CONSUMERS' AWARENESS, PERCEPTIONS AND BEHAVIOUR TOWARDS THE IMPOSITION OF SALES TAX ON IMPORTED LOW VALUE GOODS

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ABSTRACT

The emergence of digitalisation has opened another opportunity for the Government to generate revenue from those activities for the benefit of the nation. The proposed sales tax on the imported low value goods (LVGs) sold in the online marketplace has attracted various responses from the public. The flat rate of 10% sales tax will be implemented starting 1 April 2023 on goods that are priced below RM500 which have been brought into Malaysia by using land, sea or air modes. This study has been conducted to examine the consumers' awareness and perception towards the proposed tax and their relationship with the behaviour of the consumers prior to the implementation of the tax. Quantitative research design has been adopted by distributing questionnaires to the respondents where simple random sampling has been performed in selecting the respondents. One hundred and sixty-two responses were gathered from the distribution of questionnaires using Google form link. The statistical analysis shows that the respondents have moderate level of awareness and perceptions towards the newly proposed tax. However, the respondents have unfavourable behaviour towards the proposed tax. Further, it is found that there is a significant relationship between both consumers' awareness and consumers' perceptions with consumers' behaviour towards the imposition of sales tax on imported LVGs. The results of this study provide insights on the awareness, perceptions and behaviour of the consumers towards the proposed tax by the Government. It may be taken as indication especially to the Royal Malaysian Custom Department on the mechanisms and effective initiatives to implement and ensure generation of tax revenue via the imposition of sales tax on imported LVGs.

Keywords: sales tax, low value goods, consumers' awareness, consumers' perception, consumers' behaviour

ABSTRAK

Kemunculan pendigitalan telah membuka satu lagi peluang kepada Kerajaan untuk menjana pendapatan daripada aktiviti tersebut untuk manfaat negara. Cadangan cukai jualan ke atas barangan import bernilai rendah yang dijual di pasaran dalam talian telah menarik pelbagai maklum balas daripada orang ramai. Cukai jualan berkadar rata 10% akan dilaksanakan mulai 1 April 2023 ke atas barangan yang berharga di bawah RM500 yang dibawa masuk ke Malaysia menggunakan jalan darat, laut atau udara. Kajian ini telah dilaksanakan untuk mengkaji kesedaran dan persepsi pengguna-pengguna terhadap cukai yang dicadangkan dan hubungannya dengan tingkah laku pengguna sebelum pelaksanaan cukai tersebut. Reka bentuk kajian kuantitatif telah diguna pakai dengan mengedarkan borang soal selidik kepada responden di mana persampelan rawak mudah telah dilakukan dalam memilih responden. Sebanyak 162 jawapan telah dikumpulkan daripada pengedaran soal selidik menggunakan pautan borang *Google*. Analisis statistik menunjukkan bahawa responden mempunyai tahap kesedaran dan persepsi yang sederhana terhadap cukai yang baru dicadangkan. Walau bagaimanapun, responden mempunyai gelagat yang tidak gemar terhadap cukai yang dicadangkan. Seterusnya, kajian ini mendapati bahawa terdapat hubungan yang signifikan di antara kedua-dua kesedaran pengguna dan persepsi pengguna dengan tingkah laku pengguna terhadap pengenaan cukai jualan ke atas barangan bernilai rendah yang diimport. Hasil kajian ini memberi gambaran tentang kesedaran, persepsi dan gelagat pengguna terhadap cukai yang dicadangkan oleh Kerajaan. Ia boleh diambil sebagai petunjuk terutamanya kepada Jabatan Kastam Diraja Malaysia mengenai mekanisma dan inisiatif yang berkesan untuk melaksanakan dan memastikan penjanaan hasil cukai melalui pengenaan cukai jualan ke atas barangan bernilai rendah yang diimport.

Kata Kunci: cukai jualan, barang bernilai rendah, kesedaran pengguna, persepsi pengguna, gelagat pengguna

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LIST OF ABBREVIATIONS

AUD	Australia Dollar
AVE	Average Variance Extracted
CA	Chartered Accountant
DOSM	Department of Statistics Malaysia
GST	Goods and Services Tax
HTMT	Heterotrait-Monotrait Ratio of Correlations
LVGs	Low Value Goods
NZD	New Zealand Dollar
RM	Ringgit Malaysia
RMCD	Royal Malaysia Customs Department
SGD	Singapore Dollar
SPRS	Systems and Procedure Research Section
SPSS	Statistics Package for the Social Science
SST	Sales and Services Tax
VAT	Value Added Tax

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

Due to the rapid digitalization of the online shopping platform, the trend for people to buy online is rising and it is now replacing physical shopping. People are more actively buying goods through online platforms such as Shoppe, Lazada, Ali Baba, company websites and any other online platform. The purchases are not only for local goods but also overseas merchandises. The change in the method of buying and selling goods is not an exception to raise tax. Thus, the emergence of digitalisation has offered an opportunity for the government to impose tax and generate revenue for the country.

The levying of sales tax on imported low value goods (LVGs) raise concern on its impact on the Malaysian consumers behaviour as this is the first time ever such tax will be charged on their purchases. This newly proposed tax is categorised under indirect tax and the Royal Malaysia Customs Department (RMCD) is the responsible body to administer this tax revenue.

Prior to the implementation of this sales tax in Malaysia, the similar sales tax is imposed in other countries such as the United Kingdom, Australia, Norway, New Zealand, and Singapore (Ong, 2022). Based on the Australian Border Force (2022), the Goods and Services Tax (GST) for low value goods of AUD1,000 or less that has been imported from overseas has been implemented since 1 July 2018 until now. The tax is borne by the consumers and collected by the overseas vendor. When Australian consumers purchase low value goods from abroad, GST of 10% is being charged to them.

Furthermore, Inland Revenue of New Zealand (2022) also has imposed the GST on the imported low value products and goods since 1 December 2019 where the tax was

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Appendix A – Questionnaire

Cover Letter for Research Questionnaire

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A SURVEY ON CONSUMERS' AWARENESS AND PERCEPTIONS ON IMPOSITION OF SALES TAX ON LOW VALUE GOODS

Dear Respondents,

I am a Master Degree candidate at the above-named university, currently working on my Master Project Paper with a proposed title of 'Consumers' Awareness and Perceptions on Imposition of Sales Tax on Low Value Goods'. Due to that purpose, I would appreciate your kind cooperation to fill in this questionnaire. This questionnaire will only take approximately 10 minutes to be filled in.

Please be assured that your responses will only be used for academic purpose. Hence, your identity will never be known throughout any part of the research process.

Thank you very much in anticipation of your responses.

Yours sincerely,

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GENERAL INSTRUCTION

This survey is divided into four sections (Section A, Section B, Section C and Section D). Please answer all questions.

SECTION A – DEMOGRAPHIC PROFILE

Kindly tick (√) in the appropriate box.

1) **Gender**

   Male ☐ Female ☐

2) **Age**

   Less than 20 ☐ 20 – 24 ☐ 25 – 40 ☐

   41 – 56 ☐ 57 – 65 ☐

3) **Education level**

   Secondary ☐ Diploma ☐ Degree ☐ Postgraduate ☐

4) **Residential area**

   Urban ☐ Semi-urban ☐ Rural ☐ Remote area ☐

5) **Have you ever used online shopping platform? (e.g. Shopee, Lazada, Ali Baba, Tiktok, Instagram, Company Website**

   Yes ☐ No ☐

   (If your answer is yes, please proceed to answer the next question. If your answer is no, you may stop answering the question here and thank you for your time)

6) **What is the frequency of you buying goods online in a month?**

   1-5 times ☐ 6-10 times ☐ 11-15 times ☐

   More than 16 times ☐

7) **What is the range of price for the goods that you have purchased?**

   RM0.01-RM100 ☐ RM101-RM200 ☐ RM201-RM300 ☐

   RM301-RM400 ☐ RM401-RM500 ☐ More than RM501 ☐

   (Can pick and choose more than one box)

SECTION B – CONSUMERS' AWARENESS TOWARDS THE SALES TAX ON LOW VALUE GOODS

Instruction: Please read all questions carefully and tick on the box that best reflects your views.

No.	Statement	Strongly Agree (1)	Agree (2)	Neutral (3)	Disagree (4)	Strongly Disagree (5)
1	I am familiar with the term sales tax.					
2	I am aware that the government of Malaysia is going to impose the sales tax on the online goods purchased from aboard that is below RM500.					
3	I know the percentage of sales tax for low value goods that will be applied in Malaysia.					
4	I am aware of the fact that I will pay the sales tax whenever I purchase imported online goods with low value.					
5	I know that sales tax will increase the price of the online goods that have value less than RM500.					
6	The earnings collected from the sales tax is one of the sources of income for government of Malaysia.					
7	The sales tax revenue will be used for the social economic development of the country.					

SECTION C – CONSUMERS' PERCEPTION TOWARDS THE SALES TAX ON LOW VALUE GOODS

Instruction: Please read all questions carefully and tick on the box that best reflects your views.

No.	Statement	Strongly Agree (1)	Agree (2)	Neutral (3)	Disagree (4)	Strongly Disagree (5)
1	I believe that the sales tax rate for the low value goods is fair and reasonable.					
2	I believe that sales tax will reduce my interest in purchasing online goods.					
3	I believe that I have positive and good perception on the sales tax charged on the low value goods.					
4	I believe that paying tax is the right thing to do as a good citizen.					
5	I think that Royal Malaysian Customs Department (RMCD) had provided sufficient information with regard to sales tax for low value goods to the public.					
6	I have enough knowledge about the sales tax that will be imposed to the online goods with low value goods.					
7	I know that the sales tax will be borne by the consumers.					
8	I am willingly accept the implementation of sales tax on online goods with low value in Malaysia.					

SECTION D – CONSUMERS' BEHAVIOUR TOWARDS THE SALES TAX ON LOW VALUE GOODS

Instruction: Please read all questions carefully and tick on the box that best reflects your views.

No.	Statement	Strongly Agree (1)	Agree (2)	Neutral (3)	Disagree (4)	Strongly Disagree (5)
1	I think consumers' behaviour is associate with the perception of fairness on the implementation of sales tax.					
2	I think consumers' behaviour is related to their awareness on the knowledge of sales tax.					
3	I believe that consumers who evade tax is considered as unacceptable behaviour.					
4	I think enforcement such as penalties will be the factor that affect behaviour of consumers in paying tax.					
5	I think incentive such as rewards will be the factor that affect behaviour of consumers in paying tax.					
6	I think tax administration by RMCD will be the factor that affect behaviour of consumers in paying tax.					
7	I think government spending from the tax collection will be the factor that affect behaviour of consumers in paying tax.					

Summary of the Questionnaire Design (Constructs and Sources):

Variables	No. of Question	Scales	Source
Demographic Profile	7	Ordinal and Nominal Scale	Author
Consumers' Awareness	7	Five-Point Likert Scale	2) Al-Hadrami and Almoosa (2019)
Consumers' Perception	8	Five-Point Likert Scale	3) Sanusi, Abdullah, Chin, Rastam, and Rozzaini (2021) 4) Mathiraj and Geeta (2019)
Consumers' Behaviour	7	Five-Point Likert Scale	3) Chandarasorn (2012) 4) Naeem and Gulzar (2021)

Appendix B – Simple Random Sampling

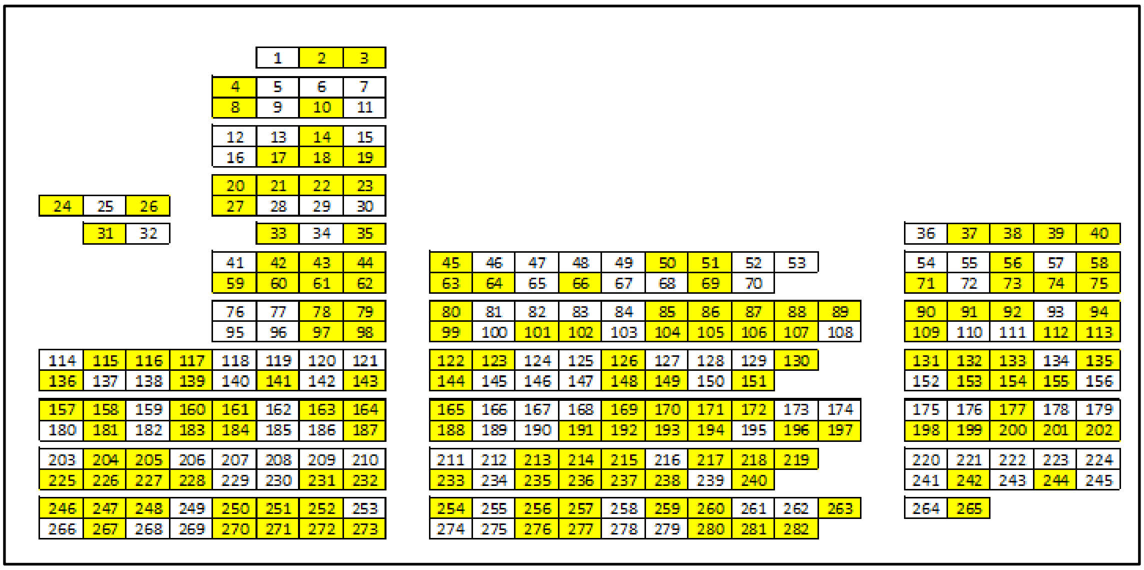

Table	Random
113	0.415415
85	0.955969
199	0.055897
87	0.967044
280	0.813529
21	0.641909
270	0.954619
257	0.733188
18	0.719796
218	0.79754
94	0.879727
132	0.994384
56	0.39591
188	0.10251
254	0.322075
8	0.057986
160	0.07643
45	0.182015
149	0.449757
26	0.25047
31	0.703958
23	0.707638
200	0.523255
116	0.62294
202	0.855855
44	0.192972
214	0.815551
227	0.463074

Table	Random
117	0.678501
109	0.086993
74	0.193396
192	0.263604
79	0.004738
58	0.228732
88	0.161875
246	0.872592
17	0.975246
141	0.112826
161	0.652916
39	0.381538
69	0.310485
196	0.415034
215	0.926305
169	0.961355
123	0.927419
248	0.013958
263	0.718147
165	0.931511
42	0.621867
191	0.134335
226	0.712936
277	0.284535
272	0.009162
71	0.551838
10	0.131626
170	0.588013

Table	Random
37	0.571958
73	0.687598
115	0.366807
232	0.564589
247	0.636127
126	0.70174
60	0.896933
181	0.629538
89	0.254787
91	0.545631
63	0.858488
155	0.413811
14	0.944906
43	0.638871
122	0.184006
267	0.737926
282	0.688314
164	0.899187
148	0.990616
197	0.204437
271	0.648093
50	0.136116
157	0.847497
92	0.855879
171	0.396209
22	0.149024
40	0.144471
172	0.133412

Table	Random
33	0.833781
98	0.430396
225	0.270372
260	0.474986
204	0.336522
24	0.851336
201	0.016788
151	0.892037
250	0.385525
101	0.344083
193	0.57514
177	0.635834
80	0.950391
27	0.62846
233	0.836029
105	0.672126
66	0.111269
240	0.992711
131	0.396904
187	0.0858
112	0.253851
242	0.182898
163	0.87491
235	0.128026
183	0.478757
107	0.537319
3	0.038784
244	0.883444

Table	Random
238	0.842893
143	0.853663
78	0.525216
158	0.868759
154	0.703789
64	0.518967
62	0.070711
198	0.653278
4	0.120788
104	0.679116
2	0.621956
38	0.626343
102	0.551412
273	0.002261
236	0.35041
35	0.754883
97	0.225259
219	0.706088
213	0.042307
59	0.139934
90	0.953438
237	0.361597
228	0.35822
252	0.336263
135	0.234863
217	0.853158
86	0.336719
251	0.468575
205	0.339837
265	0.741457
133	0.15132
231	0.380495
256	0.107419
281	0.487837
136	0.261962
51	0.773389
139	0.208498
61	0.857468
130	0.112979
106	0.594321
19	0.693311
144	0.947359
184	0.846027

Table	Random
259	0.371802
75	0.162063
20	0.141455
99	0.787368
194	0.262978
153	0.105613
276	0.571071
46	0.304109
145	0.29122
108	0.520891
211	0.955563
146	0.423811
229	0.577152
70	0.246552
49	0.91395
118	0.871643
15	0.368365
266	0.546436
275	0.582004
178	0.048543
11	0.997879
264	0.094887
30	0.097165
72	0.648417
48	0.614352
83	0.145927
203	0.428405
125	0.676821
245	0.645983
152	0.437322
121	0.635992
134	0.346491
84	0.293089
174	0.613066
6	0.004508
261	0.227357
212	0.854174
9	0.741137
137	0.7584
162	0.688217
140	0.760071
34	0.71506
110	0.878627

Table	Random
36	0.373053
166	0.327283
241	0.311059
253	0.668429
28	0.791216
234	0.493837
168	0.121751
120	0.901909
230	0.374616
93	0.274045
159	0.808733
206	0.575939
279	0.704772
223	0.364693
173	0.552255
221	0.030688
100	0.571303
180	0.151446
114	0.172254
119	0.217471
150	0.483638
1	0.675505
207	0.947367
47	0.220406
129	0.62446
25	0.099334
195	0.565422
55	0.900615
268	0.271677
53	0.904434
82	0.959755
209	0.986238
269	0.447477
29	0.133076
220	0.101242
54	0.992923
210	0.143989
65	0.317017
52	0.525237
243	0.46529
76	0.469429
142	0.411724
208	0.613651

Table	Random
189	0.676905
13	0.501366
186	0.06381
103	0.88469
278	0.887562
7	0.847326
176	0.207846
262	0.445033
167	0.009386
41	0.963691
32	0.522338
224	0.281341
185	0.002022
5	0.089522
222	0.855162
111	0.276377
68	0.445754
16	0.620257
156	0.396049
179	0.438814
258	0.135705
127	0.949629
67	0.97873
274	0.716524
124	0.994862
12	0.608371
182	0.526234
249	0.808784
96	0.2832
147	0.524655
81	0.665423
175	0.558117
239	0.666165
57	0.535367
190	0.779495
255	0.430299
216	0.481377
77	0.950035
138	0.211074
95	0.306881
128	0.672647