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**THE ACCEPTANCE OF TAX
AGENTS TOWARDS THE SPECIAL
VOLUNTARY DISCLOSURE
PROGRAM (SVDP)**

By

NOR ASIAH BINTI TAIB



UUM
Universiti Utara Malaysia

**Thesis Submitted to
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Requirement for the Master of Science
(International Accounting)**



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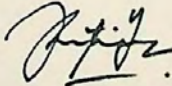
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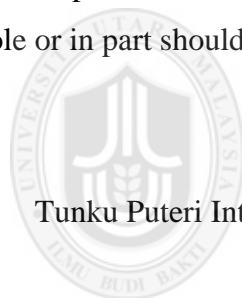
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ABSTRACT

Tax agents, together with taxpayers and tax authorities, are key players in the system of tax compliance. Tax agents' functions are becoming increasingly difficult with changes in the tax environment, such as the introduction of self-assessment systems (SAS) that sought more responsibility to taxpayers to meet their tax obligations and rely on tax agents as mediators in complying with tax law.

As previous Ministry of Finance announced on 3 November 2018 the implementation of the Special Voluntary Disclosure Program (SVDP) which runs from 3 November 2018 until 30 September 2019, the initiatives becoming the major concerns by IRBMM. The initiative sought to provide taxpayers with the ability to self-correct their prior under-reported and undeclared income and provide a lower penalty rate of 10%-15% compared to a higher penalty of 45%-300% upon expiry of the program. Nevertheless, although similar voluntary program has previously been introduced in 2015 and 2016, there is a lack of studies ever aimed at assessing the program's efficacy or even exploring tax agents' acceptance of the VD program. Therefore, this study was carried out to examine the acceptance of tax agents towards the SVDP. The variables of awareness, attitude and enforcement were using in this study and mix method approach had been conducted. The interview session was conducted through telephone and 8 of the respondents involved. While for the secondary data that becomes the supporting information to the interview results gained from IRBMM's unpublished report.

Results of this study concluded that tax agents are aware about the program and have a good attitude towards the implementation of SVDP, but at the same time the enforcement aspect of IRBMM or the government of Malaysia must be enforced in order to assess the compliance conduct or acceptance of the tax agent towards the SVDP. The findings of this study provide exposure, understanding and addition to the body of knowledge of the program. More importantly it helps IRBM, academician and tax agents to improve and supports the implementation of tax compliance strategies in Malaysia in the future.

Keywords: Special Voluntary Disclosure, tax non-compliance, awareness, attitudes, enforcement, Inland Revenue Board of Malaysia

ABSTRAK

Ejen cukai, bersama dengan pembayar cukai dan pihak berkuasa, adalah pemain utama dalam sistem pematuhan cukai. Fungsi ejen cukai menjadi semakin sukar dengan perubahan dalam sistem cukai, seperti pengenalan sistem penilaian diri (SAS), yang memberikan lebih banyak tanggungjawab kepada pembayar cukai untuk memenuhi kewajipan mereka dan bergantung kepada ejen cukai untuk mematuhi undang-undang cukai.

Kementerian Kewangan sebelum ini telah mengumumkan pelaksanaan Program Khas Pengakuan Sukarela (PKPS) yang berlangsung dari 3 November 2018 hingga 30 September 2019, merupakan inisiatif yang menjadi agenda utama LHDNM. Inisiatif ini bertujuan untuk memberi peluang kepada pembayar cukai untuk membetulkan sendiri pendapatan mereka yang kurang lapor dengan kadar penalti yang lebih rendah iaitu sebanyak 10% -15% berbanding penalti yang lebih tinggi iaitu 45% -300% setelah tamat program. Walaupun begitu, sungguhpun program sukarela seumpama ini telah diperkenalkan pada tahun 2015 dan 2016, terdapat kekurangan kajian yang menilai keberkesanan program atau meneroka penerimaan ejen cukai terhadap program VD tersebut. Oleh itu, kajian ini dilakukan untuk mengkaji penerimaan ejen cukai terhadap PKPS. Pemboleh ubah kesedaran, sikap dan penguatkuasaan digunakan dalam kajian ini dan pendekatan kaedah campuran telah dilakukan. Sesi temu ramah dilakukan melalui telefon dan 8 orang responden terlibat. Manakala untuk data sekunder pula, laporan yang tidak diterbitkan yang diberikan oleh LHDNM menjadi maklumat tambahan kepada hasil temu ramah yang dilaksanakan.

Hasil kajian ini dapat dirumuskan bahawa ejen cukai memahami tentang program ini dan mempunyai sikap yang baik terhadap pelaksanaan SVDP, tetapi pada masa yang sama aspek penguatkuasaan LHDNM atau Kerajaan Malaysia harus dilaksanakan untuk menilai tindakan pematuhan atau penerimaan ejen cukai terhadap PKPS ini. Hasil kajian ini memberi pendedahan dan pemahaman yang mendalam kepada badan-badan berkepentingan mengenai program PKPS ini. Lebih-lebih lagi ianya membantu LHDNM, ahli akademik dan ejen cukai untuk memperbaiki dan menyokong pelaksanaan strategi pematuhan cukai di Malaysia dimasa-masa akan datang.

Keywords: Special Voluntary Disclosure, ketidakpatuhan cukai, kesedaran, sikap, penguatkuasaan, Lembaga Hasil Dalam Negeri Malaysia

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LIST OF ABBREVIATIONS

AEOI	Automatic Exchange of Financial Account Information
CEO	Chief Executive Officer
CPCB	Cawangan Pembayar Cukai Besar
CTIM	Chartered Tax Institute of Malaysia
IRAS	Inland Revenue of Singapore
IRBM	Inland Revenue Board of Malaysia
ITA	Income Tax Act
LTB	Large Tax Branch
MAICSA	Malaysian Institute of Chartered Secretaries and Administrators
MCO	Movement Control Order
MIA	Malaysian Institute of Accountants
OAS	Official Assessment System
OECD	Organization for Economic Co-operation and Development
RPGT	Real Property Gain Tax
SAS	Self-Assessment System
SVDP	Special Voluntary Disclosure Program
TASA	Tax Agent Services Act 2009
TPB	Tax Practitioners Board
TPB	Theory of Planned Behavior

TRA Theory of Reasoned Action
VDP Voluntary Disclosure Program



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CHAPTER 1

INTRODUCTION

1.0 INTRODUCTION

This chapter provides a description of this research project. This includes study background, problem statement, research questions, research objectives, scope and study limitations, and the chapter ends with organization of the thesis.

1.1 BACKGROUND OF THE STUDY

A famous quote from Benjamin Franklin, sounds like this, “There are only two things certain in life, death and taxes”. While, one time, Albert Einstein said that income tax is a "Question that a mathematician considers too difficult. One philosopher should be asked” (Times, 1944). Thereby Einstein named it the experts. The comment, made nearly 70 years ago, remains a valid assessment of taxes and tax planning in emerging world countries, and it looks like tax are unpredictable and hard matter to deal with.

Tax defined by Income Tax Act (ITA) 1967 in Section 2, as the tax imposed by this Act, while according to (Lymer, 2009), tax means a Mandatory levy, levied on wages, expenditure or capital assets by government or other tax-raising entity, wherein the taxpayer gets nothing substantive in exchange. Referring to the dictionary of Cambridge (Cambridge, 2020) tax means an amount of money paid to the government that is based on your income or the cost of goods or service that been bought.

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TUNKU PUTERI INTAN SAFINAZ SCHOOL OF ACCOUNTANCY (TISSA)

**AN INTERVIEW ON THE TAX AGENTS ACCEPTANCE TOWARDS
THE SPECIAL VOLUNTARY DISCLOSURE PROGRAM (SVDP)**



NOR ASIAH BINTI TAIB

TUNKU PUTERI INTAN SAFINAZ SCHOOL OF ACCOUNTANCY

(TISSA)

UNIVERSITI UTARA MALAYSIA

Dear Sir/Madam,

I would like to invite you to share your precious experience in this study. It should take no longer than 20 minutes for you to participate in interview through phone. There is no right or wrong answer. If you agree, please complete the consent form attached.

Please send your responses to participates in the telephone interview (if agreed) within one (1) week time from the date of received by replying my email. However, I still appreciate late responses based on the current situation.

This study had been approved by the Deputy Dean of Tunku Puteri Intan Safinaz (TISSA) Universiti Utara Malaysia. Should you have any enquiries, please do not hesitate to contact myself at norasiah.t@hasil.gov.my or my supervisor, Dr. Mudzamir Mohamed at mudzamir@uum.edu.my.

Thank you very much for participating. I look forward to receiving your responses.

Yours Sincerely,



Nor Asiah Taib
Master Student
TISSA
Universiti Utara Malaysia (UUM)

Dr Mudzamir Mohamed
Deputy Dean / Supervisor
TISSA
Universiti Utara Malaysia (UUM)

computer generated and no signature required

CONSENT FORM FOR INTERVIEW

THE TAX AGENTS ACCEPTANCE TOWARDS THE SPECIAL VOLUNTARY DISCLOSURE PROGRAM (SVDP)

The aim of the interview is to gather a details understanding regarding the underlying factors that motivate the compliance behavior of tax agents towards the SVDP implementation which comprise of the factors of attitude, awareness and enforcement. The interview normally will take just around 10 to 15 minutes to finish. All interview conversations will be recorded for research purposes only and subsequently will be destroyed. The procedures for the interview, data storage and question asked, had fulfilled the requirement (Privacy & Data Discretionary). If you willing to be interviewed, kindly please complete the following section and the researcher will contact you to arrange for interview.

I have read and understood the description of the above-named project. On this basis, I agree to participate as an interviewee of the project and I consent to publication of the project with the understanding that confidentiality will be preserved.

Name : _____

Tax agent company : _____

Telephone Number : _____

INTERVIEW LETTER

I am Nor Asiah Binti Taib, a master's student of Universiti Utara Malaysia (UUM) who is currently doing a research project entitled "The Tax Agents Acceptance towards the Special Voluntary Disclosure Program (SVDP)". The aim of this semi-structured interview is to explore the SVDP acceptance of the tax agent's compliance behavior in terms of, awareness, attitude and the factor of enforcement.

By conducting this interview, I would like to seek your permission to record the interview session for data coding and transcription purpose. This interview is anonymous and you will not be identified as a participant. By completing the interview, it is understood that you have provided your consent to the publication of the collective results of the study with the understanding that your anonymity will be preserved. The data and findings obtained from this interview will be stored and used only for report and your personal information such as company's name and identity will not be fully revealed. The final results will be concluded to determine its relevance for business practitioners and future research.

The interview questions are provided to you earlier for your reference and preparation. Should you have any question regarding this interview, you are encouraged to reach me at norasiah.t@hasil.gov.my.

I look forward to your participation in this interview. In addition, I would like to thank you for your consideration to be part of this research.

SEMI-STRUCTURED INTERVIEW QUESTIONS

A. GENERAL INFORMATION

1. Can you describe your work tasks and what type of services do you provide to your clients?

Bolehkah anda terangkan tugas anda dan jenis perkhidmatan yang ditawarkan kepada pelanggan syarikat?

2. How many years of your experiences in the taxation profession?

Berapa tahunkah pengalaman anda dalam profesional cukai?

The rest of the interview discusses different factors that have been described as affecting tax agent behaviour. Every element that contextualizes the questions starts with an introductory paragraph. This is then accompanied by some questions in paragraphs relating to the issues.

Kindly please consider each question carefully before answering and provide detailed feedback to substantiate your response.

B. BEHAVIOUR TOWARD SVDP:

To understand the attitude and behaviour intention toward the acceptance of the Special Voluntary Disclosure Programme (SVDP).

As tax professional, tax agents are supposed to be knowledgeable in delivering quality service and guidance to their clients as well as to behave ethically and professionally. IRBM expects tax agents to be open and clear in their dealings with IRBM and its clients and to perform their activities with utmost integrity. According to Code of Ethics of Tax Agents that in line with Subsection 153(3) ITA 1967, tax agents should discharge his or her duties with integrity, competency and serving the professional advice with the prevailing tax laws.

1. Do you understand your responsibility as a tax agent in this situation?
Apakah anda paham tanggungjawab anda sebagai wakil cukai dalam situasi ini?
2. Do you understand the purpose/objectives for implementing of the SVDP?
Adakah anda faham tentang tujuan/objektif pelaksanaan Program Khas Pengakuan Sukarela (PKPS)?
3. Are you willing to educate your clients regarding the Special Voluntary Disclosure Program (SVDP) in terms of submission of the disclosure and tax payment within the SVDP period? Kindly explain how the education of SVDP made.
Adakah anda akan memaklumkan dan menyarankan pelanggan anda untuk menyertai Program Khas Pengakuan Sukarela (PKPS) dan termasuklah pembayaran yang perlu dibuat dalam tempoh yang dibenarkan? Mohon terangkan bagaimana saranan PKPS dilakukan.

C. AWARENESS ON SVDP COMPLIANCE:

To investigate the awareness of tax agent towards the Special Voluntary Disclosure Programme (SVDP) compliance.

Special Voluntary Disclosure Program (SVDP) had been implemented from 3rd November 2018 until 30th June 2019 and extend it to 30th September 2019. This program objective is to offer chance to taxpayers to self-correct their previous under-reported and undeclared income and offers lower penalty rate of 10%-15%.

1. Are you aware of the SVDP and the extension period provided to the customers?

Adakah anda sedar tentang PKPS dan tempoh lanjutan yang diberikan kepada pelanggan?

2. How did you find your client awareness about the SVDP?
Bagaimana anda boleh ceritakan kepekaan pelanggan anda tentang PKPS?
3. What do you think about the program and how you feel this SVDP enable to benefit to your current client? Kindly explain.
Apa pendapat anda mengenai program ini dan bagaimana anda merasakan PKPS ini dapat memberi manfaat atau kebaikan kepada pelanggan anda? Mohon terangkan.

D. IRBM FUNCTIONS AS ENFORCEMENT TO SVDP:

To examine the enforcement by tax authority (IRBM) to the tax agent compliance behavior towards the Special Voluntary Disclosure Programme (SVDP).

Occasionally, the number of tax evasion-related cases has continuously impacted tax collection and contributed to a reduction of government revenue. Thus, Malaysia had adopted the SVDP to strengthen the conduct of tax compliance. The aim of this program is not only to encourage the taxpayer's compliance behavior but also the tax agents. The activities of tax compliance included the tax audit, civil investigation and criminal investigation to the SVDP submission.

1. Do you put 'trust' the SVDP program?
Adakah anda mempercayai program PKPS tersebut?
2. Do you believe the tax administration effectively handled by the IRBM?
Adakah anda percaya urusan percukaian yang dikendalikan dengan cekap oleh LHDNM?
3. Did you think that enforcement act such as an audit after the submission of SVDP will influences your compliance behavior?
Adakah anda percaya bahawa penguatkuasaan seperti audit setelah pengemukaan SVDP akan mempengaruhi tingkah laku kepatuhan?

CONCLUSION REMARKS:

Do you have any comments or suggestions in encouraging the tax agent's compliance behavior towards the SVDP?

Adakah anda mempunyai komen atau cadangan lain untuk mendorong tingkah laku pematuhan ejen cukai terhadap SVDP?

Thank you very much. I appreciate very much for your contribution to this study.

GENERAL INFORMATION		
Bil	1. Can you describe your work tasks and what type of services do you provide to your clients?	2. How many years of your experiences in the taxation profession?
1	Taxation	10
2	Auditing personal income tax. Assisting client regarding personal tax matters	11
3	Tax advisory	10
4	Tax advisory	12
5	Taxation	10
6	Tax consultancy services	49
7	Tax consultancy services and representing clients in dealing with officials from LHDN and other agencies for tax matters (audits, investigations and	5
8	Taxation	12

ATTITUDE TOWARDS SVDP:			
Bil	1. Do you understand your responsibility as a tax agent?	2. Do you understand the purpose/objectives for implementing of the SVDP?	3. Are you willing to educate your clients regarding the Special Voluntary Disclosure Program (SVDP) in terms of submission of the disclosure and tax payment within the SVDP period? Kindly explain how the education of SVDP made.
1	Ya	Ya	Ya
2	Yes	Yes	Yes
3	Yes	Yes	Yes
4	Yes	Yes	Yes. Our firm has included it in the regular tax updates to our client and we have also been approaching client to highlight on this SVDP programme.
5	Nasihat pelanggan	Pelaporan pendapatan	Ya
6	Yes	Yes	Yes. 1) Organising seminars with LHDN officials on the SVDP. 2) Informing clients about this program through email, phone calls. 3) Providing consultation to taxpayers on whether they should participate in this program
7	Yes	Yes	Yes
8	Yes	Yes	Yes, educating them and face to face meeting

AWARENESS ON SVDP COMPLIANCE			
Bil	1. Are you aware of the SVDP and the extension period provided to the taxpayer?	2. How did you find your client awareness about the SVDP?	3. What do you think about the program and how you feel this SVDP enable to benefit to your current client? Kindly explain.
1	Ya	Peka	Baik, patut diteruskan
2	Yes	It is quite good.	More non compliance tax payer will come forward and join the program since its offering the lowest penalty regardless how long the tax payer never submitted their
3	Yes	Good	Good
4	Yes	Most of my clients are aware of this SVDP programme because of the announcement through mass media, letter from LHDN	This programme is good as it gives opportunity to the tax payer to do self declaration with lower penalty rates.
5	Ya	Peka	Baik
6	Yes	Good	Good Should Continue
7	Yes	Very aware of it. Many were willing to listen when we advice them to participate in the SVDP. But some took the view that they do not need to do an SVDP even after being cautioned.	Good program to encourage taxpayers to come forward and declare their undeclared/underdeclared income taxes. Biggest benefit is the promise that IRB will not reopen the years of assessments where SVDP has been made.
8	Yes	Useful and less time consuming especially in audit case.	Good indicative, reduce the penalty, reduce time in closing the case as compared to normal audit and taxpayer can approach the IRB with the open mind

IRBM FUNCTIONS AS ENFORCEMENT TO SVDP		
Bil	1. Do you put "trust" the SVDP program?	2. Did you think that enforcement act such as an audit to the tax agents in educating your clients or in way of work on SVDP will influences your compliance behavior? Kindly explain.
1	Ya	Ya
2	Yes	No
3	Yes	Yes
4	Yes.	No. The compliance behaviour will be at tax payer level.
5	Ya	Ya
6	Yes	No
7	Yes	No
8	Yes	No, they have to do as part of business operation as already become their compliance procedure.

<u>CONCLUSION</u>	
Bil	Do you have any comments or suggestions in encouraging the tax agent's compliance behavior towards the SVDP?
1	Tiada
2	By joining the SVDP, the client can enjoy the lowest penalty offered. The tax return submitted will be finalized and there is no further audit will be made if there is no issue with the reported income.
3	No
4	-
5	Tiada
6	Should continue up to YA 2019
7	<p>For tax agents to comply or encourage their clients to comply with this program, an incentive needs to be given to encourage taxpayers to seek the assistance of tax agents, which will benefit all 3 parties:</p> <ul style="list-style-type: none"> i) Taxpayer - certainty on tax to be declared and paid ii) Tax agents - earning fees from consultancy provided to taxpayer iii) IRB - certainty that the taxes declared under the SVDP is legitimate since it has been reviewed by a tax agent <p>Perhaps a further reduced penalty rate on the undeclared / underdeclared taxes could be given for taxpayers who have engaged tax agents to assist them with the SVDP.</p>
8	The option of VD now put as part of the audit framework, create more awareness, and make it more taxpayer-friendly.