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A STUDY ON THE IMPACTS ON TAX REVENUE IN MALAYSIA

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Kolej Perniagaan
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This research paper explores the impact of e-filing, tax administration, and tax compliance on tax revenue in Malaysia, grounded in institutional theory. The findings and conclusions presented are based on data collected from a specific sample and analyzed using statistical techniques appropriate for the scope of the study. While this research aims to contribute to academic discussions and provide insights for potential improvements in Malaysia's tax system, it is not intended to be used as definitive guidance for policy decisions or legal interpretations.

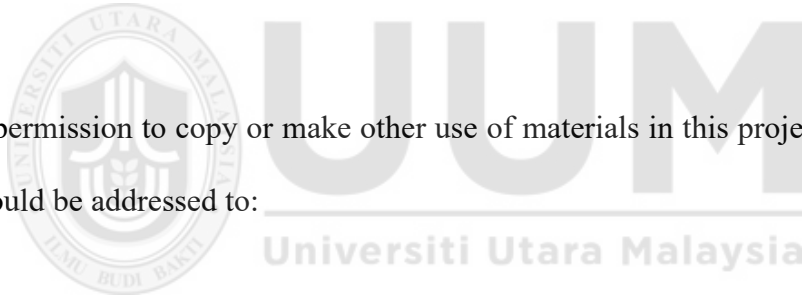
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ABSTRACT

Tax revenue is a critical source of government income that funds essential services and infrastructure. In Malaysia, declining tax revenue has raised concerns about the effectiveness of current tax policies and administrative processes. This study examines the impacts of electronic tax filing (e-filing), tax administration, and tax compliance on tax revenue in Malaysia. Using the Institutional Theory as a framework, this research explores how coercive, normative, and mimetic pressures influence these factors and their overall effect on tax revenue collection.

A quantitative research approach was employed, gathering data through structured questionnaires distributed to taxpayers in Penang and Kedah. The study hypothesizes that e-filing simplifies tax processes, enhancing compliance and increasing revenue. It also posits that effective tax administration boosts revenue by ensuring transparency and efficiency, while improved tax compliance strengthens the tax base. Statistical analysis was conducted using Excel to test these hypotheses.

The results of the study indicate a negative insignificant relationship between e-filing adoption whereas a positive significant relationship with effective tax administration and enhanced tax compliance with increased tax revenue. The findings highlight the need for continuous improvements in tax systems, particularly in promoting voluntary compliance and leveraging technology to streamline tax administration. This research provides valuable insights for policymakers aiming to enhance tax revenue through digital transformation and better administrative practices.

Keywords: e-filing, tax administration, tax compliance, tax revenue, Malaysia, Institutional Theory, digital transformation, public finance.

ABSTRAK

Hasil cukai adalah sumber pendapatan penting bagi kerajaan yang membiayai perkhidmatan dan infrastruktur penting. Di Malaysia, penurunan hasil cukai telah menimbulkan kebimbangan mengenai keberkesanan dasar cukai dan proses pentadbiran semasa. Kajian ini meneliti kesan sistem pemfailan cukai elektronik (e-filing), pentadbiran cukai, dan pematuhan cukai terhadap hasil cukai di Malaysia. Menggunakan Teori Institusi sebagai kerangka kerja, kajian ini mengkaji bagaimana tekanan koersif, normatif, dan mimetik mempengaruhi faktor-faktor ini serta kesannya terhadap kutipan hasil cukai secara keseluruhan.

Pendekatan penyelidikan kuantitatif digunakan, di mana data dikumpul melalui soal selidik berstruktur yang diedarkan kepada pembayar cukai di Pulau Pinang dan Kedah. Kajian ini mengemukakan hipotesis bahawa e-filing memudahkan proses cukai, meningkatkan pematuhan, dan seterusnya menambah hasil cukai. Ia juga berpendapat bahawa pentadbiran cukai yang berkesan meningkatkan hasil dengan memastikan ketelusan dan kecekapan, manakala pematuhan cukai yang lebih baik mengukuhkan asas cukai. Analisis statistik dilakukan menggunakan Excel untuk menguji hipotesis ini.

Keputusan kajian menunjukkan hubungan negatif tidak signifikan antara penggunaan e-filing manakala pentadbiran cukai yang berkesan, dan peningkatan pematuhan cukai dengan peningkatan hasil cukai menunjukkan hubungan positif signifikan. Penemuan ini menekankan keperluan untuk penambahbaikan berterusan dalam sistem cukai, terutamanya dalam menggalakkan pematuhan sukarela dan memanfaatkan teknologi untuk menstrimlinekan pentadbiran cukai. Penyelidikan ini menyediakan pandangan berharga untuk pembuat dasar yang ingin meningkatkan hasil cukai melalui transformasi digital dan amalan pentadbiran yang lebih baik.

Katakunci: e-filing, pentadbiran cukai, pematuhan cukai, hasil cukai, Malaysia, Teori Institusi, transformasi digital, kewangan awam.

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TABLE OF CONTENTS

DISCLAIMER	I
PERMISSION TO USE	II
ABSTRACT	III
ABSTRAK	IV
ACKNOWLEDGEMENT	V
LIST OF TABLES	VIII
LIST OF FIGURES	IX
CHAPTER 1	
INTRODUCTION	
1.0 Background Of Study	1
1.1 Problem Statement	6
1.2 Research Questions	9
1.3 Research Objectives	9
1.4 Scope and Limitation of Study	9
1.5 Significance of Study	10
1.5.1 Theoretical Contribution	10
1.5.2 Practical Contribution	11
1.6 Definition of key terms	12
1.7 Organization of the Report	15
CHAPTER 2	
LITERATURE REVIEW	
2.0 Introduction	16
2.1 Overview of Income Tax System in Malaysia	16
2.2. Institutional Theory	19
2.3 Tax Revenue	20
2.4 E-filing	21
2.5 E-filing with Tax Revenue	23
2.6 Tax Administration	24
2.7 Tax Administration with Tax Revenue	27
2.8 Tax Compliance	27
2.9 Tax Compliance with Tax Revenue	30
2.10 Chapter Summary	30

CHAPTER 3	
METHODOLOGY AND DATA SOURCES	31
3.0 Introduction	31
3.1 Research Framework	31
3.2 Hypothesis Development	32
3.3 Research Design	34
3.4 Data Collection Method	34
3.5 Instrumentation	35
3.6 Data Analysis Technique	44
3.7 Pilot Test	44
3.8 Chapter Summary	45
CHAPTER 4	
RESEARCH RESULTS	46
4.0 INTRODUCTION	46
4.1 Response Rate of the Survey	46
4.2 Respondent Background	47
4.3 Descriptive Findings	49
4.4 Reliability Test Results	61
4.5 Correlation Results	62
4.6 The Normality Decision	63
4.7 Regression Analysis Result	64
4.8 Chapter Summary	67
CHAPTER 5	
CONCLUSION AND RECOMMENDATION	70
5.0 Introduction	70
5.1 Research Summary	70
5.2 Limitations of Research	72
5.3 Future Research Proposal	73
5.4 Conclusion	75
REFERENCES	77
APPENDIX : QUESTIONNAIRE	79

LIST OF TABLES

Table		Page
Table 3.1	Table 3.1 Survey Instrument Scale	35
Table 3.2	Table 3.2 Demographic Information	36
Table 3.3	Table 3.3 Summary of the Questionnaire Source	38
Table 4.1	Table 4.1 Response Rate of the survey	46
Table 4.2	Table 4.2 Demographics of the Respondents	47
Table 4.3	Table 4.3 Descriptive Findings for Each Variable (n=155)	50
Table 4.4	Table 4.4 Reliability Test (n=155)	62
Table 4.5	Table 4.5 Pearson Correlation Coefficient	62
Table 4.6	Table 4.6 Skewness and Kurtosis Test	63
Table 4.7	Table 4.7 Regression Analysis between E-filing , Tax Administration and Tax Compliance . (n=155)	64
Table 4.8	Table 4.8 Hypothesis testing result (n=155)	68

LIST OF FIGURES

Figure		Page
1.0	Figure 1.0 Source of Government Revenue in Year 2023	2
3.0	Figure 3.0 A research framework for the study	32



CHAPTER ONE

INTRODUCTION

1.0 Background Of Study

Tax revenue collection is a fundamental aspect of any nation's economic stability and development. In Malaysia, tax revenue forms the backbone of government funding, supporting infrastructure development, social services and public goods. However, the efficiency and effectiveness of tax collection have faced numerous challenges. This study aims to investigate the existing tax policies, identify the challenges in tax revenue collection and propose future directions for enhancing the tax system in Malaysia.

In the historical Context of Taxation in Malaysia since gaining independence in 1957, Malaysia has undergone significant changes in its tax system. Initially, the country relied heavily on direct taxes, such as personal and corporate income taxes, as well as indirect taxes like sales and excise duties. Over the years, various reforms have been introduced to adapt to the evolving economic landscape. The introduction of the Goods and Services Tax (GST) in 2015 marked a significant shift from the Sales and Service Tax (SST) system, aiming to increase revenue by broadening the tax base and reducing tax evasion (Ministry of Finance Malaysia, 2018). However, the GST was repealed in 2018 and replaced with the reintroduced SST. This policy reversal was driven by public discontent and the perceived regressive nature of the GST. The reintroduction of SST, while politically favourable, raised concerns about its sufficiency in generating adequate revenue compared to the GST (Deloitte Malaysia, 2019).

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APPENDIX

Section A: Demographic Information

Please tick the number that represents your opinion the most on each of the statement given below.

- Gender: Male Female
- Age: 18–29 40-49
 30–39 50 and above

- Employment Status: Private Sector
 Public Sector
 Self Employed
 Retired
 Unemployed

- Annual personal income: ≤ RM 20,000.00
 RM20,001.00 – RM50,000
 RM 50,001 – RM100,000
 RM100,000 and above

- Years as taxpayer:
 Less than 5 years
 6-10 years
 10 years and above

Section B: E-filing

Please tick the number that represents your opinion the most on each of the statement given below.

The scale is as below:

Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
1	2	3	4	5

E-filing

1. I am familiar with the e-filing system provided by the Inland Revenue Board of Malaysia (IRBM). 1 2 3 4 5
2. The e-filing system has made filing taxes easier and faster for me. 1 2 3 4 5
3. I regularly use the e-filing system to submit my tax returns.. 1 2 3 4 5
4. The e-filing system is more convenient compared to traditional paper filing. 1 2 3 4 5
5. I believe the introduction of e-filing has increased tax revenue . 1 2 3 4 5

Tax administration

1. Tax administration in Malaysia is efficient in processing tax returns. 1 2 3 4 5
2. The tax administration system is transparent in managing tax collections and using the revenue. 1 2 3 4 5
3. I have confidence that tax assessments issued by the tax authorities are accurate and fair. 1 2 3 4 5
4. Improving the efficiency of tax administration would result in higher tax compliance.. 1 2 3 4 5
5. Effective tax administration reduces delays in refunds and tax inquiries, positively affecting tax revenue.. 1 2 3 4 5



Tax Compliance

1. I consistently file my taxes on time and meet all the deadlines set by the Inland Revenue Board of Malaysia (IRBM).. 1 2 3 4 5
2. I am well-informed about the penalties for late tax filing or non-compliance with tax regulations. 1 2 3 4 5
3. The risk of tax audits encourages me to comply with tax regulations. 1 2 3 4 5
4. I believe the penalties for non-compliance are effective in motivating taxpayers to meet their tax obligations. 1 2 3 4 5
5. I am aware of the legal consequences of tax evasion and avoidance, which influences my decision to comply with tax laws. 1 2 3 4 5

Impact of Tax Revenue

1. I believe that the introduction of e-filing has contributed to improving tax revenue collection in Malaysia. 1 2 3 4 5
2. Increasing taxpayer compliance will lead to higher tax revenue for the government. 1 2 3 4 5
3. Tax administration efficiency is essential for the government to collect sufficient tax revenue.. 1 2 3 4 5
4. The effectiveness of the e-filing system has a significant impact on the overall tax revenue collection in Malaysia. 1 2 3 4 5
5. I support further investments in improving the e-filing system and tax administration processes to increase tax revenue collection in Malaysia.. 1 2 3 4 5