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The Elements of Conceptual Model Goods and Services Tax
Registered Persons in Malaysia

Lee Heng Liang*

University Department of Accounting and Finance, Azman Hashim International Business School,
Universiti Teknologi Malaysia,
Malaysia

Mohd Norfian Alifiah

Department of Accounting and Finance, Azman Hashim International Business School,
Universiti Teknologi Malaysia,
Malaysia

Loo Ern Chen

Department of Accounting, Universiti Teknologi MARA,
Malaysia

*Corresponding author's Email: aaleeaalee88@gmail.com

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lat 306 Savoy Residencia, Block 3 F11/1, 44000 Islamabad. Pakistan,
info@readersinsight.net

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Research Highlights

Goods and Services Tax (GST) system was implemented on the 1st April 2015 in Malaysia. Like many others tax administration, tax compliance has been a major concern to the Royal Malaysia Customs Department (RMCD) (Zainol *et al.*, 2015). The issue of tax non-compliance such as over claiming of input tax, not issuing tax invoices, and under declaring output tax by the registered persons induced this study. Thus, this study seeks to establish the determinant factors that may influence the tax compliance behaviour of GST registered person in Malaysia. This study also attempts to propose a conceptual framework GST tax compliance behaviour by integrating economic factors such as tax structure system of GST tax rate, audit, penalty/fine, and psychological and sociological factors like attitude towards GST and GST tax knowledge.

Research Objectives

This study aims to explore and determine the elements that may cause or influence the GST registered persons compliance behaviour in Malaysia. Tax compliance in GST taxation system is important to curb leakage in revenue to avoid a country's tax system from becoming ineffective, hinder foreign direct investment or pose a threat to social justice (Alabede, 2012; Franzoni, 2000; Mizra 2016; Torgler, 2003; Wenzel, 2007). It was reported during the GST National Conference 2017 which held in Kuala Lumpur on 28th February and 1st March 2017, that there were few challenges faced by the Royal Malaysia Customs Department (RMCD) such as an average non-compliance detected through audit about 25 percent, undermines revenue, compliance gap which was high among small registered businesses with error rates over 40 percent, low voluntary compliance, and fictitious claiming of refund. Hence, this study is invaluable to a number of stakeholders including RMCD as a reference point in assisting decision making to improve tax reforms in terms of instituting better revenue performance and also to add the body of existing knowledge of GST compliance.





Methodology

Methodology is a procedure by which the researchers go about their work of describing, explaining and predicting phenomena (Rajasekar et al., 2013). It is to ensure research objectives can be achieved based on legitimate and reliable data. Based on the research objectives of this study, a single research paradigm was considered as an outset insufficient to gather adequate evidence to achieve the objectives. A multiple methods can neutralise some of the limitations or disadvantages of certain methods used (Creswell, 2003). For this study, a mixed method strategy, encompassing both the qualitative and quantitative research paradigms will be the most appropriate design. This mixed method exploratory sequential research design (Creswell and Clark, 2011) adopted in this study includes interviews from experts (RMCD officers and GST tax agents) and follow by a survey design of questionnaires (GST registered persons). The validity of findings will enhance the research as it consolidate and triangulate results of the survey and the interviews. The population in this study consists of three different target groups in order to obtain more effective answers for the research questions. The non-probability sampling and stratified purposive sampling will be applied in both phases of this study.

Results

Interview helps researchers to explore and get in-depth information Through interviews, information is obtained from the experts of GST for the purpose of constructing items for evaluating factors that may influence GST registered persons' compliance behaviour. The results of the interviews will form the themes for developing the questionnaires. This phase is to identify and confirm the factors that may influence GST registered persons' compliance with GST legislations based on qualitative data collected. Thus, an instrument (the questionnaire) will be developed for this study. This instrument will be administered to GST registered persons. A pilot test will be conducted with a selected sample size of 30 GST registered persons. Creswell (2008) mentioned the sample size 30 is sufficient for a correlation study. The purpose of the pilot test is to ensure that the statements in the questionnaires are clear to the respondents and also to detect any possible weaknesses in the questionnaires. Any feedback received from the pilot study will help in improving the questionnaires before the actual study is carried out.



Findings

The results from the findings will help to develop a propose GST registered persons compliance behaviour model in Malaysia as shown in Figure 1.1. Having a single comprehensive propose model of compliance will enable policy makers and tax authorities to have a better understanding of GST registered persons' real and actual compliance behaviour when formulating suitable policies, guidelines and budgets for the country. In addition, this model would be able to improve voluntary tax compliance among the GST registered persons by incorporating economic factors of tax system structure (tax rate, tax audit, and penalty/fine), and social and psychological factors such as attitude towards tax and tax knowledge. Therefore, to understand tax compliance, tax authorities and policy makers need to know what factors cause tax non-compliance among GST registered persons as tax compliance is a dynamic and multifaceted.

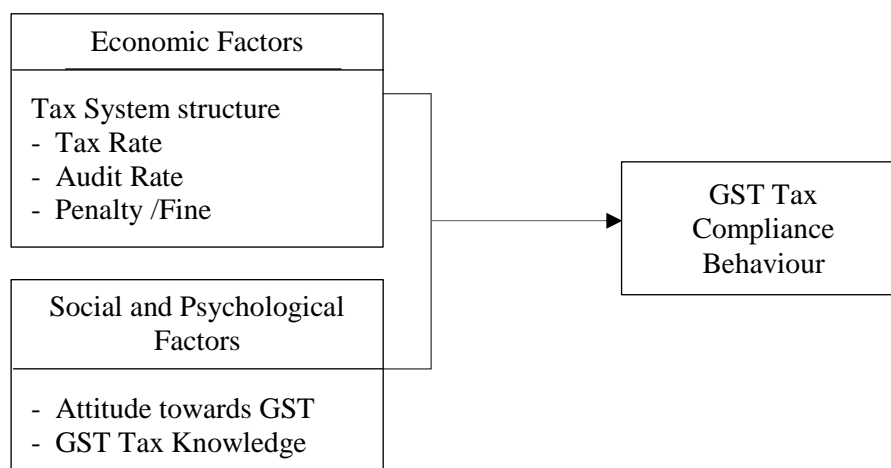


Figure 1.1: Compliance Model of GST Registered Persons in Malaysia

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