	28 13.5%	52 25.1%	97 46.9%	21 10.1%	207 100%

Table 2.6

C6- Tax information disclosed in the annual report is not detail.

Scale	Students	Academic Staff	IRBM Officer	Professional	Management Executive	Total
Strongly Disagree	0 0%	0 0%	1 0.5%	0 0%	0 0%	1 0.5%
Disagree	0 0%	2 1.0%	2 1.0%	4 1.9%	3 1.4%	11 5.3%
Neutral	4 1.9%	9 4.3%	18 8.7%	46 22.2%	9 4.3%	86 41.5%
Agree	5 2.4%	11 5.3%	24 11.6%	40 19.3%	7 3.4%	87 42.0%
Strongly Agree	0 0%	6 2.9%	7 3.4%	7 3.4%	2 1.0%	22 10.6%
Total	9 4.3%	28 13.5%	52 25.1%	97 46.9%	21 10.1%	207 100%

Table 2.7*C5- Tax information in the Annual Report is difficult to understand.*

Scale	Students	Academic Staff	IRBM Officer	Professional	Management Executive	Total
Strongly Disagree	0 0%	0 0%	1 0.5%	1 0.5%	0 0%	2 1.0%
Disagree	3 1.4%	5 2.4%	9 4.3%	21 10.1%	1 0.5%	39 18.8%
Neutral	3 1.4%	9 4.3%	28 13.5%	45 21.7%	12 5.8%	97 46.9%
Agree	2 1.0%	12 5.8%	10 4.8%	24 11.6%	5 2.4%	53 25.6%
Strongly Agree	1 0.5%	2 1.0%	4 1.9%	6 2.9%	3 1.4%	16 7.7%
Total	9 4.3%	28 13.5%	52 25.1%	97 46.9%	21 10.1%	207 100%

Table 2.8*C22- I believe that MASB should set rule on disclosing more voluntarily tax information by companies.*

Scale	Students	Academic Staff	IRBM Officer	Professional	Management Executive	Total
Strongly Disagree	0 0%	0 0%	0 0%	2 1.0%	0 0%	2 1.0%
Disagree	0 0%	0 0%	0 0%	1 0.5%	0 0%	1 0.5%
Neutral	0 0%	5 2.4%	6 2.9%	28 13.5%	8 3.9%	47 22.7%
Agree	7 3.4%	13 6.3%	31 15%	53 25.6%	11 5.3%	115 55.6%
Strongly Agree	2 1.0%	10 4.8%	15 7.2%	13 6.3%	2 1.0%	42 20.3%
Total	9 4.3%	28 13.5%	52 25.1%	97 46.9%	21 10.1%	207 100%

Table 2.9

C16- I believe that more tax disclosure will provide more valuable information to the stakeholders.

Scale	Students	Academic Staff	IRBM Officer	Professional	Management Executive	Total
Strongly Disagree	0 0%	0 0%	0 0%	0 0%	0 0%	0 0%
Disagree	0 0%	0 0%	0 0%	1 0.5%	0 0%	1 0.5%
Neutral	1 0.5%	3 1.4%	9 4.3%	30 14.5%	8 3.9%	51 24.6%
Agree	7 3.4%	17 8.2%	31 15%	59 28.5%	11 5.3%	125 60.4%
Strongly Agree	1 0.5%	8 3.9%	12 5.8%	7 3.4%	2 1.0%	30 14.5%
Total	9 4.3%	28 13.5%	52 25.1%	97 46.9%	21 10.1%	207 100%

Table 2.10

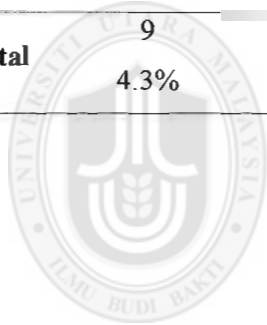
C21- Tax disclosure contributes to the creating a quality financial statements.

Scale	Students	Academic Staff	IRBM Officer	Professional	Management Executive	Total
Strongly Disagree	0 0%	0 0%	0 0%	0 0%	0 0%	0 0%
Disagree	0 0%	0 0%	0 0%	1 0.5%	0 0%	1 0.5%
Neutral	0 0%	7 3.4%	4 1.9%	36 17.4%	10 4.8%	57 27.5%
Agree	8 3.9%	14 6.8%	33 15.9%	50 24.2%	9 4.3%	114 55.1%
Strongly Agree	1 0.5%	7 3.4%	15 7.2%	10 4.8%	2 1.0%	35 16.9%
Total	9 4.3%	28 13.5%	52 25.1%	97 46.9%	21 10.1%	207 100%

Table 2.11

C20- . I believe that more meaningful tax disclosure is necessary to give investors and other stakeholders a better understanding of a company's tax practices.

Scale	Students	Academic Staff	IRBM Officer	Professional	Management Executive	Total
Strongly Disagree	0 0%	0 0%	0 0%	0 0%	0 0%	0 0%
Disagree	1 0.5%	0 0%	0 0%	3 1.4%	0 0%	4 1.9%
Neutral	3 1.4%	4 1.9%	6 2.9%	30 14.5%	10 4.8%	53 25.6%
Agree	4 1.9%	18 8.7%	31 15.0%	53 25.6%	10 4.8%	116 56.0%
Strongly Agree	1 0.5%	6 2.9%	15 7.2%	11 5.3%	1 0.5%	34 16.4%
Total	9 4.3%	28 13.5%	52 25.1%	97 46.9%	21 10.1%	207 100%



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Appendix D - Comment from respondents in questionnaire

In your opinion, how the disclosure can be improved to benefit you and other stakeholders?

Bil	Comment	Occupation					Total
		Students	Academic Staff	IRBM Officer	Professional	Management Executive	
	Balance b/f	7	22	49	87	18	183
1	As a user more tax disclosure in financial statement give more understanding on company performance.	-	1	-	-	-	1
2	Be transparent upon finalising the acc. Therefore, the tax figures could be easily reconciled and working papers & acc easily followed when viewing the final tax return	-	-	-	1	-	1
3	Comp can identify whetnet further tax info will add value & if comp required to disclose more tax info, comp should increase internal framework to fit with with comp tax transperancy to benefit stakeholder	-	-	-	1	-	1
4	Disclose tax computation in the annual report.	-	-	-	1	-	1
5	Disclose the tax info in the annual report at special section, depends on the BOD on what level the tax should be detailed out.	-	-	-	1	-	1
6	Give me detail on the performance of the company	-	-	-	1	-	1
7	In my opinion audited report is more accurate & reliable if you want to look at the tax info of the comp	-	-	1	-	-	1

In your opinion, how the disclosure can be improved to benefit you and other stakeholders?

Bil	Comment	Occupation					Total
		Students	Academic Staff	IRBM Officer	Professional	Management Executive	
8	In my opinion more tax disclosure will reflect the real picture of the company	-	1	-	-	-	1
9	It show how well the organization do their business	-	-	1	-	-	1
10	Make it mandatory disclosure	-	1	-	-	-	1
11	more detailed and easy to understand	-	-	-	-	1	1
12	More tax information need to be publish in understandbility method	-	1	-	-	-	1
13	Must have, more details and important to every company	-	-	-	-	1	1
14	Of course more info lead to more accurate decision making.	-	-	-	1	-	1
15	Provide important tax info rather than too detail tax info as disclosure can provide a better understandig of comp current tax position to its stakeholders	-	-	-	1	-	1
16	Provide more information on payment of tax by companies.	1	-	-	-	-	1
17	Provides narrative explanation of a FS, provides information the quality & variability performance & have disclosure committees	-	-	-	1	-	1
18	Reduce the amount of disclosure content make it easier to understand so that it is less burden on both for companies to prepare and for stakeholders to read	-	1	-	-	-	1
19	Remain the existing tax disclosure	-	-	-	-	1	1

In your opinion, how the disclosure can be improved to benefit you and other stakeholders?

Bil	Comment	Occupation					Total
		Students	Academic Staff	IRBM Officer	Professional	Management Executive	
20	Stakeholders come from various types of people. Not all stakeholders understand about taxation. Thus, it is recommended that the tax disclosure must be disclosed and presented in the simplest presentation so that stakeholders will understand that info	-	-	1	-	-	1
21	Tax disclosure allows comp to be more transparent to the stakeholders. However, there should be certain guidelines implemented on this to allow for similar format & easy to compare with other comp	-	-	-	1	-	1
22	The IRB should give more clear information and guidelines to companies so that the company can provide more efficient tax practices	-	1	-	-	-	1
23	To see tax compliance	-	-	-	1	-	1
24	To see whether company sets profit after deducting taxation. So I can make a decision whether to invest in that comp or not.	1	-	-	-	-	1
	Total Respondents	9	28	52	97	21	207