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**THE DETERMINANTS OF TAX NON-COMPLIANCE IN INLAND REVENUE  
BOARD OF MALAYSIA'S MALACCA BRANCH**

**By**

**MOHD AZWARY BIN MUHAMMAD NOR**



**Thesis Submitted to  
Tunku Puteri Intan Safinaz School of Accountancy (TISSA-UUM)  
Universiti Utara Malaysia  
in Partial Fulfilment of the Requirements for the Master of Science  
(International Accounting)**



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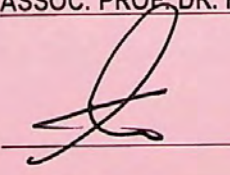
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## ABSTRACT

Income tax is the main source of income for the Malaysian government. In Malaysia, the Malaysian Inland Revenue Board (IRBM) serves as the institution responsible for managing income tax which is the country's direct tax and is a major contributor to most of the country's income. Tax non-compliance is an ongoing issue faced by most governing bodies including the Inland Revenue Board of Malaysia. With increasing taxpayer companies, it is well known that there is a risk of disobedience among corporate taxpayers. The purpose of this study is therefore to study the significant differences between the two characteristics: (i) size of the company and (ii) age of the company among corporate taxpayers at IRBM Malacca branch. The sample population study uses tax audit cases obtained from the CMS System for 80 company tax audit cases completed at the Malacca branch in 2018. The independent sample T-test and multiple linear regression tests are used to compare the variables, size of the company and age of the company and tax non-compliance among corporate taxpayers. However, the results show that there is no significant difference between the size of the company and the age of the company with the tax non-compliance among corporate taxpayers in the IRBM Malacca branch.

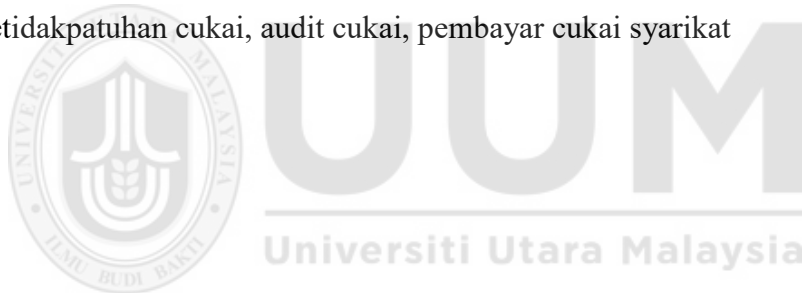
**Keywords:** tax non-compliance, tax audit, corporate taxpayer



## ABSTRAK

Cukai pendapatan adalah sumber pendapatan utama kerajaan Malaysia. Di Malaysia, Lembaga Hasil Dalam Negeri Malaysia (LHDNM) berfungsi sebagai institusi yang bertanggungjawab menguruskan cukai pendapatan yang merupakan cukai langsung negara dan merupakan penyumbang utama sebahagian besar pendapatan negara. Ketidakpatuhan cukai adalah masalah berterusan yang dihadapi oleh kebanyakan badan pemerintah termasuk Lembaga Hasil Dalam Negeri Malaysia. Dengan peningkatan kutipan cukai syarikat dapat diketahui secara umum bahawa terdapat risiko kelakuan tidak patuh dalam kalangan pembayar cukai syarikat. Oleh itu, tujuan kajian ini adalah untuk mengkaji perbezaan yang signifikan antara dua ciri: (i) saiz syarikat dan (ii) umur syarikat di antara pembayar cukai syarikat di LHDNM Cawangan Melaka. Sampel kajian populasi menggunakan kes audit cukai yang diperolehi dari Sistem CMS untuk 80 kes audit cukai syarikat yang telah diselesaikan di cawangan Melaka pada tahun 2018. Ujian-t sampel tidak bersandar dan ujian regresi linear berganda digunakan untuk membandingkan pembolehubah, saiz syarikat dan umur syarikat dengan ketidakpatuhan cukai di kalangan pembayar cukai syarikat. Walau bagaimanapun, hasil kajian menunjukkan bahawa tidak ada perbezaan yang signifikan antara saiz syarikat dan umur syarikat dengan ketidakpatuhan cukai di antara pembayar cukai syarikat di LHDNM Cawangan Melaka.

**Kata kunci:** ketidakpatuhan cukai, audit cukai, pembayar cukai syarikat



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Alhamdulillah, many praise to Allah SWT for His graciousness and blessings in completing this dissertation. Without His countless blessings of good health, strength and guidance, this dissertation could not be completed.

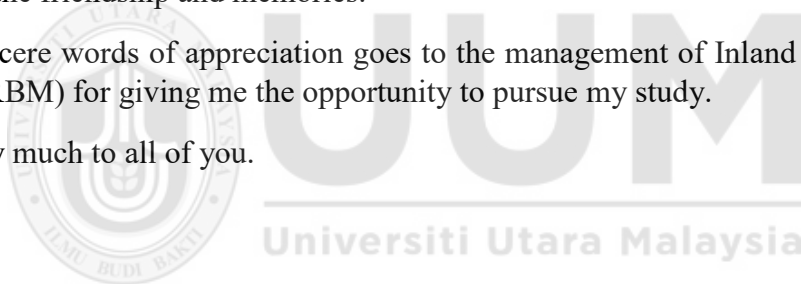
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## LIST OF ABBREVIATIONS

CMS	Case Management System
FAS	Formal Assessment System
IRBM	Inland Revenue Board of Malaysia
ITA	Income Tax Act
RMC	Royal Malaysian Customs
SAS	Self-Assessment System
SME	Small to Medium Enterprise
SPSS	Statistical Package for Social Science
YA	Year of Assessment



## CHAPTER 1

### INTRODUCTION

#### 1.1 Background of the Study

Taxes are the main income of Malaysia as well as other countries around the world, including developing countries. In Malaysia, income tax contributes more than 50 per cent to the Federal Budget tabled in Parliament every year, while indirect tax contributes around 25 to 30 per cent, making tax the main source of national income. The Inland Revenue Board of Malaysia (IRBM), the agency that collects income tax revenue, while the Royal Malaysian Customs Department (RMCD), is responsible for managing indirect taxes. Both of these agencies always carry out their duties based on the provisions of existing laws.

As one of the economic instruments, taxes are very important for a country to earn income or revenue. The government used the proceeds of taxes to govern and manage the country and also for the development of the country. Expenditure for the purpose of national security, infrastructure development, economic development and the well-being of the people are among the expenditure used as a result of the taxes collected.

While knowing that taxation is something that benefits everyone, there are certain parties who are found trying to avoid or evade paying taxes that have triggered tax non-compliance. Tax non-compliance is an ongoing problem confront by most governing bodies including the IRBM.

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## APPENDICES

### APPENDIX A Supporting Letter From UUM





**UUM/OYAGSB/R-4/4/1**  
 12 February 2020

Jabatan Operasi Cukai,  
 Lembaga Hasil Dalam Negeri Malaysia,  
 Menara Hasil, Persiaran Rimba Permai, Cyber 8,  
 63000 Cyberjaya, Selangor

Dear Sir/Madam

**DATA COLLECTION**

**COURSE:** Project Paper  
**COURSE CODE:** BPMZ6996  
**LECTURER:** Assoc. Prof. Dr. Rohami Shafie

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NO.	NAME	MATRIC NO.
1.	Mohd Azwary Bin Muhammad Nor	825141

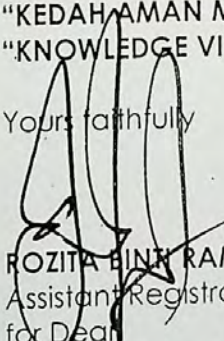
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Your cooperation and assistance is very much appreciated.

Thank you.

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**"KNOWLEDGE VIRTUE SERVICE"**

Yours faithfully



**ROZITA BINTI RAMLI**  
 Assistant Registrar  
 for Dear

Othman Yeop Abdullah Graduate School of Business

c.c - Student's File (825141)