DETERMINANTS OF TRANSPARENCY IN INLAND REVENUE BOARD OF MALAYSIA

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**MASTER OF SCIENCE
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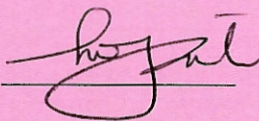*(has presented his/her research paper of the following title)*

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ABSTRACT

Tax administration transparency is an essential feature of democratic governance. The moral essence of transparency lies in the fact that people have a right to information, which in turn allows them to assess the relevance of the procedures and the decisions made by the government. A transparent tax administration is very important in managing a nation's revenues within a legally-approved tax system in order to enhance public confidence. There are extensive studies on tax administration globally; however there are very limited studies on tax administration transparency in Malaysia. This study looks into the determinants of transparency in Inland Revenue Board of Malaysia (IRBM) as the direct tax administrator of the country and includes autonomy, information and communication technology (ICT), culture and external publication as the factors determining transparency. This study is supported by theory of transparency which assumes that information, once set free from the state that creates it, will produce an informed and engaged public and as well will hold officials accountable. The data was collected through survey questionnaires and analysed using multiple regression analysis and other statistical techniques. A total of 375 questionnaires were distributed that yielded 185 usable questionnaires. The results reveal that there is a positive and significant relationship between autonomy, ICT, and culture with transparency of IRBM. However external publication is found as having a positive but insignificant relationship with transparency of IRBM. This study concludes with the theoretical implications and practical recommendations for IRBM as the direct tax administrator to look into the autonomy status, implementation of ICT and organizational culture in order to achieve a satisfactory level of transparency locally and internationally. This study also highlights several limitations and suggests future studies in this area.

Keywords: transparency, autonomy, ICT, culture, external publication

ABSTRAK

Ketelusan di dalam pentadbiran percukaian adalah ciri penting sebuah sistem pentadbiran demokratik. Intipati kepada ketelusan adalah hak orang awam untuk mendapat maklumat yang boleh ditaksir bagi menilai prosedur dan keputusan yang dibuat oleh pentadbir. Pentadbiran percukaian yang telus mengikut peruntukan perundangan percukaian yang diluluskan adalah sangat penting dalam mengurus hasil negara dan meningkatkan keyakinan orang awam. Banyak kajian telah dibuat di peringkat antarabangsa berkaitan pentadbiran percukaian, namun kajian berkaitan ketelusan pentadbiran percukaian khususnya di Malaysia sangat terhad. Justeru itu, kajian ini dilaksanakan bagi melihat autonomi, teknologi maklumat dan informasi, budaya dan terbitan umum sebagai faktor-faktor yang menyumbang kepada ketelusan Lembaga Hasil Dalam Negeri Malaysia (LHDNM) sebagai pentadbir cukai langsung negara. Kajian ini disokong oleh teori ketelusan yang menyatakan maklumat yang telah disebar oleh penerbitnya akan menjadi informasi yang perlu dipertanggungjawab oleh pihak yang berkaitan. Data kajian dikumpul secara soal selidik dan dianalisa melalui analisis regrasi berganda dan teknik-teknik statistik lain. Sebanyak 375 borang soal selidik telah diedar dan sebanyak 185 borang soal selidik yang dikembalikan sesuai digunapakai untuk kajian. Hasil kajian mendapati terdapat hubungan yang positif dan signifikan di antara autonomi, teknologi maklumat dan informasi serta budaya ke atas ketelusan LHDNM. Manakala terbitan umum menunjukkan hubungan yang positif tetapi tidak signifikan terhadap ketelusan LHDNM. Kajian ini dirumus dengan menyatakan implikasi secara teori dan cadangan yang praktikal kepada LHDNM sebagai pentadbir cukai langsung untuk menilai status autonomi, pelaksanaan sistem teknologi maklumat dan informasi dan budaya organisasi dalam mencapai tahap ketelusan yang memuaskan di peringkat negara dan antarabangsa. Kajian ini juga menggariskan limitasi dan cadangan untuk kajian seterusnya di masa depan.

Kata kunci: ketelusan, autonomi, teknologi maklumat dan informasi, budaya, terbitan umum

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LIST OF ABBREVIATIONS

DTCs   Double Tax Conventions

DV   Dependent Variable

IBFC   International Business and Financial Centre (Labuan)

ICT   Information and Communication Technology

IMF   International Monetary Fund

IRBM   Inland Revenue Board of Malaysia

IRS   Inland Revenue Service (United State)

IV   Independent Variable

LHDNM   Lembaga Hasil Dalam Negeri Malaysia

MCE   Malaysia Certificate of Education

OECD   Organisation for Economic Co-Operation and Development

POA   Performance Outcome Areas

RM   Ringgit Malaysia

SARAs   Semi-Autonomous Revenue Agencies

SD   Standard Deviation

SPM   Sijil Pelajaran Malaysia

SPSS   Statistical Packages of Social Sciences

STPM   Sijil Tinggi Pelajaran Malaysia

TADAT   Tax Administration Diagnostic Assessment Tool

UUM   Universiti Utara Malaysia

VIF   Variance Inflation Factor

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

Transparency is broadly canvassed as a key to better governance. It is supposed to make governments less corrupt, more efficient, more democratic and more legitimate (Hood & Heald, 2006). Interest in transparency is growing globally since the 1990s when several international organizations recommended that governments should adopt responsible practices and provide information about their activities (European Union, 2011). Roberts (2006) describes how transparency has spread around the world in the past decades and even authoritarian state like China is now embracing it.

Governmental transparency refers to the capacity to find out what is happening inside the government (Piotrowski & Van Ryzin, 2007). The public officials should be open to public scrutiny and citizens should be well involved and informed. Greater transparency in the public sector is vital to enhance public confidence and trust in the government agencies (A.Hassan, 2013).

Transparency requires a prime change in political and bureaucratic culture, away from traditional practices of caution and confidentiality and towards a more open approach to communication with the public. This revolution of values and culture provides the utmost challenge to public information policy (Mulgan, 2012).

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A SURVEY ON THE DETERMINANTS OF IRBM TRANSPARENCY

Dear respondents:

I am a postgraduate student of Universiti Utara Malaysia and currently conducting a research for my Masters of Science (International Accounting) programme. I thank you for your participation in this survey which attempt to examine the determinants of IRBM transparency from the tax employee's point of view. This questionnaire is purely for academic research purpose. Any information provided will be treated strictly confidential. Data collected from this survey will be reported in the aggregate. As such your responses will not be identified with you personally.

Thank you so much for your cooperation in completing this questionnaire.

Yours Sincerely,

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SECTION A

DEMOGRAPHIC BACKGROUND

Instruction: please tick [✓] in the correct response where appropriate.

1. **Age [group]**
   [   ] 20-30
   [   ] 31-40
   [   ] 41-50
   [   ] 51-60

2. **Gender**
   [   ] Male
   [   ] Female

3. **Marital Status**
   [   ] Married
   [   ] Single
   [   ] Others

4. **Education Level**
   [   ] SPM/MCE and below
   [   ] STPM/MCE/Certificate
   [   ] Diploma
   [   ] Degree/ Professional Qualification
   [   ] Masters/Doctorate (PhD)

5. **Position**
   [   ] Management and Professional Group
   [   ] Technical Officer (Assessment/Collection/Customer Service)
   [   ] Supporting Group
   [   ] Others

6. **Income Level (Per Month)**
   [   ] Less than RM3,000.00
   [   ] RM3,001.00-RM6,000.00
   [   ] RM6,001.00-RM9,000.00
   [   ] RM9,001.00-RM12,000.00
   [   ] More than RM12,000.00

7. **Year of Experience with the Tax Administration**
   [   ] One year or less
   [   ] 2-4 years
   [   ] 5-7 years
   [   ] more than 7 years

SECTION B

Please indicate the extent to which you agree or disagree to each of the statement below. Kindly tick [✓] in the appropriate box that represents your response.

1	2	3	4	5
Strongly Disagree [SD]	Disagree [D]	Not Sure [NS]	Agree [A]	Strongly Agree [SA]

		1 SD	2 D	3 NS	4 A	5 SA
1.	The Inland Revenue Board of Malaysia (IRBM)'s tax collection processes are implemented transparently.					
2.	The entire tax collection processes are transparently disclosed.					
3.	The tax employees of IRBM can clearly see into the progress and situations of the tax administration tasks.					
4.	The task of the tax administration are transparently done.					
5.	The IRBM discloses sufficient information to the tax payers on its performance.					
6.	The Board of Inland Revenue has autonomy in recruitment and dismissal of staff.					
7.	The IRBM has autonomy in its budget preparation and implementation.					

1	2	3	4	5
Strongly Disagree [SD]	**Disagree [D]**	**Not Sure [NS]**	**Agree [A]**	**Strongly Agree [SA]**

		1 SD	2 D	3 NS	4 A	5 SA
8.	In my opinion our tax administrative structure has adequate autonomy.					
9.	The Board of Inland Revenue takes most of the decisions itself after consulting the Ministry of Finance.					
10.	The IRBM provides me with useful ICT trainings in the daily working procedures.					
11.	The IRBM provides online facility on my desk.					
12.	The IRBM regularly maintained our ICT infrastructures (digital devices, internet facility).					
13.	The IRBM ensures that our organizational website is well maintained and updated.					
14.	People in IRBM seem to share a lot of themselves.					
15.	IRBM is a very formalised and structured place.					
16.	Bureaucratic procedures generally govern what people do in IRBM.					

1	2	3	4	5
Strongly Disagree [SD]	**Disagree [D]**	**Not Sure [NS]**	**Agree [A]**	**Strongly Agree [SA]**

		1 SD	2 D	3 NS	4 A	5 SA
17.	People in IRBM are willing to stand up and take risk.					
18.	It is easy for the tax payers to get any document they want from the IRBM.					
19.	The tax payers have the right to know about everything the IRBM does.					
20.	Public access to records is crucial to the functioning of a good tax authority.					
21.	Tax payer's request for IRBM documents is not a distraction for the IRBM employees.					
22.	The IRBM involves the tax payers to help them identify the information they need.					
23.	The IRBM provides information that is relevant to the tax payers.					

-END OF QUESTIONS-
THANK YOU

Table for Determining Sample Size from a Given Population

N	S	N	S	N	S
10	10	220	140	1200	291
15	14	230	144	1300	297
20	19	240	148	1400	302
25	24	250	152	1500	306
30	28	260	155	1600	310
35	32	270	159	1700	313
40	36	280	162	1800	317
45	40	290	165	1900	320
50	44	300	169	2000	322
55	48	320	175	2200	327
60	52	340	181	2400	331
65	56	360	186	2600	335
70	59	380	191	2800	338
75	63	400	196	3000	341
80	66	420	201	3500	346
85	70	440	205	4000	351
90	73	460	210	4500	354
95	76	480	214	5000	357
100	80	500	217	6000	361
110	86	550	226	7000	364
120	92	600	234	8000	367
130	97	650	242	9000	368
140	103	700	248	10000	370
150	108	750	254	15000	375
160	113	800	260	20000	377
170	118	850	265	30000	379
180	123	900	269	40000	380
190	127	950	274	50000	381
200	132	1000	278	75000	382
210	136	1100	285	1000000	384

Note.—N is population size.
S is sample size.

APPENDIX C

Demographic Profile

Frequency Table

Age

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	20-30	28	15,1	15,1	15,1
	31-40	91	49,2	49,2	64,3
	41-50	50	27,0	27,0	91,4
	51-60	16	8,6	8,6	100,0
	Total	185	100,0	100,0	

Gender

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Female	110	59,5	59,5	59,5
	Male	75	40,5	40,5	100,0
	Total	185	100,0	100,0	

Marital

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Married	153	82,7	82,7	82,7
	Others	7	3,8	3,8	86,5
	Single	25	13,5	13,5	100,0
	Total	185	100,0	100,0	

Position

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Mgt & Prof	49	26,5	26,5	26,5
	Support	11	5,9	5,9	32,4
	Technical	125	67,6	67,6	100,0
	Total	185	100,0	100,0	

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Education

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Degree/ Professional Qualification	142	76,8	76,8	76,8
	Degree/ Professional Qualification, Masters/Doctorate (PhD)	1	,5	,5	77,3
	Diploma	11	5,9	5,9	83,2
	Masters/Doctorate (PhD)	25	13,5	13,5	96,8
	SPM/MCE and under	1	,5	,5	97,3
	STPM/MCE/Certificate	5	2,7	2,7	100,0
	Total	185	100,0	100,0	

Income

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Less than RM3,000.00	4	2,2	2,2	2,2
	More than RM12,000.00	30	16,2	16,2	18,4
	RM3,000.00-RM6,000.00	50	27,0	27,0	45,4
	RM6,001.00-RM9,000.00	70	37,8	37,8	83,2
	RM9,001.00-RM12,000.00	31	16,8	16,8	100,0
	Total	185	100,0	100,0	

Experience

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	2-4 years	23	12,4	12,4	12,4
	5-7 years	23	12,4	12,4	24,9
	more than 7 years	136	73,5	73,5	98,4
	One year or less	3	1,6	1,6	100,0
	Total	185	100,0	100,0	