

**PERSONAL INCOME TAX COMPLIANCE UNDER
THE MALAYSIAN TAXATION SYSTEM**



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UMS
UNIVERSITI MALAYSIA SABAH

**FACULTY OF BUSINESS, ECONOMICS AND
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THE MALAYSIAN TAXATION SYSTEM**

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DECLARATION

I hereby declare that the material in this thesis is my own except for quotations, equations, summaries and references, which have been duly acknowledged.

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ABSTRACT

The purpose of audit enforcement by Inland Revenue Board of Malaysia (IRBM) always aims to higher tax compliance and followed by increase the tax collection. The study is therefore to examine the significant determinants of personal income tax compliance in Malaysia. However, economic and social factors also play a large role in the individual's evasion decision. The researcher therefore includes the economic and social variables in the study. A quantitative approach was taken with secondary data obtained from IRBM, Economics and Social Data from Malaysian Department of Statistics, Malaysian Economic Planning Unit and Ministry of Higher Education from 2002 to 2017 were used to generate the results. EViews was the main statistical tool to conduct the analysis and in turn to answer the proposed hypothesis. The study supported the effect audit rate SG, Gross Domestic Product (GDP), employee, own account worker, age group between 15-64, bumiputras and enrolment on Individual Income Tax Collection with a significant of 5 per cent with positive association. Surprisingly, audit rate OG, Consumer Sentiments Index (CSI), age between 0-14 years, age 65 and above on Individual Income Tax Collection with a significant of 5 per cent with negative association. An increasing of 1 per cent of taxpayers who aged between 15-64 years may result in an increasing of 6.21 per cent in personal income tax collection, ceteris paribus with positive association. At this age, realistically, citizens are considered as an active employee or employer. They will earn income and therefore, the income tax revenue will increase. The study validated and expanded on prior research on the relationship between personal income tax revenue compliance, but not in personal income tax filing compliance. Additionally, it has significant implications for the Ministry of Finance and other relevant local authorities in enhancing the personal income tax collection strategy. Theoretical and practical implication are highlighted.

ABSTRAK

PEMATUHAN CUKAI PENDAPATAN INDIVIDU DI BAWAH SISTEM PERCUKAIAN MALAYSIA

Penguatkuasaan audit oleh Lembaga Hasil Dalam Negeri Malaysia (LHDNM) sentiasa bertujuan untuk meningkatkan pematuhan cukai dan diikuti dengan meningkatkan kutipan cukai. Oleh itu, kajian ini cuba mengkaji penentu penting pematuhan cukai pendapatan individu di Malaysia. Namun begitu, faktor ekonomi memainkan peranan yang besar dalam keputusan pengelakan individu. Oleh itu pembolehubah ekonomi dan sosial termasuk dalam kajian. Pendekatan kuantitatif telah diambil oleh kajian ini dengan data sekunder yang diperolehi daripada LHDNM, Data Ekonomi dan Sosial daripada Jabatan Perangkaan Malaysia, Unit Perancang Ekonomi Malaysia dan Kementerian Pengajian Tinggi dari tahun 2002 hingga 2017 agar menjana keputusan penyelidikan ini dan analisis EViews telah digunakan sebagai alat statistik utama untuk menjalankan analisis dan seterusnya menjawab hipotesis yang dicadangkan. Kajian ini menyokong kesan kadar audit SG, Keluaran Dalam Negara Kasar (KDNK), pekerja, pekerja akaun sendiri, kumpulan umur antara 15-64, bumiputera dan pendaftaran pendidikan tinggi pada Kutipan Cukai Pendapatan Individu dengan ketara, iaitu sebanyak 5 peratus dengan perkaitan positif. Yang mengejutkan, kadar audit OG, Indeks Sentimen Pengguna, umur antara 0-14 tahun, umur 65 dan ke atas pada Kutipan Cukai Pendapatan Individu dengan signifikan 5 peratus dengan perkaitan negatif. Keputusan peningkatan 1 peratus dalam kumpulan umur antara 15-64 tahun menghasilkan peningkatan 6.21 peratus dalam kutipan cukai pendapatan individu, ceteris paribus dengan perkaitan positif. Pada peringkat usia ini, secara realistiknya, rakyat dianggap sebagai pekerja atau majikan yang aktif. Mereka akan sentiasa menambahkan pendapatan masing-masing dan seterusnya hasil cukai pendapatan akan meningkat. Kajian itu mengesahkan dan mengembangkan penyelidikan terdahulu tentang hubungan antara pematuhan hasil cukai pendapatan individu, tetapi tiada keberkesanan dalam pematuhan pengisian cukai pendapatan individu. Selain itu, kajian ini mempunyai implikasi yang ketara kepada Kementerian Kewangan dan pihak berkuasa tempatan lain yang berkaitan dalam meningkatkan strategi kutipan cukai pendapatan individu. Implikasi teori dan praktikal diserlahkan.

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