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GOODS AND SERVICES TAX (GST) AND SALES AND SERVICES TAX (SST): COMPLIANCE KNOWLEDGE OF BUSINESSES IN JOHOR BAHRU, MALAYSIA

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GOODS AND SERVICES (GST) AND SALES AND SERVICES TAX (SST): COMPLIANCE KNOWLEDGE OF BUSINESSES IN JOHOR BAHRU, MALAYSIA

By

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Universiti Utara Malaysia

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In Partial Fulfilment of the Requirement for the Master of Science (International Accounting)

Kolej Perniagaan
(College of Business)
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ABSTRACT

Malaysia has experienced a significant indirect tax reform with the change of Goods and Services Tax (GST) to Sales and Services Taxes (SST) within short period between June to August in year 2018. During this time of transition, businesses as the main taxpayers faced crucial challenges to understand and seek knowledge to comply with the new policy mechanism. This study aims to investigate the GST compliance knowledge and SST compliance knowledge possessed by Johor Bahru businesses in complying with both tax system. Other than that, this study also identifies the sources of GST and SST knowledge gained by these taxpayers in order to comply to both regulations. The study data amounted to 105 respondents was collected via survey questionnaire and analyzed using SPSS version 26. The results of data analysis reveal that the respondents possess good understanding of both indirect tax system compliance knowledge. This study also found that the sources of tax knowledge mainly are from the Royal Malaysian Customs Department (RMCD) officers and sharing of knowledge among colleagues of the businesses. In addition, respondents also gained knowledge from RMCD via mass and social media, websites and seminars. The findings of this study are beneficial for the Governmental bodies such as the Ministry of Finance (MOF) as policy maker and RMCD as the tax administrative authority to formulate and devise further on methods of education programmes to taxpayers and public within ample time frame prior to tax reform. It is to ensure higher tax compliance and smooth flow of revenue collection.

Keywords: GST compliance knowledge, SST compliance knowledge, source of tax knowledge, indirect tax, RMCD

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ABSTRAK

Malaysia telah mengalami satu reformasi penting dalam sistem percukaian tidak langsung dengan pertukaran Cukai Barang dan Perkhidmatan (GST) kepada Cukai Jualan dan Cukai Perkhidmatan (SST) dalam tempoh yang singkat di antara bulan Jun ke Ogos pada tahun 2018. Semasa tempoh perubahan ini, peniaga-peniaga selaku pembayar cukai utama menghadapi cabaran dalam memahami dan mendapatkan pengetahuan bagi mematuhi mekanisma polisi yang baharu. Kajian ini bertujuan untuk mengkaji pengetahuan pematuhan terhadap GST dan pengetahuan pematuhan terhadap SST yang dimilki oleh peniaga-peniaga di Johor Bahru bagi mematuhi kedua-dua sistem. Data yang dikutip melalui soal selidik daripada 105 orang responden telah dianalisa menggunakan SPSS versi 26. Hasil daripada data analisis menunjukkan bahawa responden memiliki kefahaman yang baik terhadap pengetahuan pematuhan bagi kedua-dua jenis system cukai tidak langsung. Kajian ini juga mendapati bahawa sumber-sumber pengetahuan yang utama adalah daripada pegawai-pegawai Jabatan Kastam Diraja Malaysia (JKDM) dan perkongsian pengetahuan sesama rakan sekerja dalam organisasi perniagaan responden. Selain daripada itu, responden-responden juga mendapat pengetahuan daripada JKDM melalui media massa dan sosial, laman web dan seminar-seminar. Hasil kajian ini adalah bermanfaat kepada badan-badan Kerajaan seperti Kementerian Kewangan Malaysia selaku pembuat polisi dan JKDM selaku pihak berkuasa pentadbiran cukai untuk terus memformulasi dan merangka kaedah-kaedah program Pendidikan kepada pembayar cukai dan masyarakat awan dalam tempoh masa yang mencukupi sebelum reformasi cukai. Ini adalah bagi memastikan pematuhan cukai yang tinggi dan kutipan hasil pengaliran yang lancar.

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Kata kunci: pengetahuan pematuhan GST, pengetahuan pematuhan SST, sumber pengetahuan cukai, cukai tidak langsung, JKDM

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LIST OF ABBREVIATIONS

ASEAN	Association of Southeast Asian Nations
COVID-19	Coronavirus Disease 2019
GDP	Gross Domestic Product
GST	Goods and Services Tax
NEM	New Economic Model
OECD	Organisation for Economic Co-operation and Development
RMCD	Royal Malaysian Customs Department
SPSS	Statistical Package for the Social Sciences
SST	Sales and Services Tax
TK	Tax Knowledge
VAT	Value Added Tax

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CHAPTER 1

INTRODUCTION

1.1 Background of the Study

Governments, like other organizations, require revenue to operate properly. Different forms of taxes are the key sources of revenue for most Governments all over the world. Government foresee taxation as an economic tool that serves three purposes: managing the economy, regenerating economic development via fiscal incentives and funding Government projects (Kasipillai, 2005). On this basis, the Malaysian Government collected direct and indirect taxes. Among the main indirect taxes are customs duty, sales tax, service tax, and goods and services tax.

The Goods and Services Tax (GST) was introduced in Malaysia on 1 April 2015, replacing the Sales and Services Taxes (SST 1.0) as part of the government's tax reform plans. The taxes were collected by the Royal Malaysian Customs Department (RMCD) that responsibled for implementing and administrating the GST. However, GST implementation was not enforced for a long period as on 1 June 2018, it has been zero-rated until 31 August 2018, before Sales and Services Taxes 2018 or known as SST 2.0 came into force on 1 September 2018 (Sok-Gee, Zulkufly & Kanagi, 2019).

Learning and understanding two different tax systems in a short period are not an easy task, either to the tax administrator or the businesses as taxpayers. However, regardless of whatever reason, taxpayers must understand the tax systems to comply with the tax legislation and avoid from being penalised. Furthermore, the sources of

taxpayers' knowledge is also significant and necessary to be identified in order to equip them in carrying out their tax responsibilities.

According to Kassipillai and Sapiei (2020), reforms and changes in taxation laws may affect the level of complexity in the taxation system. Thus, they suggest various measures such as enhancing tax education before implementing new regulations, improving clarity of the taxation legislation, aligning accounting and taxation rules, and enhancing taxpayers' positive attitudes towards tax compliance. Moreover, Mat Udin (2013) concludes that the relationship between tax knowledge and assessment performance of taxpayers is positive. The study found that higher tax knowledge will enable the taxpayers to perform the tax assessment task accurately.

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1.2 Problem Statement

The indirect tax collection together with collection from direct taxes could enhance the Malaysians' social and economic aspects of life. The collection helps to upgrade public infrastructures such as hospitals' facilities, educational institutions' infrastructures, and various Government services to sustain people's wellbeing (Othman et al., 2017). Nevertheless, the implementation of GST had raised several issues such as business unpreparedness, low acceptance and adoption as well as compliance matters (Mansor et al., 2016; Ling et al., 2016). Furthermore, businesses were reluctant to replace their existing accounting system and business operations to be consistent with the GST standards and administration body faced various obstacles in assisting them to comply with the laws (Mansor et al., 2016).

Another issue of concern was frauds that occurred when companies hoodwinked the government by misdeclaration, falsely declaring the tax submission, manipulating the amount of tax due through altering of goods or services information, weight, value, type, number, and accounting documents. These situations happened whether intentionally or unintentionally by taxpayers (Mohamed, 2016; Badrul-Alias, 2017a; Badrul-Alias, 2017b; Qhairil-Eemann, 2018; "*Pelaksanaan* SST", 2018). The problems discussed above could be related to the lack of knowledge and understanding among businesses in carrying out their duties as taxpayers of indirect taxes or as the collecting agents representing the RMCD.

Harun et al., (2017) highlighted the lack of awareness and understanding on GST implementation during the beginning phase of implementing GST. Earlier to GST implementation, Tan & Chin (2000) found that Government failed to disseminate GST information to the public which resulted in low understanding and knowledge of GST among Malaysians. Clearly, Saira, Zariyawati, and May (2010) claimed that the primary people refusal and ambiguity around the application of new regulations was because lack of experience with the system. People are reluctant to embrace GST implementation because of poor information transmission, as they expected that there would be increased in prices (Palil & Ibrahim, 2011).

During the transition period from GST to SST 2.0, there are also numerous issues raised. One of them is confusion between GST and SST systems among public either consumers or businesses as taxpayers. An online survey published by The New Straits Times Press (M) Bhd (NSTP) showed that 87% of 11,462 respondents do not understand differences between both tax systems, while only the balance which is

13% knows about the systems. In addition, there are request from the respondents that the government to monitor the price hikes of goods when the taxation policy is replaced. There are also respondents who ask the Ministry of Finance (MOF) and Ministry of Domestic Trade and Consumer Affairs (KPDNHEP) to get in touch with more people for tax education in explaining the tax calculations under both tax regimes for a clearer understanding (Meor-Ahmad, 2018).

Due to the continuous debates and issues arising from the implementation of GST and SST and also lack of empirical evidence to understand the phenomena in Malaysian context, it is necessary and timely to carry out this study to investigate the issues surrounding the compliance with the legislation of these taxes and provide possible explanations and recommendations to reduce obstacles of their implementation.

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1.3 Research Questions

Based on the gaps identified from the discussions in the problem statement above, the following research questions are presented:

1. Are businesses possess Goods and Services Tax (GST) compliance knowledge?
2. Are businesses possess Sales and Services Taxes (SST) compliance knowledge?
3. What are sources of GST and SST knowledge among businesses?

1.4 Research Objectives

In order to address the above research questions, the followings are the objectives of this study:

1. to investigate the businesses' Goods and Services Tax (GST) compliance knowledge;
2. to investigate the businesses' Sales and Services Taxes (SST) compliance knowledge; and
3. to identify sources of GST and SST knowledge among businesses.

1.5 Scope and Limitations of the Study

This study covers businesses located in Johor Bahru, a southern region of Malaysia and near to a developed country, Singapore as the respondents. The survey questionnaires were distributed to the company representatives who attended seminars and consultations organised by the Customs office. The completed survey questionnaires were aggregated and analysed.

This study investigates the Johor Bahru businesses on their GST and SST compliance knowledges and sources of GST and SST knowledge. The main limitation in this study is the respondents who are the businesses' owners, or their representative were not giving full cooperation by filling up the questionnaires completely even after persuading them during the tax seminars or tax consultation thus, the data collected was not as many as it was expected. In addition, the period of data collection which fell during the Movement Control Order (MCO) restriction by the Government had limited the accessibility of respondents to participate in the survey.

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1.6 Definition of Key Terms

There are several key terms in this study which define as follows:

1.6.1 Goods and Services Tax (GST)

Goods and Services Tax (GST) is a type of indirect tax charged on consumption using value-added basis. Its charging scope covers any taxable supply of goods and services, made in the course or furtherance of any business, by a taxable person in Malaysia. It is also charged on the importation of goods and services into Malaysia, unless if the except goods fall under zero-rated, exempt or given relief from GST (Sok-Gee, Zulkufly & Kanagi, 2019; RMCD, 2017).

1.6.2 GST Compliance

Tax compliance is defined as declaring all taxable income and paying all tax liability by fulfilling the prescribed laws and regulations (Jackson and Milliron, 1986). Zainan et. al., (2017) defined tax compliance as willingness of taxpayers to comply with tax laws and regulations by declaring actual income and paying taxes charged within the stipulated period to fulfil their obligations. Hence, in this study, GST compliance is defined as a taxable person's (especially the businesses) willingness to file tax returns, report and pay prescribed amount of tax on time, and comply with the enforced GST laws and regulations.

1.6.3 Sales Tax and Service Tax (SST)

Sales tax is a type of indirect tax charged on taxable goods that are manufactured, sold, used or disposed in Malaysia by a registered manufacturer, or imported into Malaysia by any person. It is charged on ad valorem basis. Service tax is charged on

taxable service provided in Malaysia by a registered person (businesses) and taxable service which is imported (Chandran, Chandran & Andrews, 2020; RMCD, 2021a; RMCD, 2021b).

1.6.4 SST Compliance

Similar to the meaning of GST compliance, but in the scope of SST. Thus, SST compliance could be described as a taxable person's (especially the businesses) willingness to file tax returns, report and pay prescribed amount of tax on time, and comply with the enforced SST laws and regulations (Zainan et al., 2017).

1.6.5 Tax Knowledge

Tax knowledge refers to the taxpayers' ability in comprehending the laws and regulations as well as complying with them (Singh, 2003). Moreover, if the taxpayer was knowledgeable of tax laws and the tax system or even have some understanding about tax matters, such as able to calculate and compute his/her tax payable, that taxpayer would comply better with the tax law, compared to others who do not possess such knowledge.

1.7 Organization of the Thesis

There are a total of five chapters in this thesis. Chapter One presents the introduction and problem statement of this study. It also covers scope, limitations, research questions, objectives and key terms in this chapter. While Chapter Two discusses literature review related to GST, SST, tax compliance and tax knowledge. The research methodology which covers study design, data sampling and collection are

elaborated in Chapter Three. Next, the data analysis and research findings were covered in Chapter Four. The thesis ends with discussion, conclusion and recommendations in Chapter Five.

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CHAPTER 2

LITERATURE REVIEW

2.1 Introduction

This chapter presents the literature review which illustrates the basis of carrying out this study. It begins with discussion on GST/VAT around the world, GST and SST with the exposure and implementation in Malaysia. Additionally, transition from SST 1.0 regime to GST system was also discussed. Then, it follows with issues in GST implementation in Malaysia. Next, discussion on the transition from GST to SST 2.0 is presented and followed by the compliance knowledge of GST and SST as well as sources of tax knowledge before presenting a summary of this chapter.

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2.2 Goods and Services Tax (GST) or Value Added Tax (VAT) Around the World

Goods and Services Tax (GST), or also known as Value Added Tax (VAT) in many countries, has become the main consumption tax both in terms of revenue and geographical coverage since the mid-1980s. This kind of tax system is designed to be a tax on final consumption that is broadly neutral towards the production process and international trade, which is widely seen as a relatively growth-friendly tax. According to Organisation for Economic Co-operation and Development (OECD, 2020), more than 170 countries operate GST or VAT system today. The evolution of GST/VAT as an increasingly important source of tax revenues for countries around the world, and its application to an increasingly large share of the world's economic activity coincided with the rapid expansion of the international trade in goods and

services in an increasingly globalised economy. Most international trade is now subject to GST/VAT and the interaction of national GST/VAT regimes can potentially have a major impact in either facilitating or distorting trade. Moreover, tax authorities worldwide noted that the absence of an internationally agreed framework for the application of GST/VAT to cross-border trade created growing risks of under-taxation and loss of revenue for governments, and of trade distortion due to double taxation. The need for a consistent global response to the challenge of applying GST/VAT to international trade became particularly urgent due to the strong growth of international trade in services, digital products and goods from online sales as a consequence of the expansion of the digital economy and post COVID-19 pandemic.

Consumption taxes such as GST or VAT, sales taxes, import duty and excise duties are often categorised as indirect taxes as they are generally not levied directly on the person who is supposed to bear the burden of the tax. They are rather imposed on certain transactions, products or events. Governments generally collect the tax from producers and distributors at various points in the value chain, while the burden of the tax falls in principle on consumers assuming that it will be passed on to them in the prices charged by suppliers (OECD, 2020).

Based on the statistically produced by OECD (2020) shown in Table 1.1, GST/VAT were identified as the largest source of revenue from taxes on general consumption in the OECD countries, on average, and as a key source of these countries' total tax revenues. Revenues from GST/VAT as percentage of gross domestic product (GDP) slightly increased from 6.7% in 2015 to 6.8% in 2018 on average and a share of total taxation from 20.3% to 20.4% over the same period. GST or VAT is now operated in

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36 of the 37 OECD countries, except the United States of America (USA) being the only OECD country not to have adopted a GST/VAT.

Table 2.1

Value Added Taxes (VAT) as a percentage of GDP and total taxation.

	Tax revenue as % of GDP					Tax revenue as % of total taxation				
Year	1975	2005	2010	2015	2018	1975	2005	2010	2015	2018
Australia	0.0	3.9	3.4	3.6	3.3	0.0	13.1	13.4	13.0	11.7
Austria	7.2	7.6	7.7	7.6	7.6	19.8	18.6	18.7	17.7	18.0
Belgium	6.3	6.9	7.0	6.6	6.8	16.2	15.9	16.2	15.0	15.4
Canada	0.0	3.2	4.2	4.4	4.5	0.0	9.9	13.7	13.3	13.6
Chile	..	7.8	7.5	8.3	8.5	..	37.8	38.5	40.8	40.2
Colombia	..	5.2	5.3	5.2	5.7	..	28.2	29.3	26.0	29.4
Czech Republic	..	6.5	6.6	7.2	7.6	..	19.1	20.5	21.7	21.6
Denmark	6.4	9.7	9.4	9.1	9.5	17.5	20.2	21.0	19.9	21.5
Estonia	..	8.0	8.5	9.0	9.0	..	26.9	25.7	27.2	27.3
Finland	5.7	8.3	8.3	9.0	9.1	15.6	19.9	20.4	20.6	21.6
France	8.1	7.2	6.8	6.9	7.1	23.1	16.7	16.1	15.2	15.4
Germany	5.0	6.1	7.0	7.0	7.0	14.6	17.8	19.8	18.8	18.2
Greece	0.0	6.7	7.1	7.3	8.3	0.0	21.1	22.0	20.0	21.3
Hungary	..	8.2	8.5	9.5	9.7	..	22.5	22.9	24.5	25.8
Iceland	0.0	10.8	7.3	8.0	8.8	0.0	27.3	22.7	22.6	23.6
Ireland	4.1	7.3	6.0	4.5	4.4	14.7	24.2	21.7	19.3	19.3
Israel	..	7.5	7.5	7.8	7.5	..	22.3	24.4	24.9	24.2
Italy	3.3	5.7	6.1	6.1	6.2	13.7	14.6	14.5	14.2	14.8
Japan	..	2.5	2.5	4.2	4.1	..	9.5	9.6	13.7	12.8
Korea	0.0	3.8	3.9	3.6	4.1	0.0	17.4	17.5	15.3	15.3
Latvia	..	7.4	6.7	7.7	8.4	..	26.4	23.3	25.6	27.0
Lithuania	..	7.1	7.8	7.7	7.8	..	24.3	27.5	27.0	25.8
Luxembourg	3.8	6.0	6.4	6.5	6.1	12.1	16.0	17.0	17.5	15.4
Mexico	..	3.3	3.8	3.8	3.9	..	29.3	29.4	23.9	24.3
Netherlands	5.4	6.7	6.7	6.5	6.8	14.4	19.2	18.7	17.6	17.6
New Zealand	0.0	8.6	9.3	9.5	9.7	0.0	23.8	30.7	30.2	29.6
Norway	8.0	7.7	7.8	8.2	8.4	20.5	18.1	18.6	21.3	21.2
Poland	..	7.7	7.6	7.0	8.1	..	23.2	24.2	21.5	23.1
Portugal	0.0	8.2	7.5	8.6	8.7	0.0	26.6	24.7	24.9	25.1
Slovak Republic	..	7.7	6.1	6.8	7.1	..	24.6	21.8	20.8	20.5
Slovenia	..	8.5	8.1	8.3	8.2	..	21.6	21.3	22.2	22.0
Spain	0.0	6.2	5.2	6.4	6.6	0.0	17.7	16.5	19.0	19.0
Sweden	4.6	8.5	9.0	8.9	9.2	12.0	18.1	21.0	20.8	21.0
Switzerland	0.0	3.6	3.4	3.4	3.3	0.0	13.4	12.7	12.4	11.7
Turkey	..	5.1	5.4	5.1	4.8	..	21.8	21.7	20.6	19.8
United Kingdom	3.0	6.1	6.1	6.9	7.0	8.9	18.6	19.0	21.4	21.1
United States	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
OECD unweighted average	3.1	6.5	6.4	6.7	6.8	8.8	20.2	20.5	20.3	20.4

Source: OECD Revenue Statistics 2020 (OECD, 2020[1]).

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2.2.1 Features of VAT or GST Design Mechanisms

As summarised by OECD (2017) in *OECD International VAT/GST Guidelines*, VAT/GST system are a broad-based tax on final consumption, which is understood to mean final consumption by households. Only private individuals, as distinguished from businesses, engage in the consumption at which a VAT/GST is targeted in principle. However, in practice, many VAT/GST systems impose VAT/GST burden not only on consumption by private individuals, but also on various entities that are involved in non-business activities. From a legal and practical standpoint, VAT/GST is essentially a transaction tax. In real life, things can be consumed in many ways. Some can be consumed fully and immediately (like a taxi ride), some can be bought and fully consumed later (like a sandwich or cake), some can be consumed over a longer period of time (like a desk, computer or a subscription to an online database). On the other hand, VAT/GST does not actually tax such material consumption, rather it aims at taxing the sale to the final consumer through a staged collection process along the supply chain.

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The staged collection process means that VAT/GST is in principle collected on sales to businesses (B2B) as well as on sales to private consumers (B2C). Since its purposes is to impose a tax on final consumption by consumer or households, the burden of the VAT/GST should in principle not rest on businesses, except where explicitly provided in legislation (example, where purchases are made for the private consumption of the business owners or their employees). This is achieved by giving businesses the right to deduct the VAT/GST they incur on their inputs from the VAT/GST they collect on their outputs, and to remit only the balance to the tax authorities. It can be argued, however, that the economic burden of the VAT/GST may effectively lie in a variable

proportion on business and consumers, and also by market circumstances. Most of the all VAT/GST jurisdictions that operate this kind of tax system use the invoice-credit method. In the OECD, only Japan country uses 'credit subtraction VAT', where the VAT on taxable sales (output tax) is calculated by multiplying the total taxable sales by the VAT rate while the amount of deductible input VAT is calculated by extracting the VAT from the total VAT inclusive amount of purchases as recorded in the business's purchase records. This includes the purchases from exempt suppliers such as unregistered small businesses so that there is no incentive to purchase from taxable businesses but excludes exempt supplies such as financial services. The VAT-liability is calculated on an annual basis, except for certain businesses which can elect for quarterly accounting periods (example, exporters that are eligible for VAT refunds). There is no requirement to issue VAT invoices, but businesses are required to document their VAT liability and this documentation can include invoices (OECD, 2020).

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As we known, the staged collection process, whereby tax is in principle collected from businesses on the value added at each stage of production and distribution, gives to the VAT/GST its essential character in domestic trade as an economically neutral tax. The full right to deduct input tax through the supply chain, except by the final consumer, ensures the neutrality of the tax, whatever the nature of the product, the structure of the distribution chain, and the means used for its delivery (examples, retail stores, physical delivery, internet downloads). As a result of the staged payment system, VAT 'flows through the businesses' to tax supplies made to final consumers.

Where the deductible input VAT/GST for any period exceeds the output VAT/GST collected, there is an excess of VAT/GST credit, which should in principle be refunded. This is generally the case in particular for exporters, since their output is in principle free of VAT/GST (i.e., exempt with right to deduct the related input tax) under the destination principle, and for the businesses whose purchases are larger than their sales in the same period (such as new or developing businesses or seasonal businesses). Moreover, in make country looks interesting for foreign direct investment (FDI) in terms of wider economic development, it is important that VAT/GST system provide for an effective treatment of excess credits to avoid the risk that VAT/GST introduces significant and costly distortions for these groups of businesses. At the same time, however, the payment of refunds evidently can create significant opportunities for fraud and corruption. To overcome these challenges, it is important therefore that an effective refund system is administered properly, supported by a well-designed and operated risk-based compliance strategy and by a comprehensive audit strategy.

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When the right to deduct input VAT/GST covers all business inputs, the final burden of the tax does not lie on businesses but on consumers. According to the publication by OECD (2020), this is not always the case in practice, as the right to deduct input tax may be restricted in a number of ways. Restrictions to the deduction of input VAT/GST result in particular from the application of VAT/GST exemptions. When a supply is VAT/GST-exempt, the supplier does not charge any VAT/GST on the supply while it is not entitled to deduct the VAT/GST it has incurred on the related inputs. Many VAT/GST systems apply exemptions for social (health, education and charities), practical (financial services, insurance) or historical (immovable property,

land) reasons. Another sets of restrictions to the right of deduction of input VAT/GST relates to purchases used, or deemed to be used, for the private consumption of the owners of a business, or of its employees or clients (examples, cars and entertainment).

The spread of GST/VAT has been among the most important developments in taxation over the last half century. Many developing countries have also introduced a GST/VAT regime during the last decades to replace lost revenues from trade taxes following trade liberalisation (OECD, 2020). Additionally, Krever (2008) classified VAT and GST regimes into two categories: the traditional VAT and the modern GST. VAT systems in Europe are typical examples of using the traditional VAT model, while the GST system that enforced in 1986 in New Zealand can be called the modern GST model. Table 2.2 summarises the GST/VAT implementation in several countries.

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Table 2.2
Summary of the VAT or GST Implemented in Various Countries.

Country	Year Implementation	Tax Rates	Tax System Characteristics
New Zealand	01 October 1986	15%	- Namely as GST, different from VAT system that implemented in European Union countries. - Items classed as 'necessities' such as food, children's clothing, medical care, education services and energy were not exempted, but subject to GST at standard rate.

Table 2.2 (Continued)

Country	Year Implementation	Tax Rates	Tax System Characteristics
Canada	1991	5%	- Known as Canada's GST. - A number of provinces also levy a provincial sales tax (PST) or retail sales tax (RST), or harmonised sales tax (HST) which rates vary from 8 to 15% that include 5% (federal GST). - Have zero-rating provisions (such as exports, transportation services, basic groceries – milk, bread, vegetables, specified agricultural products, most farm livestock, prescription drugs and certain medical devices) and broad range of exempt supplies (such as health, medical and dental services, childcare services, educational services, most food or beverages sold in school cafeterias, and most meal plans provided in university or public college).
South Africa	1991	14%	- Broadly follows the New Zealand GST model. - Has relatively few exemptions, zero-ratings and exclusions. - Zero-rates include basic foodstuffs, agricultural products supplied under prescribed circumstances and housing subsidies. - Exempt supplies cover financial services, donated goods and services, residential accommodation, educational services.

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Table 2.2 (Continued)

Country	Year Implementation	Tax Rates	Tax System Characteristics
Singapore	01 April 1994	7%	- Broad base modelled on the New Zealand GST system. - GST exemptions limited to the most financial services, sale and lease of residential properties, and supply of investment precious metals. - Goods are exported, international services, supply of a prescribed tool or machine used in the manufacture of goods in Singapore, are zero-rated. - 'Out of scope' supplies are refer to the transfer of a business as a going concern and private transactions.
Australia	01 July 2000	10%	- GST model between the European Union and New Zealand versions. - GST-free supply (known as zero-rated) include most basic food, some education courses, medical/health products and services, exports and sales of businesses as going concerns. - Input taxed supplies (or labelled exempt supplies) are certain financial services and selling or renting out residential premises.

Source: Maples, A. and Sawyer, A. (2017); Shwetha, S. (2020)

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2.3 Goods and Services Tax (GST) in Malaysia

Commonly, there are two taxation systems in Malaysia i.e., direct tax and indirect tax. Under indirect tax system, there are five types of taxes i.e., customs duties, excise duty, tourism tax, sales tax, and service tax collected by the Royal Malaysian Custom Department (RMCD). As for direct tax system, the tax collected are income tax (individual and business), petroleum income tax, real property gains tax, and stamp duty which administered by the Inland Revenue Board of Malaysia (IRBM).

Historical records had shown that many countries develop by using tax revenue. Kenya is one of the examples. Tax is the main source of Kenya Government's revenue, which amounted to 80% of total Government revenue on average, between 1995 to 2004 (Naibei, Momanyi & Oginda, 2012). Zhou, Tam and Heng-Contaxis (2013) suggested that a new source of tax revenue is needed in Malaysia to diversify Government revenue, broaden the tax base to produce more revenue collection, and steadily replace oil-related revenue and excise duties. Indirect taxes were regarded to be the most convenient for revenue collection than direct taxes (Barjoyai, 1993) as it is a broad base tax (Kasipillai & Sinnakkannu, 2008). According to Grandcolas (2005), GST is the vital source of government revenue.

Table 2.3 outlines the comparison among collection from direct taxes, indirect taxes and non-tax revenue of Malaysian Federal Government from year 2014 to 2020.

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Table 2.3
Federal Government Revenue

	RM (Million)						
	2014	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**
Direct Taxes	126,743	111,770	109,608	116,024	130,035	134,723	112,511
Indirect Taxes	37,462	53,670	59,735	61,634	44,026	45,843	41,887
Non-tax Revenue	56,421	53,649	43,078	42,748	58,821	83,849	70,678
Total Revenue	**220,626**	**219,089**	**212,421**	**220,406**	**232,882**	**264,415**	**225,076**

Source: Fiscal Outlook and Federal Government Revenue Estimates 2016 (MOF), Fiscal Outlook and Federal Government Revenue Estimates 2017 (MOF), Fiscal Outlook and Federal Government Revenue Estimates 2018 (MOF), Fiscal Outlook and Federal Government Revenue Estimates 2019 (MOF), Fiscal Outlook and Federal Government Revenue Estimates 2020 (MOF), Fiscal Outlook and Federal Government Revenue Estimates 2021 (MOF), Fiscal Outlook and Federal Government Revenue Estimates 2022 (MOF).

Many countries have successfully adopted GST in their tax systems which enlarge the tax range better than other taxes. Malaysia also attempted to implement GST for the first time on 1 April 2015 as the Government was unable to continue requesting for debts to finance the deficits of its yearly national budget tabled in the Parliament (Ramli et al., 2015). Moreover Shamsuddin et al. (2014) stressed that GST implementation in Malaysia is part of government's tax reform programs to improve tax administration and management.

GST was first introduced in Europe specifically in France during 1950s. Currently, more than 170 countries in the world are relying on GST or also known as Value-Added Tax (VAT) in some countries as their main source of revenue. As stated earlier, Goods and Services Tax (GST) is a type of indirect tax charged on consumption using value-added basis. Through multi-stage transactions of the

business, this tax is charged at each level of production, distribution, services until the product reach final consumer (Shamsuddin, Ruslan, Abd Halim, Zahari, & Mohamad Fazi, 2014; Zhou, Tam, & Heng-Contaxis, 2013; Ramli, Palil, Abu Hasan, & Mustapha, 2015). By offering a comprehensive system with equal sharing of tax burden between importation of goods and services, buying of raw materials, distribution and trading segments, down to the end user simultaneously, broadening the tax base (Ramli, et al., 2015; Zhou, et al. 2013). Zhou, Tam and Heng-Contaxis (2013) held that the mechanism of charging GST help to lower tax exemptions, compounding effects of pyramiding tax, tax erosion, transfer pricing and value shifting via offering most simplistic calculation procedures that enhance compliance of the laws. One of the objections about SST or RST is that it is cascading, causing businesses to pay tax twice unintentionally due to the difference in business inputs and the final consumer. In this scenario, it is claimed that a company that provides the final finishing touch may purchase items but will pay taxes as if it were a final consumer. Whereas the same company will sell to retailers, who will then charge taxes to the final customers. As a result, inflation occurs. The GST, on the other hand, is believed to be free of tax cascading (Vermeend, Ploeg, & Timmer, 2008).

In Malaysia, the GST plan was first proposed in 1988, but it was deemed unneeded at the time because the sales and service taxes were already in place. As a result, the initiative was placed on hold for the time being (Lee, 2011). Later, the Government include GST as part of the Malaysia's New Economy Model (NEM) because of its broader tax base. GST, according to the NEM, would be an essential component in revamping Malaysia's revenue sources and distribution (National Economic Advisory Council, 2010).

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Additionally, GST collection could help to raise the Malaysians' way of living as the revenue could be used to develop social infrastructures and Government services to enhance people's wellbeing (Othman et al., 2017). Nonetheless, there were a number of disagreements in Malaysia throughout the implementation of the GST. Firstly, businesses which were not prepared for the GST implementation were negatively impacted in terms of GST acceptability and GST compliance with its standards (Mansor et al., 2016; Ling et al., 2016). Secondly, businesses must adapt their accounting systems and business processes to comply with the GST regulations as a result of the GST implementation (Mansor et al., 2016). Finally, the tax administration faced various obstacles in guiding business owners or managers to comprehend the GST rules, which will assure high compliance.

Compared to Singapore, GST was successfully implemented because it excluded investments and savings in the charging scope, in fact it inspires saving and investments and provide good returns to the enterprise and supports economic resilience, as it is tax on consumption within the country. Singapore needed to shift from reliance on personal income tax as the country is facing the problem of an ageing population. Furthermore, GST that charged during the process of producing exports can be easily identified and rebated so that exporters are not penalized, thus enhances the competitiveness of the country (Low & Carol, 1994).

As stated earlier, the mechanism to charge GST is at each production and distribution level along the supply chain, including imported of goods and services. The businesses registered under GST system particularly can charge and collect GST on behalf of RMCD based on the output surplus. Individual suppliers must pay GST

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when the input is purchased and charge GST to the client at the time of sale at each stage (Chong & Lai, 2006). In most cases, the GST credit offset method operates by crediting GST paid on purchases (input tax) against GST due on sales or supplies made (output tax). As a result, because the final user is the last person in the supply chain, he or she will be responsible for the GST. Even though GST is charged at every stage of the supply chain, the GST component does not appear as part of the product's cost because it is paid on a claimable business input (Hamid, Dangi, Rusli and Azali, 2017). The reason for this is that companies always cut the input tax they pay at the previous stage of the supply chain when they get to the next stage. Only the net GST which performs the value added will be obliged or accountable to the RMCD. (Chong et al., 2006).

In Malaysia, there were certain concessions in the application of GST. There are two types of concessions or compromises: zero-rated supplies and exempt supplies. GST zero-rated supplies means no tax applied to them, and the input tax can be claimed as a credit against the output tax. While exempt supplies are supplies that do not have a tax imposed on them, and they are not eligible to claim the input tax paid on their acquisition. Both types of concessions' declarations can be complicated, disregarded, and perplexing to enterprises and required knowledge in handling the procedures (Kasipillai and Krever, 2017).

2.4 Sales and Service Taxes (SST) in Malaysia

SST, like GST, is an indirect tax placed on consumers when they purchase products or services. Malaysia had already implemented SST prior to the implementation of GST

and it is known as SST 1.0. Figure 2.1 below illustrates the transition period of implementing SST and GST in Malaysia.

Figure 2.1
Transition of indirect tax from SST 1.0 to GST, then change to SST 2.0.

SST is a one-level tax consisting of two types of taxes which is sales tax and service tax. Sales tax is enforced at 5%, 10% or a specific rate for petroleum products, while service tax is charged at 6%. SST is seen as a consumption tax, and as a result, producers were responsible for levying charges and collecting revenue from their customers (Mansor, Tayib & Yusof, 2005). Taxable commodities manufactured or sold in Malaysia, as well as taxable items imported into Malaysia, are subject to sales tax while service tax is only levied on taxable services provided in Malaysia and not charged on imported or exported services (RMCD, 2017). Examples of services that subjected to service tax are hotel operators, insurance agents, club or gaming operators, telecommunication companies, legal firms, accounting expertise, architectural consultants and security.

Under SST system, taxable persons are manufacturers of taxable goods or providers of taxable services with an annual turnover of more than RM500,000. While manufacturing activities exempted from registration regardless of turnover are exclusively given to tailor, jeweller, optician, engraving, and vanishing tabletop. (RMCD, 2021a; RMCD, 2021b). SST returns must be submitted to RMCD on a two-

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monthly basis. Around 85% of the businesses, especially small and medium enterprises were not covered under the scope of SST system.

As mentioned earlier, generally, sales tax is imposed on locally manufactured and imported goods. However, not all products are subject to sales tax, for example live animals, unprocessed food, vegetables, medications, machinery, chemicals, and other items are excluded. Since January 2003, the transaction value calculated by the World Trade Organization (WTO) method of valuation has been used to determine the valuation method for locally manufactured items (Mansor et al., 2005). As for imported products, when products were released from customs control, sales tax was collected from importers, which was calculated based on the value of taxable commodities sold, used, or disposed of, or imported.

Starting from October 31, 2012, the sales tax rate ranged from 0%, 5%, and 10% to 20%, depending on the categories of items subject to sales tax. For example, food and fruits for a more affluent lifestyle, as well as beer and wine, were taxed at a standard rate of 10% (Choong, 2014). Certain classifications of petroleum, such as refined petroleum, diesel fuel, gas oil, and liquefied natural gas, were also subjected to different sales tax rates (Sapiei & Abdullah, 2015).

As mentioned earlier, the USA is the only OECD country that employs a retail sales tax as the principal consumption tax, which is a subnational tax imposed at the state and local government levels. Summarised by OECD (2020), a retail sale tax is a tax on general consumption charged only once on products at the last point of sale to the end user. In principle, only consumers are charged the tax, while resellers are exempt

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if they are not final end users of the products. To implement this principle, business purchasers are normally required to provide the seller with a 'resale certificate', which states that they are purchasing an item to resell it, or with equivalent evidence that the business will fulfil whatever tax obligations it may have (example, a so-called 'direct pay permit'). The tax is charged on each item sold to purchasers who do not provide such a certificate or equivalent evidence. The retail sales tax covers not only retailers, but all businesses dealing with purchasers who do not provide a resale or other evidence signifying that no tax is due (example, a public body or a charity, unless specific exemption applies).

Contrary to the sales tax implemented in Malaysia, this sales ad valorem tax is charged upon taxable goods manufactured and sold by a taxable person in Malaysia, including taxable goods imported into Malaysia (Rahman, Johari, Abdul Manaff, Wan Mohamad, & Ramli, 2018). Even both retail sales tax and sales tax are levied to the consumer upon the consumption of the goods, both are not similar charged at the point of supply chain. For retail sales tax system imposed in USA, it will be charged at the last point of sale to the end user, distinguish from Malaysia's sales tax version that will charged from the manufactures or importer as the first seller to the first buyer, even the buyer is not the end user. Finally, the next customer will be absorbing the sales tax portion that are embedded in the sales price of goods without remit it to the tax authority. The manufacturer or importer are the responsible party who required to submit the sales tax returns with that tax collected to the government.

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2.5 Changing from SST 1.0 to GST System

As of April 2002, it was found that tax authorities were unable to collect a total of RM4.2 billion including RM75.7 million of sales tax, RM46.8 million of service tax, RM46.7 million of custom duties, and RM0.57 million of excise duties. Due to the flaws in previous SST system, Malaysia needed to create a new GST regime as a replacement (Mansor et al., 2005). Furthermore, according to RMCD figures, taxpayers failed to collect or pay RM335.95 million in taxes between 2005 and 31 December 2008 (Bidin, Shalihen, Shamsudin M & Othman, 2011). Moreover, Kasipillai and Sinnakkannu (2008) claimed that sales tax is a complicated levy that applies to both the manufacture and imports of manufactured goods. The exemption method was complicated because it was based on the turnovers of licenced businesses and the sorts of industrial manufacturing activity.

Furthermore, it was discovered that the service tax has an arbitrary effect on consumer pricing. Only a limited activities namely "taxable services" valued over a particular annual threshold were subject to service tax. The lack of SST was detected on high tax avoidance, double taxation that drove up prices, and numerous exclusions, all of which contributed to the SST's low revenue collection (Zhou, Tam & Heng, 2013). In 2013, sales tax and service tax accounted for only 4.6% and 3.1% of overall federal government revenue, respectively.

As a result, a new type of tax was required to broaden the tax base and gradually replace oil-related revenue and excise charges. Increased revenue is critical for the country's ability to pay government spending as well as provide more socioeconomic services (Alappatt & Shaikh, 2014).

Zhou et al. (2013) stated that GST provides a single integrated system in which the tax burden is equally distributed between the service and manufacturing industries which broaden the tax base. Thus, tax exemptions, compounding impacts of pyramiding tax, tax erosion, transfer pricing, and value shifting are believed to be reduced as a result of this mechanism. In addition, GST also provide a measure of stability because it is less sensitive to commodities market changes. Furthermore, since firms can claim GST, there is less motivation to avoid paying taxes.

SST was believed to impose a twice tax i.e., sales and service tax, a cascade implication in which customers were unaware of the sales tax applied on items in production phase, transfer pricing concerns, and lack of total relief on exported goods (Othman et al., 2017). On another hand, GST was believed to be more effective, efficient, and transparent. Furthermore, GST was also claimed to be business friendly and able to thwart economic growth and boost competitive ability at international market (Ling et al., 2016). Therefore, the Government introduced GST in Malaysia on 1 April 2015.

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2.6 Issues in GST Implementation in Malaysia

It was suggested that GST would not cause unstable economic climate, but rather would assure a steady stream of money through its collection (Maslan, 2014). It was recorded that Malaysia experienced a budget deficit for more than a decade. In 2009 the deficit was at 7% of GDP, but later in 2015, it had been lessened to 3%. This is believed to be the result of shifting from SST to GST which automatically enlarge the

tax base and reduces dependence on employment, which is especially important for countries with an ageing resident (Bond & Huges, 2013). However, later Hussain (2014) emphasised that it was not the intention of the Government to broaden Malaysia's tax base by implementing GST but to overcome the shortcomings of the SST. The implementation of GST was deemed vital in the ETP Annual Report (2012) due to two main reasons: to minimise reliance on income and petroleum tax and to increase the income of people and corporate profits by lowering tax rates (Ismail, 2014).

In addition, GST was believed to solve shadow economy in Malaysia which estimated to be at 30% and identified as a new source of Government revenue if people registered their businesses (Ismail, 2014). GST has three components of products category: standard rate, zero rate and exempt (Faizalnudin, 2012). However, Ismail (2014) claimed that the zero-rated and exempt mechanisms had resulted in progressive taxes as lower-income groups spend 70% of their income on necessities, and most of these items fall into these categories.

Thus, individuals suffered more by GST due to its deteriorating nature, and it charges bigger percentage on low-income than high-income group of people as the tax is imposed equally across all income groups (Saira et al, 2010). Juliana, Yusoff, and Muhammad (2016) found that the poor spent 15% more than the wealthy in consumption as a percentage of income, implying that they would be taxed more than the wealthy. Thus, low-income people's tax incidence increases as their ability to pay has been lowered, indicating that there is a reverse link between tax rate and taxpayer's capacity in paying tax when it is charged on spending, assets, and income

(Ahmad, 2010). In this regard, GST has been seen to penalise the low-income group (Caspersen & Metcal, 1995; Rahman, Johari, Manaff, Mohamad & Ramli, 2018), and policymakers are concerned about this (Ahmad, 2014).

Nonetheless, people benefited financially from the income tax cut (Lim, 2013). If their income is stable but prices are rising, the Centre for Public Policy Studies (CPPSP) found that around 60% of households moved their spending to the cheapest goods and services. This is due to their spending most of their wages on consumption thus they will keep little or no savings, low-income persons are particularly sensitive to price inflation. However, those earning more than RM5000.00 per month, may cope with the price increase. Despite the justifications, GST failed to act as a good tax mechanism and resulting in frustration and significant political issue.

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2.7 Changing from GST to SST 2.0 System

Due to various problems and complaints from the public as discussed above, the Government replace GST and revert to SST and namely the new system as SST 2.0. After repealing the GST Act of 2014 in August 2018, the new versions of SST went into effect on September 1, 2018. The SST's single-stage levy is one of its most distinguished features. This means that if a Malaysian manufacturer creates an item or a Malaysian importer imports an item, he/she is the only person who must include SST and submit to RMCD. The wholesaler and the merchant are both prohibited from imposing additional taxes. As a result, instead of paying the accumulated value-added tax, the consumer will only pay taxes that are included in the sale price. The service

tax is imposed at a rate of 6% on services delivered in Malaysia by businesses that fulfil the criteria (Hamid, 2018).

In general, researchers found that the popular consumption tax was more likely to be a single-stage tax, such as the SST, or Retail Sale Tax (RST) in the United States, but GST, despite being a sort of consumption tax, was more likely to be a two-stage tax. This suggests that taxation in the form of SST or RST predates the GST.

In terms of revenue, the GST differs from the present consumption sales and service tax (SST). The scope of the GST regime is applied at every stage of the supply chain on the consumption of products and services, whereas SST is only charged at the manufacturing stage and when specified services are delivered to the consumer. To put it another way, sales tax is paid to the government directly by the producer, with no taxes collected from the distributor or retailer, whereas GST is paid to the government by each intermediary level (Yusri & Yee, 2015).

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The public expects the price of goods to be considerably cheaper and lessen their cost of living especially in major cities of Peninsular Malaysia (Nathan, 2018). As a result, their expectations are fulfilled: a better tax structure, cheaper commodities, and a lower cost of living. Some people feel that people's spending power will increase, whereas others do not. Inflation is expected to be between 2% to 3% in the first half of the year, according to Bank Negara Malaysia, with the country's gross domestic product (GDP) increasing by 5.4% in the first quarter of 2018. In addition, Bank Negara Malaysia predicts a significant growth in private sector activity (Ruxana, 2018).

However, SST is still insufficient to keep the Government afloat. SST contributed RM20 billion as compared to GST's of RM44 billion. As a result, the Government had to cut back on other revenue sources such as fuel prices. The price of RON95 and diesel has been regulated to ensure that the government receives a consistent revenue stream regardless of foreign market fluctuations (Zainoodin, et al., 2018). Based on Table 2.4, GST collection from year 2015, 2016 and 2017 increased in a huge portion as compared to the SST 1.0 (in year 2014) or SST 2.0 collection (in year 2019 and 2020). The difference in amount collected was due to the change in tax system i.e. from GST to SST 2.0.

Table 2.4
Malaysia Government Revenue (Indirect Taxes)

	RM (Million)						
	2014	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**
SST 1.0	17,216	8,261	-	-	-	-	-
GST	-	27,012	41,206	44,352	20,255	-	-
SST 2.0	-	-	-	-	5,425	27,668	26,773
Import duty	2,670	2,732	2,905	2,784	2,897	2,733	2,346
Export duty	1,893	1,039	980	1,355	1,725	1,126	746
Excise duty	12,925	11,890	11,705	10,112	10,779	10,511	9,855
Others	2,758	2,736	2,939	3,031	2,945	3,805	2,167
Total	**37,462**	**53,670**	**59,735**	**61,634**	**44,026**	**45,843**	**41,887**

Source : Fiscal Outlook and Federal Government Revenue Estimates 2016 (MOF),
Fiscal Outlook and Federal Government Revenue Estimates 2017 (MOF),
Fiscal Outlook and Federal Government Revenue Estimates 2018 (MOF),
Fiscal Outlook and Federal Government Revenue Estimates 2019 (MOF),
Fiscal Outlook and Federal Government Revenue Estimates 2020 (MOF),
Fiscal Outlook and Federal Government Revenue Estimates 2021 (MOF),
Fiscal Outlook and Federal Government Revenue Estimates 2022 (MOF).

2.8 Compliance Knowledge of GST and SST

Knowledge is described as "knowledge, comprehension, and skills gained through learning and experience." (Oxford Student's Dictionary of English, 2007). Following this concept, knowledge is defined in this study as information and understanding of the adoption of GST and SST as part of Malaysia's taxation system. Tax knowledge has become a necessary requirement for existing and potential taxpayers (Bardai, 1992). Businesses must acquire tax knowledge in carrying out their transactions, for instance in terms of GST and SST, businesses must possess knowledge on how to charge tax on goods and services, how to pay tax and so on (Hambali & Kamaluddin, 2017). This is because their regular activities cover collecting and charging tax on consumers or suppliers thus, businesses need to understand and equip with tax knowledge. Many Malaysian businesses recognise that the GST system is complicated, and they lack knowledge of how to comply with the rules and rates in their daily operations (Palil, Ramli, Mustapha, & Hassan, 2013). As stated earlier, for the purpose of this study, GST/SST compliance is defined as a taxable person's (especially the businesses) willingness to file tax returns, report and pay prescribed amount of tax on time, and comply with the enforced GST/SST laws and regulations.

Shamsuddin et al. (2014) investigated teachers' knowledge on GST implementation. According to their findings, about 94% of respondents aware of the government's proposal of implementing GST. In addition, the study found that only 79.6% of respondents understand why GST is necessary in Malaysia. Thus, the study concluded that educators can only embrace GST if they had a thorough understanding of the respective tax matters. According to Al-Mamun et al. (2014), there is a significant negative association between respondents' awareness and their level of education. In

other words, the respondents' high level of education leads to a lack of awareness on GST. Moomal and Zakaria (2014), on the other hand, discovered no significant association between education and awareness, even though respondents' acceptance of GST varied. This suggests that tax knowledge, rather than education level, is a primary factor of tax compliance.

Hence, researchers believed that a bad perception of GST is most likely due to lack of understanding, which indirectly affects the acceptance level of GST implementation (Ahmad et al., 2015; Shamsuddin et al., 2014). Based on a study by Bardai (1992), 30-50 percent of Malaysian taxpayers are illiterate, which is linked to a lack of tax understanding. Saira et al. (2010) used a questionnaire survey to discover that respondents in Malaysia have varying levels of GST awareness. They discovered that respondents possessed poor GST knowledge which in turn brought them to opposed to its implementation. In line with this perspective, Boonyarat (2014) found a positive association between tax knowledge and tax compliance, with the consideration of tax awareness. Other researchers such as Harun, Hamid, Ahmad & Ismail (2017) also found that tax knowledge and tax awareness had significant relationship among Malaysian taxpayers. This implied that if taxpayers understand and possess the necessary knowledge, they will comply with the specified rules (Tayib, 1998).

The above discussion highlights that generally, there are lack of awareness and understanding on GST implementation that led to the incapability of taxpayers to comply with the law. In another perspective, Tan & Chin (2000) emphasised on the government's failure to communicate GST information to the public that caused the Malaysians' awareness and knowledge of GST were still at an introductory level.

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Clearly, according to Saira et al. (2010), the primary reason for resistance among the public and ambiguity around the application of newly introduce regulations was due to less experience with the system. People are reluctant to embrace GST implementation because of poor information transmission, as their thinking are enveloped by the expectation of increase in price that will cause inflation to occur (Palil & Ibrahim, 2011).

Earlier researchers had suggested that prior to the implementation of a new tax system, such as income tax self-assessment system, taxpayers must learn appropriate and relevant knowledge (Loo, Evans, & McKerchar, 2010). This might theoretically be applicable to the implementation of GST and SST system. Another finding by Saira et al. (2010) GST awareness investigation was that 95% of respondents were aware that tax is one of the government's key sources of revenue. Furthermore, the study concluded that respondents with an accounting background were familiar with GST system.

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Palil and Ibrahim (2011) concerned on the lack of understanding among Malaysians particularly among the low- and middle-income groups which may impact their purchasing power. As a result, consumers believe that GST will raise the cost of products and services, hence increasing their daily expenses. Consequently, people are more selective and cautious in their spending habits as a result of this. Another poll of Malaysian employees and employers indicated that the majority of working people believed that the adoption of GST would force them to adjust their daily routines and lifestyles (Palil and Ibrahim, 2011).

According to Bornman and Ramutumbu (2019), tax knowledge concept consists of three discernible elements namely general, procedural and legal tax knowledge. These three elements are strongly believed connect to each other which contribute as a factor influencing tax compliance of individual taxpayers and small business owners. They suggest that tax education specifically should include not only technical and procedural tax knowledge, but also an increased awareness as a motivation to the taxpayers. Previously, Bernard, Memba and Oluoch (2018) found that finance or accountant staff of companies in Kenya Export Processing Zones improved their tax knowledge through Kenya Revenue Authority (KRA) website, training programmes on tax issues, and attend refresher courses or seminars organised by KRA.

On the other hand, Gurama and Mansor (2015) proposed that staff training must be frequently organized by the administration of tax authority to the tax official to improve their skills for tax collection, besides employing and assigning qualified or competent personnel tax collection who have knowledge of accounting and tax related issues. Moreover, tax force should be strengthened and empowered with enlightens program to educate people, serve as a basis for direct and indirect educating and disseminating tax related issues in the form of radio broadcast, television airing, bill board and poster advertisement, and finally face to face interactions.

Results from the study by Mansur, Prasetyo, Beatrice and Hernando (2021) showed that tax training affects micro, small and medium enterprises (MSME) in Jambi, Indoensia to increased their tax knowledge and taxpayer compliance. They added that good knowledge on changes to regulations regarding tax rates and types of businesses

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subject to tax will strengthen the understanding on importance of taxes for the welfare of society.

Furthermore, previous researchers had suggested that sharing knowledge between a revenue authority, accounting firms and corporate taxpayers contributes to the development of tax knowledge in organisations and has consequences for inter-organisational knowledge flows and lead to the spirit of trust and co-operation among them (Hasseldine, Holland & Rijt, 2011).

2.9 Summary

In summary, this chapter consists of the underlying developments of the study which focused on GST and SST compliance knowledge possessed among taxpayers to comply with the requirements of an enforced laws during transformation or changes of national tax policy in short period face by them. The next chapter will discuss on the research methodology of the study.

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CHAPTER 3

METHODOLOGY

3.1 Introduction

This chapter explains research design to answer the research questions and address the research objectives. This chapter also discusses the operational definition and measurement of the variables, and the research instrument. In addition, this chapter also presents population and sampling technique as well as techniques of data analysis.

3.2 Research Design

Research design is a framework or action plan for realizing research projects. Sekaran (2003) stated that research design is a series of options for rational decision-making, which covered various issues involves such as type of study such as exploratory, descriptive or hypothesis testing, study location or context, types of inquiry, manipulation and controlled by the researcher (extent of researcher interference), its temporal aspects (time horizon), and the level at which data will be analyzed (unit of analysis). Moreover, Sekaran and Bougie (2016) define the research design as a research blueprint or plan for collecting, measuring, and analyzing data based on the research questions in the study.

Quantitative research is more formulated and indicates hypotheses and variables that reduce potential or investigator bias compared to qualitative research. Quantitative research is a common social science research method and involves

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testing of one or more hypotheses. Quantitative research is relevant in this study because in the natural environment, it follows a non-linear path. The data provided, which is in the form of numbers, allows for accurate measurement. This method is believed could provide insight into the level of compliance knowledge of GST and SST among businesses in Johor Bahru and to identify the sources of tax knowledge gained by them.

It is therefore, this study employed quantitative approach and data was collected using questionnaire. By using questionnaire, the researcher had fair access to the data and the responses could be easily recorded. The researcher can also obtain more precise results from the specified study sample (Sekaran & Bougie, 2016).

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3.3 Sample Design

This section elaborates on the population, sampling size and procedure of this study.

3.3.1 Population

According to the GENTAX database (as at 31 August 2018), there are 16,519 GST registrant and 4,798 SST registrants in Johor Bahru from MySST database (as at 01 January 2021).

3.3.2 Sample Size

Sample is a small portion that had been selected from the population (Sekaran & Bougie, 2016). By studying the sample, researchers were able to make

conclusions that could be generalized to the whole population (Sekaran & Bougie, 2016). In this study, sample size parameters were determined using the guidelines as recommended by Krejcie and Morgan (1970).

Table 3.1
Summary of sample size

Population	Sample Size (S)
100	80
250	152
400	196
1200	291
2000	322
5000	357
10000	370
15000	375

Source: Table by Krejcie and Morgan (1970), from Sekaran & Bougie (2016).

Based on the GST and SST data registrant population, which is 16,519 and 4,796 respectively, the appropriate sample size is between 357 - 375 respondents. With reference to the sample size determination table by Krejcie and Morgan (1970), therefore from this figure, the researcher must obtain about more than 300 samples to obtain more accurate data and to reduce the error in the research, as suggested of sample size by Krejcie and Morgan (1970).

3.3.3 Sampling Procedure

In this study, sampling procedure that been used are probability sampling techniques. The probability techniques such as cluster sampling and area sampling is consisted of geographic area such as city area which the respondent reside and working. Businesses whose resides their office or factory in Johor Bahru are sufficiently respondent as to represent the population of the study.

3.4 Measurement of The Study

Sekaran and Bougie (2016) described a questionnaire as a collection of questions intended to seek information from the respondents and distributed for the respondents to record their responses. To ease the respondents and to organise the information which in line with the researcher's study, the responses are usually limited to a few options. In general, questionnaires are designed to collect a huge amount of quantitative data, are administered personally, and take less time than interviews and observations.

The survey questionnaire has four parts, Section 1 is related to demographic information. Section 2 and section 3 consist of items on GST compliance knowledge and SST compliance knowledge respectively. While section 4 related to sources of tax knowledge. The questionnaire has a cover page that introduced the study, and the questions given had bilingual language which is in English and Malay language.

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3.4.1 Scaling Design

There are various types of scale that can be employed by researchers such as nominal scale, dichotomous scale and ratio scale Sekaran and Bougie (2016). Firstly, nominal scale is used to assign subjects or persons to certain categories or groups, which can label variables without any quantitative value. Secondly, if using dichotomous scale, each subject is scaled independently from the other subject under study, and lastly, ratio scale which used to indicate the magnitude of the differences and their proportion. The combination of these scales in section 1 of the questionnaire allows the researcher to collect required information from the respondents besides getting an

overview of the respondent's background. In section 2, 3 and 4, the statements were developed on an interval scale in the form of a five-point Likert Scale for each item based on a scale of 1 to 5 which gauged using the scale of "1= Strongly Disagree, 2= Disagree, 3= Neutral, 4= Agree, and 5= Strongly Agree". This type of scale was chosen because it ables to provide a more sensitive indication of the respondent's feelings and has higher reliability.

The respondent is given multiple choices via numbering. This is what is called 'measurement' which meant for collecting data and structured them in the form of numbers. This is specified and known as scale or mechanism used to distinguish individuals' different opinion towards the variables of interest to the researcher's investigation. As the best option, the responses were structured and numbered in a Likert scale which consists of various numbers to represent the respondents' level of agreement on certain statement or question in the questionnaire (Sekaran & Bougie, 2016).

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Table 3.2
Five Point Likert Scale

Scale	Meaning
1	Strongly Disagree
2	Disagree
3	Average
4	Agree
5	Strongly Agree

Source: Sekaran and Bougie (2016)

3.4.2 Demographic Information

Section 1 consists of eight questions, as shown in Table 3.3, that linked to respondents' demographic information such as business main activity, business category, GST registrant past history, years in business operation, value of annual sales in the business, business involved with export supply, person who are handling the accounting 'taxation matters' relating to GST/SST in their business, and business branch or headquarters in other country. Question one, two and seven used nominal scale as measurement, while question three, six and eight used dichotomous scale. The nominal scale was used to allocate subjects to certain classes, while dichotomous scale provides a 'yes' or 'no' answer to the questions given. Moreover, the ratio scale was applied to question four and five which are years in business operation and value of annual sales in the business. This ratio scale was used to measure the extent of the differences between points on the scale and plugs the proportions in the differences.

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Table 3.3
Section 1: Demographic Information

Items
1. Business main activity
2. Business category
3. GST registrant status
4. Years in business operation
5. Value of annual sales
6. Business involvement in export supply
7. Person handling the accounting (taxation matters) relating to GST/SST
8. Business branch or headquarters in other country

3.4.3 Goods and Services Tax (GST) Compliance Knowledge

In section 2, there are six statements designed used to find out the level of GST compliance knowledge among Johor Bahru businesses. These statements are designed based on the experience and communication happen between researcher and the business community during the GST regime implementation. Table 3.4 below summarizes the items related to GST compliance knowledge.

Table 3.4
Items for Goods and Services Tax (GST) Compliance Knowledge

1.	We do not understand the computation of GST amount in Taxpayer Access Point (TAP) system of GST-03 return form.
2.	If allowable expenses and purchasing (GST input) are more than sales and income values (GST output), we will receive refund from the Royal Malaysian Customs Department (RMCD).
3.	As a GST registrant, it is easy for us to follow and comply with the GST law because it is not difficult.
4.	We are able to distinguish among the standard rate, zero rate and exempt supply.
5.	We employ computerized system for managing our accounting records.
6.	If we are fully prepared with adequate documentation and record keeping, it will ease us to go through Customs compliance audit activity.

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3.4.4 Sales and Services Taxes (SST) Compliance Knowledge

In section 3, seven statements were designed to examine the level of SST compliance knowledge among Johor Bahru businesses. Similar to previous section, the statements are designed based on the experience and communication that happened between researcher and the business community during transition of the GST to SST system

implementation. Table 3.5 below summarizes the items related to SST compliance knowledge.

Table 3.5
Items for Sales and Services Taxes (SST) Compliance Knowledge

1.	We knew the SST tax calculations before making a declaration in the SST statement (either electronically or manually).
2.	We believe that our business will thrive as the SST system is easy, simplify and the tax value remitted to the Customs is low.
3.	For the upcoming SST implementation, we endeavor to study and understand the mechanisms and right methods under SST law when changing from the previous GST tax system regime to SST.
4.	We are confused in distinguishing the list of items subject to the Sales Tax (Goods Exempted) Order 2018 to determine whether our finished products are subject to SST or not.
5.	The issuance of invoices under the SST regime are a bit easier compared to the issuance of tax invoices under the GST regime.
6.	The requirements for keeping the business financial records under the SST legislation are still the same as the GST legislation.
7.	We face difficulty to understand the changes of indirect tax jurisdiction from GST regime to SST regime as there is not enough time or information resources.

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3.4.5 Sources of Tax Knowledge

In section 4, eleven statements were formulated to identify the sources of tax knowledge among the subjects, whether specifically on GST or SST tax knowledges. These statements were designed based on the questions raised during seminar or

service delivery of RMCD with public and / or business community. Table 3.6 below summarizes the items related to sources of tax knowledge.

Table 3.6
Items for Sources of Tax Knowledge.

1.	I have at least once attended to the GST/SST seminar or GST/SST hand-holding programme organized by the Customs.
2.	It is easy to find the GST/SST guidelines in the Customs website.
3.	The GST/SST guidelines on the Customs website is useful.
4.	We are happy to share among colleagues, peers and superiors about the latest GST/SST information received from reliable sources.
5.	We actively involved in GST/SST related events organized by business unions, Ministry of Finance (MOF), Customs or social media platforms for discussion or exchange of information.
6.	Customs officers are capable and knowledgeable in GST/SST matters and could give precise explanation to resolve our GST/SST problems.
7.	We allocate certain amount of money to send staff to any GST/SST courses organized by professional bodies such as Malaysian Institute of Accountants (MIA), Chartered Tax Institute of Malaysia (CTIM) or Big Four Accounting Firms.
8.	We received replies from Customs officers promptly for our emails related to GST/SST matters.
9.	Customs officers answer our telephone calls promptly whenever we face GST/SST related difficulties.
10.	By reading newspaper, we aware of the latest information from the Ministry of Finance (MOF) regarding GST/SST implementation, compliance or fraud activities.
11.	Stern warning via mass media / press conference (newspaper / television / radio) by Director General of Customs always makes us worry of the possibility that we are not complying with the GST/SST law.

3.5 Pilot Test

A pilot test is a small study that is performed prior to a larger study to validate research techniques, data collection equipment, and other research methods (Hassan, Schattner, & Mazza, 2006). Pilot test is administered on a group of individuals that answered the questionnaire and express their opinions before the finalise version of the questionnaire is established and administered. Thus, pilot test is an important stage in research as it helps to foresee problems and shortcomings in the data collection tool before implementing the actual study. Thus, in this study, a pilot test was conducted with 30 respondents to test the reliability and validity of the constructed questionnaire. Positive feedback has been given by the pilot test respondents which allowed the questionnaire to be used in the actual data collection. Their suggestions and amendments on wordings had been incorporated in the final version.

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3.6 Data Collection Procedure

The questionnaire was printed and distributed to the company representatives who attended seminars and consultations organised by the Customs office who their premises located in Johor Bahru district. The respondents filled up the questionnaire and submitted to the person in charged at the end of the seminar session.

3.7 Data Analysis

Data collected from the respondents was analysed using the SPSS computer program to address questions and objectives of the study besides testing the hypotheses. This includes assessing goodness of measures, explaining respondent's characteristics,

finding the relationship between variables, and determining the association between the independent and dependent variables. The tool used in this study are SPSS Edition 26, as it is to collect, screened and assist to analysed data to be a useful information for this research.

3.8 Summary

This chapter describes the research methodology used in this study. The research design, sample size, sampling procedure, measurement of variables, distribution technique, data collection procedure and data analysis technique were elaborate. The next chapter will discuss analysis of collected data.

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CHAPTER 4

DATA ANALYSIS

4.1 Introduction

The results or response given by the subjects from the distribution of survey questionnaire are discussed in this chapter. Specifically, this chapter explains the analysis of data collected from the questionnaire which includes frequency analysis of respondents, demographic analysis, descriptive analysis, and correlation or reliability analysis.

4.2 Participation and Response Rate

As explained in previous chapter, which is chapter three, data were collected from GST to SST transition seminars. Out of the total 300 questionnaires distributed, 140 questionnaires were return, giving the response rate of 47%. However, from the total 140 of questionnaire received, only 105 were complete answered and used as the data for this study. The balance which is 35 of questionnaire are discard because of incompletely answered.

4.3 Data Screening

Before analysing the data, it was screened or also known as data cleaning. In this phase, the process involves checking all the data collected from the respondents. Abdulwahab, Dahalin and Galadima (2011) stressed that if this stage is omitted, it will result in low-quality output and might disturb the correctness of data analysis

method. Data screening also helps the researcher to assure that respondents provide a complete questionnaire besides identifying outliers. An outlier is a respondent (observations) that has one or more values that are distinctly different from the values of other respondents. As highlighted by Hair, Money, Samouel, and Page (2007), the existence of outliers in a study may disturb the validity of the study's findings, like missing data, and therefore need to identify and treated appropriately. In order to ensure a valid segment of the population under study, it has to be removed. In this study, the data screening process has identified that there is no missing values or outliers' values.

The results showed that majority respondents provided complete answers to the questionnaire, minus the uncomplete survey form submitted with a total number of 140 respondents. Therefore, the completed questionnaires of 105 were taken for conducting further statistical analysis.

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4.4 Reliability Analysis

Reliability analysis is used for checking properties of the scale and the consistency of the variable. In other words, it is meant to measure the consistency level or the ability of a measure to sustain over time. According to George and Mallery (2019), the acceptable value of Cronbach's Alpha is 0.7 and above. The value between 0.5 to 0.7 is acceptable, while below 0.5 is not acceptable. However, even acceptable, the reliability level will be questionable and poor for the value between 0.5 to 0.7. The Cronbach's Alpha's values for GST compliance knowledge, SST compliance knowledge and sources of tax knowledge are shown in Table 4.1, Table 4.2 and Table

4.3, respectively. All Cronbach's Alpha's values for the three variables in this study are above 0.7 which is acceptable value hence, reflected that all measurements of the variables are reliable.

Table 4.1
Reliability Analysis of GST compliance knowledge (n=105)

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.742	.767	6

Table 4.2
Reliability Analysis of SST compliance knowledge (n=105)

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.726	.724	7

Table 4.3
Reliability Analysis Sources of Tax Knowledge (n=105)

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.752	.769	11

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4.5 Descriptive Analysis

4.5.1 Respondents Demographic Profile

A summary of the demographic profile is shown in Table 4.4. The demographic profile of 105 respondents were analysed as below:

Table 4.4

Profile of respondents (n=105)

Descriptive Items		Frequency	Percentage (%)
Business Main Activity:			
Manufacturing		64	60.9
Services / Professional		32	30.5
Wholesale and Retail Trade		7	6.7
Other		2	1.9
	Total	105	100.0
Business Category:			
Sole Proprietorship		14	13.3
Partnership		15	14.3
Limited Liability Partnership		0	0
Private Limited Company		73	69.5
Limited Company		3	2.9
	Total	105	100.0
GST Registrant Before?			
Yes		99	94.3
No		6	5.7
	Total	105	100.0
Years in Business Operation:			
2 years or less		7	6.7
≥ 2 years – 5 years		22	21.0
≥ 5 years – 10 years		33	31.4
≥ 10 years		43	40.9
	Total	105	100.0

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Table 4.4 (Continued)

Descriptive Items	Frequency	Percentage (%)
Value of Annual Sales of this Business:		
Below RM 300,000	3	2.8
RM 300,000 – RM 500,000	7	6.7
RM 500,001 – RM 2,999,999	23	21.9
RM 3,000,000 – RM 14,999,999	31	29.5
RM 15,000,000 – RM 20,000,000	9	8.6
RM 20,000,001 – RM 50,000,000	17	16.2
RM 50,000,001 or more	15	14.3
Total	105	100.0
Does Your Business Involve Export Supply?		
Yes	67	63.8
No	38	36.2
Total	105	100.0
Who is Handling the Accounting (Taxation Matters) Relating to GST/SST for Your Business?		
Owner / Manager	15	14.3
Manager / Non-owner	10	9.5
Accounting Staff	42	40.0
Administrative Staff	20	19.0
External Accountant	10	9.5
Tax Agent [Other than external accountant]	1	1.0
Other	2	1.9
More than 1 answers	5	4.8
Total	105	100.0
My Business has Another Branch or Headquarters in Other Country:		
Yes	36	34.3
No	69	65.7
Total	105	100.0

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The results showed that majority which is 60.9% of the respondents are from manufacturing business, with the balance are from services / professional, wholesale and retail trade and others sector. Private limited company, partnership and sole proprietorship are among major business categories that run their business around Johor Bahru area, which give 69.5%, 14.3% and 13.3% respectively of all respondents. Almost 94.3% of the respondents are GST registrant before, which mean that majority of them had an experienced during GST regime before switching to SST system (transition of GST to SST). For the business operation tenure, 6.7% of them are two years or less, while 21% are more than 2 years until 5 years, 31.4% are categorized into more than 5 years until 10 years, and 40.9% are more experienced which is more than 10 years in business operation.

Small percentage of the respondents i.e. 2.8% is businesses that earned annual sales below RM300,000, 6.7% earned between RM300,000 to RM500,000, and 21.9% earned between RM500,000 to below RM3,000,000. Furthermore, 14.3% of the respondents earned annual sales value of more than RM50,000,000. More than half of the respondents involved with the export supply which contribute 63.8%, while the balance was not involve with export supply. Forty percent of the respondents have their own accounting staff that handle business taxation matters relating to GST/SST. While for others, the matters are handled by administrative staff (19%), owner/manager (14.3%), manager / non-owner (9.5%), and external accountant (9.5%) respectively. Only five respondents (4.8%) provided more than one answer. Only 34.3% of the respondents' business have another branch or headquarters in other

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countries, namely Singapore, Indonesia, Thailand, China, Taiwan, South Korea, the United Kingdom (UK), Germany, Australia and the United States of America (USA).

4.5.2 Goods and Services Tax (GST) Compliance Knowledge

Based on the items in Table 3.4 and Table 4.1, there are six items that measured GST compliance knowledge. The first item refers to the understanding of the computation of GST amount in Taxpayer Access Point (TAP) system of GST-03 return form. The mean of this item is 3.29 as shown in Table 4.11 and almost 41% of the respondents (as shown in Table 4.5) disagree with this statement which do not understand the computation of GST amount in Taxpayer Access Point (TAP) system of GST-03 return form.

Table 4.5
Frequency and Percentage of Item 1

	Frequency	Percent	Valid Percent	Cumulative Percent
Strongly Disagree	3	2.9	2.9	2.9
Disagree	23	21.9	21.9	24.8
Neutral	28	26.7	26.7	51.4
Agree	43	41.0	41.0	92.4
Strongly Agree	8	7.6	7.6	100.0
Total	105	100.0	100.0	

As for the second item of GST compliance knowledge, more than half of the respondents (58.1%) indicates that they agree if allowable expenses and purchasing (GST input) are more than sales and income values (GST output), they will receive refund from the Royal Malaysian Customs Department (RMCD), as tabulated in Table 4.6. The mean for this item is 3.82 as shown in Table 4.11.

Table 4.6
Frequency and Percentage of Item 2

	Frequency	Percent	Valid Percent	Cumulative Percent
Strongly Disagree	0	0.0	0.0	0.0
Disagree	5	4.8	4.8	4.8
Neutral	24	22.9	22.9	27.6
Agree	61	58.1	58.1	85.7
Strongly Agree	15	14.3	14.3	100.0
Total	105	100.0	100.0	

The third item indicates the awareness of the businesses that as a GST registrant, it is easy for them to follow and comply with the GST law because it is not difficult. After analysis were run, as shown in Table 4.7, majority of the respondents agree and strongly agree with this statement which give 55.2% and 10.5%, respectively. While remaining of the businesses were neutral (24.8%), disagree (7.6%) and strongly disagree (1.9%) to this statement. The mean of responses to this item was 3.65 (as shown in Table 4.11).

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Table 4.7
Frequency and Percentage of Item 3

	Frequency	Percent	Valid Percent	Cumulative Percent
Strongly Disagree	2	1.9	1.9	1.9
Disagree	8	7.6	7.6	9.5
Neutral	26	24.8	24.8	34.3
Agree	58	55.2	55.2	89.5
Strongly Agree	11	10.5	10.5	100.0
Total	105	100.0	100.0	

The fourth statement refers to the knowledge of the respondent whether they are able to distinguish among the standard rate, zero rate and exempt supply under GST jurisdiction. The mean is 3.68 (as in Table 4.11), while the analysis on the responses

to this statement indicates that majority of them was able to differentiate types of rates imposed under GST law i.e., 57.1% agree and 8.6% strongly agree (as tabulated in Table 4.8).

Table 4.8
Frequency and Percentage of Item 4

	Frequency	Percent	Valid Percent	Cumulative Percent
Strongly Disagree	0	0.0	0.0	0.0
Disagree	7	6.7	6.7	6.7
Neutral	29	27.6	27.6	34.3
Agree	60	57.1	57.1	91.4
Strongly Agree	9	8.6	8.6	100.0
Total	105	100.0	100.0	

The fifth statement indicates the technology (computerised system) used in the business by respondents to manage their accounting records. The mean for this variable is 4.13 (as shown in Table 4.11). Almost all respondents i.e., more than 53% of the respondents agree and 31% strongly agree that they employ computerized system for managing accounting records. Only 2.9% were strongly disagreed to used computerize system for that matter (as shown in Table 4.9).

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Table 4.9
Frequency and Percentage of Item 5

	Frequency	Percent	Valid Percent	Cumulative Percent
Strongly Disagree	0	0.0	0.0	0.0
Disagree	3	2.9	2.9	2.9
Neutral	13	12.4	12.4	15.2
Agree	56	53.3	53.3	68.6
Strongly Agree	33	31.4	31.4	100.0
Total	105	100.0	100.0	

The sixth statement focused the respondents' readiness on compliance audit by RMCD. If they are fully prepared with adequate documentation and record keeping, it will ease them to go through the RMCD compliance audit activity. Table 4.11 shows that the mean for this item is 4.14, while Table 4.10 shows that a total of 88.6% of the respondents agreed and strongly agreed with this statement. This reflects that the respondents acknowledge their understanding and readiness towards compliance audit activity by the RMCD.

Table 4.10
Frequency and Percentage of Item 6

	Frequency	Percent	Valid Percent	Cumulative Percent
Strongly Disagree	0	0.0	0.0	0.0
Disagree	0	0.0	0.0	0.0
Neutral	12	11.4	11.4	11.4
Agree	66	62.9	62.9	74.3
Strongly Agree	27	25.7	25.7	100.0
Total	105	100.0	100.0	

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Table 4.11

Item Statistics of GST Compliance Knowledge

Item		N	Mean	Std. Deviation
1	We do not understand the computation of GST amount in Taxpayer Access Point (TAP) system of GST-03 return form.	105	3.29	.988
2	If allowable expenses and purchasing (GST input) are more than sales and income values (GST output), we will receive refund from the Royal Malaysian Customs Department (Customs).	105	3.82	.731
3	As a GST registrant, it is easy for us to follow and comply with the GST law because it is not difficult.	105	3.65	.843
4	We are able to distinguish among the standard rate, zero rate and exempt supply.	105	3.68	.727
5	We employ computerized system for managing our accounting records.	105	4.13	.735
6	If we are fully prepared with adequate documentation and record keeping, it will ease us to go through Customs compliance audit activity.	105	4.14	.595

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4.5.3 Sales and Services Taxes (SST) Compliance Knowledge

Section 3 of the questionnaire consists of nine statements to measure SST compliance knowledge. The first statement is related to the respondents' knowledge on SST computation before filing the SST declaration form, the mean value is 3.71 (as shown in Table 4.19). Majority of the respondents agreed (70.5%) and strongly agreed (3.8%) that they knew the SST tax calculations before making a declaration in the SST statement (either electronically or manually), while 4.8% disagree and 1% strongly disagree (as shown in Table 4.12).

Table 4.12
Frequency and Percentage of Item 1

	Frequency	Percent	Valid Percent	Cumulative Percent
Strongly Disagree	1	1.0	1.0	1.0
Disagree	5	4.8	4.8	5.7
Neutral	21	20.0	20.0	25.7
Agree	74	70.5	70.5	96.2
Strongly Agree	4	3.8	3.8	100.0
Total	105	100.0	100.0	

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The second statement points to the conceived of respondents that their businesses will thrive as the SST system is easy, simplify and the tax value remitted to the RMCD is low. The mean value for this statement is 3.50, as shown in Table 4.19. More than half of the respondents agreed 58.1% to this notion (as shown in Table 4.13).

Table 4.13
Frequency and Percentage of Item 2

	Frequency	Percent	Valid Percent	Cumulative Percent
Strongly Disagree	5	4.8	4.8	4.8
Disagree	7	6.7	6.7	11.4
Neutral	28	26.7	26.7	38.1
Agree	61	58.1	58.1	96.2
Strongly Agree	4	3.8	3.8	100.0
Total	105	100.0	100.0	

While for the third statement, it illustrates the business preparation during the tax transition from GST to SST. The mean value is 3.92 (refer to Table 4.19), and only around 1.9% disagreed and strongly disagreed to this matter as shown in Table 4.14. However, 67.6% and 15.2% of the respondents agreed and strongly agreed, respectively, to endeavour to study and understand the mechanisms and right methods under SST law when changing from the previous GST tax system regime to SST 2.0. Almost 94.3% of the respondents have been GST registrant before changing to SST registrant during the tax policy transition (as shown in Table 4.4). This suggests that majority of businessmen always prepared for the adaption of changes especially related to the latest tax law policy.

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Table 4.14
Frequency and Percentage of Item 3

	Frequency	Percent	Valid Percent	Cumulative Percent
Strongly Disagree	2	1.9	1.9	1.9
Disagree	2	1.9	1.9	3.8
Neutral	14	13.3	13.3	17.1
Agree	71	67.6	67.6	84.8
Strongly Agree	16	15.2	15.2	100.0
Total	105	100.0	100.0	

The fourth statement recorded mean value of 2.72, as shown in Table 4.19 while Table 4.15 shows that 26.7% of subject that agreed to this statement. Majority of them either disagreed (35.2%) or neutral (28.6%) towards this statement on the confusion in distinguishing the list of items subject to the Sales Tax (Goods Exempted) Order 2018 to determine whether their finished products are subject to SST or not. This signals that most of the businesses are still in grey area to identify their sale products whether to be subjected to sales tax or not thus, businesses need guidance from the tax authority.

Table 4.15
Frequency and Percentage of Item 4

	Frequency	Percent	Valid Percent	Cumulative Percent
Strongly Disagree	10	9.5	9.5	9.5
Disagree	37	35.2	35.2	44.8
Neutral	30	28.6	28.6	73.3
Agree	28	26.7	26.7	100.0
Strongly Agree	0	0.0	0.0	100.0
Total	105	100.0	100.0	

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The fifth statement refers to the issuance of invoices under the SST regime as a bit easier compared to the issuance of tax invoices under the GST regime. More than half of the respondents agreed and strongly agreed to this matter as tabulated in Table 4.16 that recorded as 61% and 7.6%, respectively. The mean value of this statement is 3.65 as presented in Table 4.19.

Table 4.16
Frequency and Percentage of Item 5

	Frequency	Percent	Valid Percent	Cumulative Percent
Strongly Disagree	4	3.8	3.8	3.8
Disagree	4	3.8	3.8	7.6
Neutral	25	23.8	23.8	31.4
Agree	64	61.0	61.0	92.4
Strongly Agree	8	7.6	7.6	100.0
Total	105	100.0	100.0	

The sixth statement indicates the respondents' understanding about their record keeping requirements especially on the business financial records under SST legislation remain similar to the GST legislation. Table 4.18 shows that the mean for this item is 3.90, while Table 4.17 tabulated that a total of 78.1% of the respondents agreed and strongly agreed with this statement. This reflects that the majority of the respondents understand the requirements of business financial record keeping are same currently when the SST system are imposed as they are doing during GST regime before.

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Table 4.17
Frequency and Percentage of Item 6

	Frequency	Percent	Valid Percent	Cumulative Percent
Strongly Disagree	0	0.0	0.0	0.0
Disagree	4	3.8	3.8	3.8
Neutral	19	18.1	18.1	21.9
Agree	66	62.9	62.9	84.8
Strongly Agree	16	15.2	15.2	100.0
Total	105	100.0	100.0	

The seventh statement is related to the difficulty that the businesses face to understand the changes of indirect tax jurisdiction from GST regime to SST regime as there is not enough time or information resources. From the analysis, the mean value for this phrase give mean value is low which is 2.65, as shown in Table 4.18. Almost half of the respondents disagreed and strongly disagreed which is 43.8% and 6.7% respectively towards this phrase. Only 21.9% agreed that they face difficulty to understand the changes of indirect tax regulations during GST transition to SST because of not enough time or information resources needed (as shown in Table 4.18).

Table 4.18
Frequency and Percentage of Item 7

	Frequency	Percent	Valid Percent	Cumulative Percent
Strongly Disagree	7	6.7	6.7	6.7
Disagree	46	43.8	43.8	50.5
Neutral	29	27.6	27.6	78.1
Agree	23	21.9	21.9	100.0
Strongly Agree	0	0.0	0.0	100.0
Total	105	100.0	100.0	

Table 4.19
Item Statistics of SST Compliance Knowledge

Item		N	Mean	Std. Deviation
1	We knew the SST tax calculations before making a declaration in the SST statement (either electronically or manually).	105	3.71	.661
2	We believe that out business will thrive as the SST system is easy, simplify and the tax value remitted to the Customs is low.	105	3.50	.867

Table 4.19 (Continued)

Item		N	Mean	Std. Deviation
3	For the upcoming SST implementation, we endeavour to study and understand the mechanisms and right methods under SST law when changing from the previous GST tax system regime to SST.	105	3.92	.730
4	We are confused in distinguishing the list of items subject to the Sales Tax (Goods Exempted) Order 2018 to determine whether our finished products are subject to SST or not.	105	2.72	.966
5	The issuance of invoices under the SST regime are a bit easier compared to the issuance of tax invoices under the GST regime.	105	3.65	.832
6	The requirements for keeping the business financial records under the SST legislation are still the same as the GST legislation.	105	3.90	.692
7	We face difficulty to understand the changes of indirect tax jurisdiction from GST regime to SST regime as there is not enough time or information resources.	105	2.65	.899

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4.5.4 Sources of Tax Knowledge

Section 4 of the survey questionnaire covers eleven statements customised to identify the sources of GST or SST knowledge among the Johor Bahru businesses. The first statement i.e., I have at least once attended to the GST/SST seminar or GST/SST hand-holding programme organised by the RMCD records the mean value of 3.77, as shown in Table 4.31. Majority of the respondents agreed (61.0%) and strongly agreed (13.3%) to this statement that they have at least once attended to the GST or SST seminar or programme organised by the tax authority, which in this case is RMCD (refer to Table 4.20).

Table 4.20
Frequency and Percentage of Item 1

	Frequency	Percent	Valid Percent	Cumulative Percent
Strongly Disagree	2	1.9	1.9	1.9
Disagree	7	6.7	6.7	8.6
Neutral	18	17.1	17.1	25.7
Agree	64	61.0	61.0	86.7
Strongly Agree	14	13.3	13.3	100.0
Total	105	100.0	100.0	

For the second statement, the mean value is 3.82 (refer to Table 4.31). Most of the respondents agreed and strongly agreed (76.2% and 4.8% respectively) to this statement that stated as 'It is easy to find GST/SST guidelines in the Customs website', compared to only 3.8% that opposed to this statement (shown in Table 4.21).

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Table 4.21
Frequency and Percentage of Item 2

	Frequency	Percent	Valid Percent	Cumulative Percent
Strongly Disagree	0	0.0	0.0	0.0
Disagree	4	3.8	3.8	3.8
Neutral	16	15.2	15.2	19.0
Agree	80	76.2	76.2	95.2
Strongly Agree	5	4.8	4.8	100.0
Total	105	100.0	100.0	

While for third statement, only a small number of respondents were disagreed (2.9%) and neutral (16.2%) to this item. The balance with huge percentage agreed (70.5%) and strongly agreed (10.55) that GST/SST guidelines on the Customs website is useful, as shown in Table 4.22. The mean value for this item is 3.89, as shown in Table 4.31.

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Table 4.22
Frequency and Percentage of Item 3

	Frequency	Percent	Valid Percent	Cumulative Percent
Strongly Disagree	0	0.0	0.0	0.0
Disagree	3	2.9	2.9	2.9
Neutral	17	16.2	16.2	19.0
Agree	74	70.5	70.5	89.5
Strongly Agree	11	10.5	10.5	100.0
Total	105	100.0	100.0	

For fourth statement which refers to sharing of information on GST/SST among persons in the business, none of the respondents are strongly disagree or disagree to this phrase. Most of them agreed (84.8%) and strongly agreed (4.8%) that they are happy to share among their colleagues, peers and superiors about the latest GST/SST

information received from reliable sources, as shown in Table 4.23. The mean value for this item is 3.94, as tabulated in Table 4.31.

Table 4.23
Frequency and Percentage of Item 4

	Frequency	Percent	Valid Percent	Cumulative Percent
Strongly Disagree	0	0.0	0.0	0.0
Disagree	0	0.0	0.0	0.0
Neutral	11	10.5	10.5	10.5
Agree	89	84.8	84.8	95.2
Strongly Agree	5	4.8	4.8	100.0
Total	105	100.0	100.0	

In the fifth statement: We actively involved in GST/SST related events organised by business unions, Ministry of Finance (MOF), RMCD or social media platforms for discussion or exchange of information, the mean value is 3.74, as shown in Table 4.31. Majority of the respondents agreed (70.5%) and strongly agreed (1.9%) to this statement that they actively involved and discussed in GST/SST related events organised by business association, government agencies or social media platforms to gain latest information, while 27.6% stay neutral (as in Table 4.24).

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Table 4.24
Frequency and Percentage of Item 5

	Frequency	Percent	Valid Percent	Cumulative Percent
Strongly Disagree	0	0.0	0.0	0.0
Disagree	0	0.0	0.0	0.0
Neutral	29	27.6	27.6	27.6
Agree	74	70.5	70.5	98.1
Strongly Agree	2	1.9	1.9	100.0
Total	105	100.0	100.0	

The sixth phrase's mean value is 3.98 as shown in Table 4.31. Just a small number of the respondents disagreed (1.0%) and be neutral (13.3%), while more than 85% of the total respondents agreed and strongly agreed that Customs officers are capable and knowledgeable in GST/SST matters, and could give precise explanation to resolve their GST/SST problems, as shown in Table 4.25. The seventh statement indicates readiness of business managers or owners to allocate certain amount of money to send their staff to any GST/SST courses organized by private or professional bodies, such as Malaysian Institute of Accountants (MIA), Chartered Tax Institute of Malaysia (CTIM) or big four accounting firms. The value mean for this statement is 3.62 (as shown in Table 4.31), while more than half of respondents agreed and strongly agreed (in total, more than 66.0%) to spend for their workers to gain tax knowledge from the experts (refer to Table 4.26).

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Table 4.25
Frequency and Percentage of Item 6

	Frequency	Percent	Valid Percent	Cumulative Percent
Strongly Disagree	0	0.0	0.0	0.0
Disagree	1	1.0	1.0	1.0
Neutral	14	13.3	13.3	14.3
Agree	76	72.4	72.4	86.7
Strongly Agree	14	13.3	13.3	100.0
Total	105	100.0	100.0	

Table 4.26
Frequency and Percentage of Item 7

	Frequency	Percent	Valid Percent	Cumulative Percent
Strongly Disagree	0	0.0	0.0	0.0
Disagree	12	11.4	11.4	11.4
Neutral	23	21.9	21.9	33.3
Agree	63	60.0	60.0	93.3
Strongly Agree	7	6.7	6.7	100.0
Total	105	100.0	100.0	

The eighth statement indicates feedback from the businesses to the RMCD responses towards their emails related to GST/SST matters. More than half of them agreed and strongly agreed, which is 54.3% and 2.9% respectively that the Customs officers promptly replied to their emails relating to GST/SST queries. Less than a total of 16% disagreed and strongly disagreed to this statement, as presented in Table 4.27. The mean value for this phrase is 3.43, as shown in Table 4.31.

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Table 4.27
Frequency and Percentage of Item 8

	Frequency	Percent	Valid Percent	Cumulative Percent
Strongly Disagree	2	1.9	1.9	1.9
Disagree	14	13.3	13.3	15.2
Neutral	29	27.6	27.6	42.9
Agree	57	54.3	54.3	97.1
Strongly Agree	3	2.9	2.9	100.0
Total	105	100.0	100.0	

Item nine relates with the feedback of respondents to Customs officers answering their telephone calls promptly whenever they face GST/SST related difficulties. The mean value for this phrase is 3.69, as shown in Table 4.31. More than half of them

chose agree (64.8%) as compared to those whom chose disagree (5.7%) to this statement, as shown in Table 4.28.

Table 4.28
Frequency and Percentage of Item 9

	Frequency	Percent	Valid Percent	Cumulative Percent
Strongly Disagree	2	1.9	1.9	1.9
Disagree	6	5.7	5.7	7.6
Neutral	22	21.0	21.0	28.6
Agree	68	64.8	64.8	93.3
Strongly Agree	7	6.7	6.7	100.0
Total	105	100.0	100.0	

The tenth statement focuses on business awareness to the surrounding information announcement. Majority of the respondents agreed (64.8%) and strongly agreed (13.3%) that by reading newspaper, they aware of the latest information from the Ministry of Finance (MOF) regarding GST/SST implementation, compliance or fraud activities, as refer to Table 4.29. The mean value for the this phrase is 3.88, as shown in Table 4.31.

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Table 4.29
Frequency and Percentage of Item 10

	Frequency	Percent	Valid Percent	Cumulative Percent
Strongly Disagree	0	0.0	0.0	0.0
Disagree	4	3.8	3.8	3.8
Neutral	19	18.1	18.1	21.9
Agree	68	64.8	64.8	86.7
Strongly Agree	14	13.3	13.3	100.0
Total	105	100.0	100.0	

Another phrase that brings similar meaning is eleventh statement that shows the mean value of 3.92 (as shown in Table 4.31). Majority of the subject (67.6%) and 14.3% are agreed and strongly agreed respectively to this phrase, as shown in Table 4.30. Just a small number (2%) that strongly disagreed and disagreed to the sentence that stated as 'stern warning via mass media / press conference (newspaper / television / radio) by Director General of Customs always makes us worry of the possibility that we are not complying with the GST/SST law'. This signals that most of the Johor Bahru businesses aware and take note about the latest information announcing by the tax authority, including warning if not comply the effective tax laws.

Table 4.30
Frequency and Percentage of Item 11

	Frequency	Percent	Valid Percent	Cumulative Percent
Strongly Disagree	1	1.0	1.0	1.0
Disagree	1	1.0	1.0	1.9
Neutral	17	16.2	16.2	18.1
Agree	71	67.6	67.6	85.7
Strongly Agree	15	14.3	14.3	100.0
Total	105	100.0	100.0	

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Table 4.31
Item Statistics of Sources of Tax Knowledge

Item		N	Mean	Std. Deviation
1	I have at least once attended to the GST/SST seminar or GST/SST hand-holding programme organized by the Customs.	105	3.77	.835

Table 4.31 (Continued)

Item		N	Mean	Std. Deviation
2	It is easy to find the GST/SST guidelines in the Customs website.	105	3.82	.568
3	The GST/SST guidelines on the Customs website is useful.	105	3.89	.609
4	We are happy to share among colleagues, peers and superiors about the latest GST/SST information received from reliable sources.	105	3.94	.388
5	We actively involved in GST/SST related events organised by business unions, Ministry of Finance (MOF), Customs or social media platforms for discussion or exchange of information.	105	3.74	.481
6	Customs officers are capable and knowledgeable in GST/SST matters and could give precise explanation to resolve our GST/SST problems.	105	3.98	.554
7	We allocate certain amount of money to send staff to any GST/SST courses organized by professional bodies such as Malaysian Institute of Accountants (MIA), Chartered Tax Institute of Malaysia (CTIM) or Big Four Accounting Firms.	105	3.62	.777

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Table 4.31 (Continued)

Item		N	Mean	Std. Deviation
8	We received replies from Customs officers promptly for our emails related to GST/SST matters.	105	3.43	.830
9	Customs officers answer our telephone calls promptly whenever we face GST/SST related difficulties.	105	3.69	.764
10	By reading newspaper, we aware of the latest information from the Ministry of Finance (MOF) regarding GST/SST implementation, compliance or fraud activities.	105	3.88	.675
11	Stern warning via mass media / press conference (newspaper / television / radio) by Director General of Customs always makes us worry of the possibility that we are not complying with the GST/SST law.	105	3.92	.703

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4.6 Summary

This chapter discussed the result of data analysis where all the data collected from the respondents who run the business or working in the business as paid workers, especially in finance department in Johor Bahru district. This data is related to GST

compliance knowledge and SST compliance knowledge possess by them, as in order to comply with the enforced tax law during transformation from GST to SST. Moreover, the data on sources that the respondents gain tax knowledge for the purposes of compliance was also included in the analysis. The next chapter presents discussion of the study findings.

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CHAPTER 5

DISCUSSION AND CONCLUSION

5.1 Introduction

This last chapter consists of six parts related to this study. It starts with discussion on the summary of the study, followed by results discussion, contribution of the study, study's limitations, recommendations, and conclusion, as the end of this chapter.

5.2 Summary of the Study

This study utilised 105 of Johor Bahru businesses as usable respondents of the study. Printed survey questionnaire was used and distributed to the respondents. All responses were aggregated and analysed by using SPSS software version 26. Majority (60.9%) of the respondents are from manufacturing business with private limited company (69.5%) as the major business categories that run their business around Johor Bahru area. Almost all (94.3%) of the respondents are GST registrant before switching to SST system. About 41% of the respondents has more than 10 years of running their business operation with majority (67%) of them earned annual sales more than RM3 million. More than half of the respondents (63.8%) involved with the export supply. Forty percent of the respondents have their own accounting staff that handle business taxation matters relating to GST/SST. Of all respondents, only 34.3% of the respondents' business have another branch or headquarters in other countries.

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The reliability values of the variables under study are acceptable of which GST compliance knowledge and SST compliance knowledge gained the Cronbach's alpha value of 0.767 and 0.724, respectively. While the sources of tax knowledge variable showed 0.769. The mean of statements on GST compliance knowledge showed that the highest value is 4.14 (item 6) while the lowest is 3.29 for item 1. While the mean of statements on SST compliance knowledge showed that the highest value is 3.92 for item 3 and the lowest value is 2.65 for item 7. Moreover, for statements in sources of tax knowledge section, the highest mean value is 3.98 for item 6 and the lowest value is 3.43 for item 8.

5.3 Results Discussion

As mentioned earlier, this study has three objectives, namely: first, to investigate the businesses' Goods and Services Tax (GST) compliance knowledge; second, to investigate the businesses' Sales and Services Taxes (SST) compliance knowledge, and third, to identify sources of GST and SST knowledge among Johor Bahru businesses.

Six statements are custom made to measure GST compliance knowledge as shown in Table 4.11. The mean value ranges from 3.29 to 4.14. The first objective of the study was achieved. It can be concluded that most of the businesses in Johor Bahru understand the computation of GST amount in Taxpayer Access point (TAP) system of GST-03 return; aware that if allowable expenses and purchasing (GST input) are more than sales and income values (GST output), they will receive refund from the RMCD; understand as a GST registrant, easy for them to follow and comply with the

GST law because it is not difficult; understand and able to distinguish among the standard rate, zero rate and exempt supply; employ computerized system for managing their accounting records; and aware that if they are fully prepared with adequate documentation and record keeping, it will ease them to go through Customs compliance audit activity. These six statements clearly showed that majority of the businesses as main taxpayer for indirect tax have better understanding and possess good GST compliance knowledge. This result aligns with some previous researchers such as Tayib (1998), Boonyarat (2014), Hambali and Kamaluddin (2017) that taxpayers must possess knowledge on how to charge tax on goods and services transactions, collecting and how to remit or pay tax to the tax authority.

For the next variable which specially focused on SST compliance knowledge, seven phrases are designed and distributed for survey which represent the mean value result between 2.65 to 3.92. This showed that the second objective was also achieved by revealing several points of understanding, knowledgeable and awareness among Johor Bahru businesses to comply with the SST regulations. Majority of the respondents knew the SST tax calculations before making a declaration in the SST statement (either electronically or manually); believed that their business will thrive as the SST system is easy, simplify and the tax value remitted to the RMCD is low; aware and endeavour to study and understand the mechanisms and right methods under SST law when changing from the previous GST tax system regime to SST implementation; not confused in distinguishing the list of items subject to the Sales Tax (Goods Exempted) Order 2018 to determine whether their finished products are subject to SST or not; understand the issuance of invoices under the SST regime are a bit easier compared to the issuance of tax invoices under the GST regime; aware and realize the

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requirements for keeping the business financial records under the SST legislation are still similar to the GST legislation; and recognize not difficult to understand the changes of indirect tax jurisdiction from GST regime to SST regime as there is enough time or information resources. These seven phrases clearly demonstrate that most of the businesses as main taxpayer for indirect tax also have better understanding and possess good SST compliance knowledge. This result is also in line with several previous study findings that if taxpayers know or understand about taxation, it will affect their compliance as a taxpayer (Boonyarat, 2014; Harun, Hamid, Ahmad & Ismail, 2017).

In the last section which is related to the third objective i.e. to identify the sources of GST and SST knowledge and how the businesses acquire them for the sake of running the business smoothly and comply with both tax jurisdictions, eleven statements were designed specifically to fulfil this goal. These eleven phrases provided the mean values between 3.43 to 3.98. The data analysis proof that the third objective of the study were accomplished. The businessmen in Johor Bahru gains their GST and SST knowledge via several inputs such as attended to the GST/SST seminar or GST/SST hand-holding programme organized by the RMCD; easy to find the GST/SST guidelines in the Customs website; use the information inside the GST/SST guidelines on the Customs website; aware and happy to share the latest GST/SST information received from reliable sources among their staffs, colleagues, peers and superiors; actively involved in GST/SST related events organised by business unions, government agencies such as Ministry of Finance (MOF) or RMCD, or social media platforms for discussion or exchange of information; refer to Customs officers that

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capable and knowledgeable in GST/SST matters which could give precise explanation to resolve their GST/SST problems; willing to allocate certain amount of money to send their staff to any GST/SST courses organized by professional bodies such as Malaysian Institute of Accountants (MIA), Chartered Tax Institute of Malaysia (CTIM) or big four accounting firms; get in-touch with RMCD officers through received replies promptly via emails and telephone calls whenever face GST/SST related difficulties; aware of the latest information from the MOF regarding GST/SST implementation, compliance or fraud activities by reading newspaper; and understand with mindful of stern warning via mass media or press conference (newspaper, television and radio) by Director General of Customs regarding the consequences if the taxpayer are not complying with the effective GST/SST law. These results are also in line with previous research findings where taxpayers acquired their tax knowledge from several ways or methods such as attending tax education programs, browse the tax authority websites, visit the tax revenue collection offices, keep updating information from latest news or mass media, have face to face seminar or talks organised by the relevant agencies, and actively participate in the sharing tax knowledge activities among peers, industrial players, government officials or accounting firms (Hassaldine, Holland & Rijt, 2011; Gurama & Mansor, 2015; Bernard, Memba & Oluoch, 2018). GST/SST seminar or hand-holding programmes organized by the relevant tax authority such as RMCD or Ministry of Finance (MOF) previously during the tax system transition give benefit to the businesses as taxpayers in order to obtained new knowledge regarding taxation regulations as well as to increase their tax knowledge for those that had practiced it before.

The results discussion can be mapped or summarised as in Figure 5.1.

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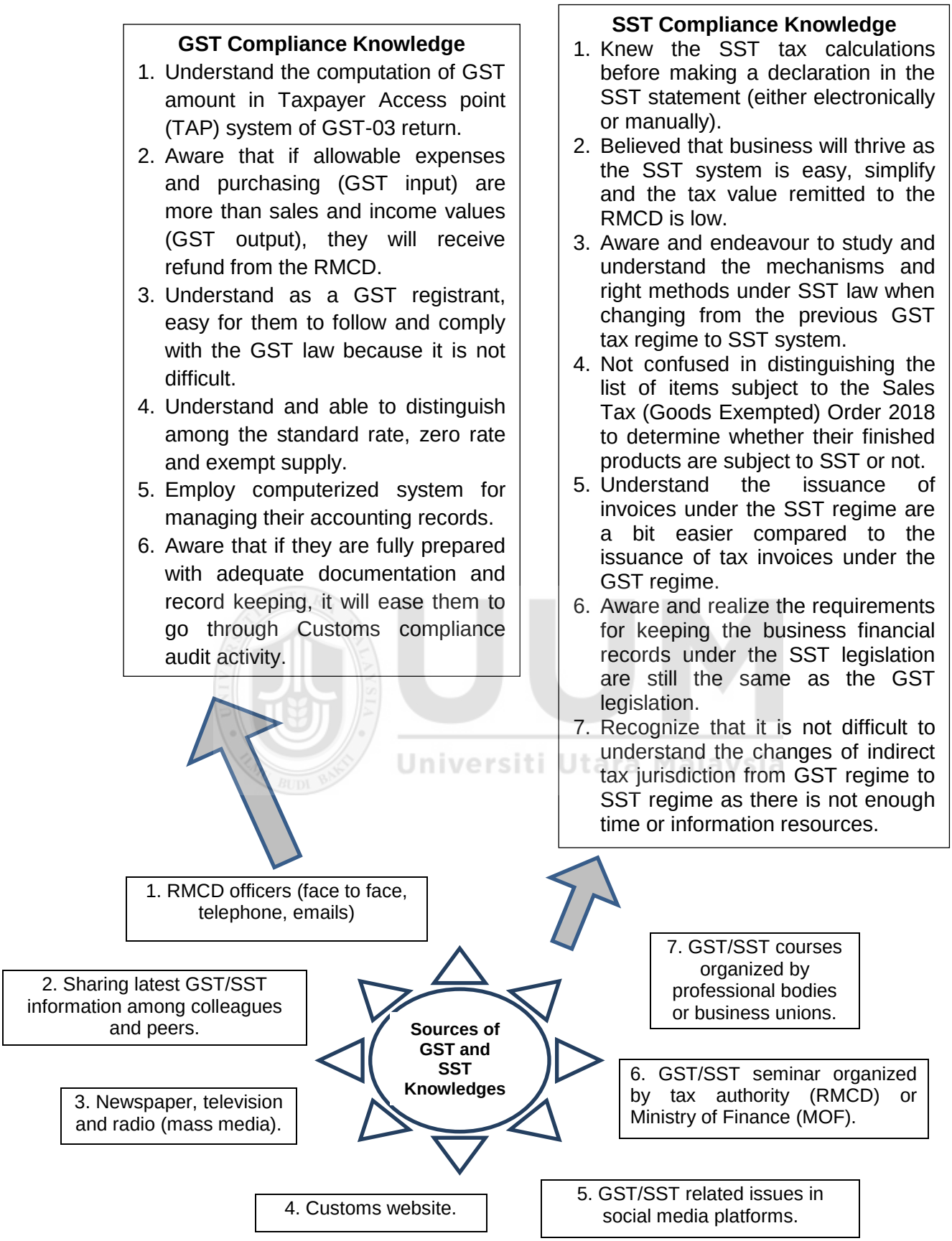

Figure 5.1
Summary of the study findings

5.4 Contribution of the Study

In this section, two contributions of the study will be discussed i.e. theoretical contribution and practical or managerial contribution.

5.4.1 Theoretical Contribution

This paper contributes to the areas of GST and SST compliance knowledge as well as sources of indirect tax knowledge. It adds to the current literature on the importance of GST and SST knowledge to enrich compliance to both tax jurisdictions among businesses as main taxpayer. Even though there are more methods to gain the tax knowledge, the crucial source must be from the most reliable source which is from the tax authority that administered the tax system. The right way and sources will lead to the right pathway of tax compliance. In addition, GST or SST seminar programmes that organized either by government agencies or professional bodies which could be referred as tax education program, is one of major sources of knowledge too. This informal tax education program will give simulation, practical and better understanding to the participants when they are facing with the real problems during the transition of these two indirect tax systems that have different features between each other in terms of the procedures and mechanisms. The programs also ensured that the taxpayers to possess an acceptable level of tax knowledge in order to reach the status of GST compliant and SST compliant.

5.4.2 Practical or Managerial Contribution

From the practical perspective, this study raises alarm bells for both government agencies especially the policy maker which is Ministry of Finance (MOF), and the tax authority i.e., Royal Malaysian Customs Department (RMCD) in the effort to

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stimulate or uprising the compliance level of taxpayers. Changing the national indirect tax system from the GST regime to SST format in the short period will lead chaos, worried and panic among businesses, especially to those who have low level of tax knowledge, either to the current or potential taxpayers. Their lack of tax knowledge will lead to lower level of compliance behaviour and will results in lower tax revenue collections in future. To overcome these problems, the Malaysian Government must clearly have good direction or chronology about changing of tax system policy with ample and sufficient time and resources, so that the businesses can be ready to follow the new tax system. One of the best ways to build good foundation among the taxpayers is to improve their tax knowledge and awareness with sufficient time frame. This could be achieved by conducting various tax seminars, tax programmes or hand-holding events, not only to the businesses but must also be spreaded to the public, Government servants, university students and non-Government organisations (NGO). It is believed that these efforts will give big impact to community to gain trust, confidence and transparent especially when a new tax system is to be introduced in the future. The tax authority and other relevant agencies or professional bodies can work together, to improve and develop the best method on tax education program such as by running periodic courses on taxes to the public as a whole.

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5.5 Limitations of the Study

There are some limitations in this study. Firstly, due to limited time to conduct this study thus, it also limits the data collection period which forbid for more respondents of the study. Second, due to the restrictions by COVID-19 epidemic and the conditions of Movement Control Order (MCO) imposed by the Government, a larger

sampling area could not be covered in this study. It is expected that a larger sample size will make the study more accurate and get a more meaningful result. Third, to improve the result, more variables need to be considered such as influence of penalties imposed, history of fraud activities been done (from perspective or work experience), the relationship between tax authority officer towards businesses, profit and margin taken by businesses in furtherance of business, enforcement, and appreciation activities by the tax authority towards non-compliance or compliance company. Fourth, more analysis can be used for the study such as multiple regression analysis and independent samples test to make the study more interesting and wider in scope.

Another limitation of this study which is also similar to other studies in taxation is due to unwillingness of the respondents to provide actual answers thus, this might be related to 35 out of 140 returned questionnaires which are incomplete. This situation could be described as the sensitivity about confidential issues, such as sensitive information that businesses owners or their representative (taxpayers) does not want to share. Even though it has been stated in the cover letter that all information provided will be treated as confidential, but there are respondents who thought that by sharing information will attract tax officers for audit or investigation. According to Hassaldine, Holland and Rijt (2011), corporate taxpayers realise that there is a risk to sharing knowledge with the tax authority i.e., HR Revenue and Customs because they perceive it could lead to negative tax consequences. This in turn creates an intra organisational barrier within corporates as there is a fear that the revenue authority might see tax-sensitive documents, or information which the corporate would prefer not to disclose.

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5.6 Recommendations

There are some concerns about the low level of tax knowledge, especially on GST or SST among businesses, although the results showed supportive. At the same time, more studies are still needed to identify other factors than indirect tax knowledge level that could influence the level of compliance attitude of businessman to comply with the effective tax law. Hence, this study provides some suggestions for future research work. First, future studies could include more samples in the same area (Johor Bahru), but cover other business model such as gig economy, drop shipment activity, Grab riders' management, professionals that work from home or full-time bloggers. By doing this, the data collected could give different perspective as these new business models are more popular among youngsters nowadays.

Second, future studies could make comparison on the level of tax knowledge in different type of tax jurisdictions and examine their compliance level in the previous and new tax laws. Third, during transition period, most of the taxpayers will face difficulty to learn and adapt new policy or mechanisms, and at the same time need to fulfil the requirements of the existing tax mechanisms. It is beneficial that someone could investigate this situation further as it can illustrate new ideas to the policy makers before changing the national tax policy in future. Fourth, the study could be look from different angle by investigating the knowledge and awareness towards the wrongdoing or fraud activities done by businesses, either intentionally or unintentionally. These findings will help the tax authority to improve the technical aspects of the tax system and to make it simple and interesting as a catalyst to the businessmen to fulfil their duty as taxpayers. Fifth, the focus on Johor Bahru district,

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close to developed country like Singapore, which have been used GST system since 1994, will make future study more interesting as to identify whether external factor could give any influence on the level of tax compliance knowledge as more than half of the business owners in Johor Bahru area were Singaporean citizens, or have branch in that country.

5.7 Conclusion

This study demonstrates that most of the businesses as main taxpayer for indirect tax in Johor Bahru area have better understanding and possess good GST and SST compliance knowledge. The businessmen gain or increase their GST and SST knowledge via various sources with the main source is from the tax authority i.e., RMCD. Specifically, the indirect taxes knowledge was obtained or increased from seminar/hand-holding programmes, Customs' website, and officers. In addition, other sources of knowledge are via knowledge sharing among own staffs, business unions, government agencies such as Ministry of Finance (MOF), mass and social media platforms, and professional bodies. Overall, this study highlights the necessity to educate taxpayers on indirect tax knowledge specifically during the change of major tax policy such as the replacement of SST by GST.

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Survey Questionnaire

Dear Respondent,

I am a final year student of Master of Science (International Accounting) or MSc(IA) at Universiti Utara Malaysia (UUM). As the partial fulfillment of the requirement for my study, I am conducting a research project on ***compliance knowledge of Goods and Services Tax (GST), Sales and Services Taxes (SST) among businesses in Johor Bahru.*** Therefore, I am happy to inform you that you have been chosen to participate in this survey.

Please be advised that there is no right or wrong answer, only your views and opinions on each of the statements are required. Your responses are highly important in achieving the objectives of this study. I assure you that confidentiality of your answer and the data collected will be used only for the purpose of this academic research study. Please answer all questions.

In case you may require further information regarding this study, please contact me at the following details:

Student	Supervisor
Mohamad Faiz bin Baharin Master of Science (International Accounting) Universiti Utara Malaysia. Tel No. : 012-3284957 Email : mfaizb217@gmail.com	Dr. Noraza Mat Udin Tunku Puteri Intan Safinaz School of Accountancy (TISSA), Universiti Utara Malaysia. Tel No. : 04-9287295 Email : nora896@uum.edu.my

Thank you for sparing your precious time.

Yours Faithfully,

MOHAMAD FAIZ BIN BAHARIN

Section 1: DEMOGRAPHIC INFORMATION

Please (√) in the appropriate box. Tick *ONE* option only for every question, EXCEPT Question 7.

1. Business main activity : Manufacturing (*Pengilangan*) ☐
Services / Professional (*Perkhidmatan / Profesional*) ☐
Wholesale and Retail Trade (*Pemborong dan Peruncit*) ☐
Other (*Lain-lain*) ☐ Please specify *(Sila nyatakan)* : _____

2. Business category : Sole Proprietorship (*Milikan tunggal*) ☐ Partnership(*Perkongsian*) ☐
Limited Liability Partnership (*Perkongsian Liabiliti Terhad*) ☐
Private Limited Company (*Syarikat Sendirian Berhad*) ☐
Limited Company (*Syarikat Berhad*) ☐

3. GST registrant before? : Yes (*Ya*) ☐ No (*Tidak*) ☐

4. Years in business operation : 2 years or less (*2 tahun atau kurang*) ☐
≥ 2 years - 5 years (*Lebih 2 tahun dan sehingga 5 tahun*) ☐
≥ 5 years - 10 years (*Lebih 5 tahun dan sehingga 10 tahun*) ☐
≥ 10 years (*Melebihi 10 tahun*) ☐

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5. Value of annual sales of this business : Below RM 300,000 (*Dibawah RM 300,000*) ☐
RM 300,000 – RM 500,000 ☐ RM 15,000,000 – RM 20,000,000 ☐
RM 500,001 – RM 2,999,999 ☐ RM 20,000,001 – RM 50,000,000 ☐
RM 3,000,000 – RM 14,999,999 ☐ RM 50,000,001 or more (*Melebihi RM 50,000,000*) ☐

6. Does your business involve export supply? : Yes (*Ya*) ☐ No (*Tidak*) ☐

7. Who is handling the accounting 'taxation matters' relating to GST/SST for your business?
Owner / Manager (*Pemilik / Pengurus*) ☐ Manager / Non-owner (*Pengurus / Bukan Pemilik*) ☐
Accounting Staff (*Staf Kewangan*) ☐ Administrative Staff (*Staf Pentadbiran*) ☐
External Accountant (*Akauntan Luar*) ☐
Tax Agent [Other than external accountant] (*Agen Cukai, selain dari akauntan luar*) ☐
Other (*Lain-lain*) ☐ Please specify : _____

8. My business has another branch or headquarters in other country :
Yes (*Ya*) ☐ Please specify the country name : _____ No (*Tidak*) ☐

Please respond to the following statements by circling (O) the appropriate option : 1-Strongly Disagree, 2-Disagree, 3- Neutral, 4-Agree, 5-Strongly Agree.
Bagi setiap kenyataan di bawah, sila pilih SATU jawapan sahaja dan BULATKAN pada angka yang sesuai. Tolong tandakan jawapan bagi semua seksyen dan kenyataan diberi.
1 – Sangat Tidak Setuju, 2 – Tidak Setuju, 3 – Neutral, 4 – Setuju, 5 – Sangat Tidak Setuju

Section 2 : Goods and Services Tax (GST) Compliance Knowledge. *Pengetahuan Pematuhan GST.*

No. *Bil.*	**Statements** *Kenyataan-kenyataan*	**Strongly Disagree** *Sangat Tidak Setuju*	**Disagree** *Tidak Setuju*	**Neutral** *Neutral*	**Agree** *Setuju*	**Strongly Agree** *Sangat Setuju*
1.	We do not understand the computation of GST amount in Taxpayer Access Point (TAP) system or GST-03 return form. *Kami tidak memahami pengiraan amaun GST di dalam sistem TAP atau di dalam borang penyata GST-03.*	1	2	3	4	5
2.	If allowable expenses and purchasing (GST input) are more than sales and income values (GST output), we will receive refund from the Royal Malaysian Customs Department (Customs). *Sekiranya perbelanjaan dan pembelian yang dibenarkan (input GST) melebihi daripada jualan dan nilai pendapatan (output GST), kami akan menerima bayaran balik dari Jabatan Kastam Diraja Malaysia (Kastam).*	1	2	3	4	5
3.	As a GST registrant, it is easy for us to follow and comply with the GST law because it is not difficult. *Sebagai pendaftar GST, kami mudah untuk mengikuti dan mematuhi undang-undang GST kerana ianya tidak sukar.*	1	2	3	4	5
4.	We are able to distinguish among the standard rate, zero rate and exempt supply. *Kami dapat membezakan antara kadar standard, kadar sifar dan pembekalan dikecualikan.*	1	2	3	4	5
5.	We employ computerized system for managing our accounting records. *Kami menggunakan sistem berkomputer untuk menguruskan rekod perakaunan kami.*	1	2	3	4	5

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6.	If we are fully prepared with adequate documentation and record keeping, it will ease us to go through Customs compliance audit activity. *Sekiranya kami bersedia sepenuhnya dengan dokumentasi dan penyimpanan rekod yang mencukupi, ia akan memudahkan kami melalui aktiviti audit pematuhan Kastam.*	1	2	3	4	5

Section 3 : Sales and Services Taxes (SST) Compliance Knowledge. *Pengetahuan Pematuhan SST.*

No. *Bil.*	**Statements** *Kenyataan-kenyatan*	**Strongly Disagree** *Sangat Tidak Setuju*	**Disagree** *Tidak Setuju*	**Neutral** *Neutral*	**Agree** *Setuju*	**Strongly Agree** *Sangat Setuju*
1.	We knew the SST tax calculations before making a declaration in the SST statement (either electronically or manually). *Kami tahu pengiraan cukai SST sebelum membuat pengikraran di dalam penyata SST (samada secara elektronik ataupun manual).*	1	2	3	4	5
2.	We believe that our business will thrive as the SST system is easy, simplify and the tax value remitted to the Customs is low. *Kami percaya bahawa perniagaan kami akan berkembang maju berikutan sistem SST adalah lebih mudah, ringkas dan nilai cukai yang diremit kepada Kastam adalah rendah.*	1	2	3	4	5
3.	For the upcoming SST implementation, we endeavor to study and understand the mechanisms and right methods under SST law when changing from the previous GST tax system regime to SST. *Bagi perlaksanaan SST akan datang, pihak kami berusaha mempelajari dan memahami mekanisma serta kaedah-kaedah yang betul mengikut undang-undang SST apabila berubah dari sistem rejim percukaian GST terdahulu kepada SST.*	1	2	3	4	5
4.	We are confused in distinguishing the list of items subject to the Sales Tax (Goods Exempted) Order 2018 to determine whether our finished products are subject to SST or not. *Kami terkeliru dalam membezakan senarai barang yang tertakluk di bawah Perintah Cukai Jualan (Barang-barang Dikecualikan) 2018 bagi menentukan sama ada produk siap kami adalah tertakluk di bawah cukai SST ataupun tidak.*	1	2	3	4	5
5.	The issuance of invoices under the SST regime are a bit easier compared to the issuance of tax invoices under the GST regime. *Peraturan pengeluaran invois jualan di bawah rejim SST adalah sedikit mudah berbanding pengeluaran invois cukai di bawah rejim GST.*	1	2	3	4	5

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6.	The requirements for keeping the business financial records under the SST legislation are still the same as the GST legislation. *Syarat-syarat penyimpanan rekod kewangan perniagaan di bawah perundangan SST adalah masih sama seperti perundangan GST.*	1	2	3	4	5
7.	We face difficulty to understand the changes of indirect tax jurisdiction from GST regime to SST regime as there is not enough time or information resources. *Kami menghadapi kesukaran untuk memahami perubahan sistem cukai tidak langsung dari rejim GST kepada rejim SST kerana tidak ada masa atau sumber maklumat yang mencukupi.*	1	2	3	4	5

Section 4 : Sources of Tax Knowledge. *Punca-punca Pengetahuan Percukaian.*

No. *Bil.*	**Statements** *Kenyataan-kenyataan*	**Strongly Disagree** *Sangat Tidak Setuju*	**Disagree** *Tidak Setuju*	**Neutral** *Neutral*	**Agree** *Setuju*	**Strongly Agree** *Sangat Setuju*
1.	I have at least once attended to the GST/SST seminar or GST/SST hand-holding programme organized by the Customs. *Saya sekurang-kurangnya pernah menghadiri seminar GST / SST atau program taklimat GST / SST yang dianjurkan oleh Kastam.*	1	2	3	4	5
2.	It is easy to find the GST/SST guidelines in the Customs website. *Adalah mudah untuk mencari garis panduan GST / SST di laman web Kastam.*	1	2	3	4	5
3.	The GST/SST guidelines on the Customs website is useful. *Panduan-panduan mengenai GST / SST di laman web Kastam adalah berguna.*	1	2	3	4	5
4.	We are happy to share among colleagues, peers and superiors about the latest GST/SST information received from reliable sources. *Kami gembira untuk berkongsi di kalangan rakan, rakan sekerja dan atasan mengenai maklumat GST / SST terkini yang diterima daripada sumber yang boleh dipercayai.*	1	2	3	4	5
5.	We actively involved in GST/SST related events organised by business unions, Ministry of Finance (MOF), Customs or social media platforms for discussion or exchange of information. *Kami terlibat secara aktif dalam acara berkaitan GST / SST yang dianjurkan oleh kesatuan perniagaan, Kementerian Kewangan (MOF), Kastam atau platform media sosial untuk perbincangan atau pertukaran maklumat.*	1	2	3	4	5

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6.	Customs officers are capable and knowledgeable in GST/SST matters, and could give precise explanation to resolve our GST/SST problems. *Pegawai Kastam adalah berupaya dan berpengetahuan dalam perkara GST / SST, dan boleh memberikan penjelasan yang tepat dalam membantu menyelesaikan masalah GST / SST kami.*	1	2	3	4	5
7.	We allocate certain amount of money to send staff to any GST/SST courses organized by professional bodies such as Malaysian Institute of Accountants (MIA), Chartered Tax Institute of Malaysia (CTIM) or Big Four Accounting Firms. *Kami memperuntukkan sejumlah wang untuk menghantar kakitangan ke mana-mana kursus GST / SST yang dianjurkan oleh badan profesional seperti Institut Akauntan Malaysia (MIA), Institut Cukai Berkanun Malaysia (CTIM) atau Empat Firma Besar Perakaunan.*	1	2	3	4	5
8.	We received replies from Customs officers promptly for our emails related to GST/SST matters. *Kami menerima balasan daripada pegawai Kastam dengan segera melalui emel kami yang berkaitan dengan perkara GST / SST.*	1	2	3	4	5
9.	Customs officers answer our telephone calls promptly whenever we face GST/SST related difficulties. *Pegawai kastam menjawab panggilan telefon kami dengan segera apabila kami menghadapi masalah berkaitan GST / SST.*	1	2	3	4	5
10.	By reading newspaper, we aware of the latest information from the Ministry of Finance (MOF) regarding GST/SST implementation, compliance or fraud activities. *Dengan membaca akhbar, kami mengetahui maklumat terkini dari Kementerian Kewangan (MOF) mengenai pelaksanaan GST / SST, pematuhan atau aktiviti penipuan yang berkaitan dengannya.*	1	2	3	4	5
11.	Stern warning via mass media / press conference (newspaper / television / radio) by Director General of Customs always makes us worry of the possibility that we are not complying with the GST/SST law. *Amaran keras melalui media massa / sidang akhbar (akhbar / televisyen / radio) oleh Ketua Pengarah Kastam sentiasa membuat kami bimbang kemungkinan pihak kami tidak mematuhi undang-undang GST / SST.*	1	2	3	4	5

THANK YOU FOR YOUR COOPERATION

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