

TAX COMPLIANCE ON BUSINESS INCOME AS APPLIED TO HAWKERS IN
SECTION 2, SHAH ALAM , SELANGOR DARUL EHSAN

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ABSTRACT

The degree of tax compliance on business income has always been questionable despite abundant efforts taken by the Tax Authorities to improve it. Realising upon this fact, the writer decided to carry out a study to gauge the degree of tax compliance on business income within a specified scope i.e on the hawkers in Section 2, Shah Alam, Selangor. The collection of data was made via personal interviews, distribution of questionnaires as well as direct observations on a few selected occasions which are of weekdays, weekends and semester holidays. Evaluation was made based on the intensity of variance between the amount of tax payable as per writer's computation (based on information gained which is subject to the limitations) and the amount of tax claimed to be paid by these hawkers. The result shows that there is a poor degree of compliance and it is seen to be a necessity for certain measures to be enforced without hesitation in order to maximise voluntary compliance among the hawkers.

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CHAPTER 1

INTRODUCTION

History

Taxation has existed a long time ago, since mankind began organising itself into civilised community. Income tax was originally introduced in the United Kingdom in 1799 to assist financing the Napoleon War but it was abolished in 1803. The modern system of taxation has begun in the United Kingdom in 1842, upon which the present system of income tax is based^I. In earlier days, taxation system was very stringent and collection of taxes was made in harsh manners.

Unlike the present taxation systems which emphasize on economic as well as social aspects, the systems adopted in those days were made in such a manner that they would benefit certain parties namely the administrators rather than the welfare of the people. A Cuneiform writer of Sumer (Iraq) engraved his proverb on a tablet that says²:-

"You can have a lord, you can have a king but the man to fear is the tax collector"

In Malaysia, taxation was formally introduced into The Federation of Malaya in 1947, during the British Colonial Rule, in the form of the Income Tax Ordinance 1947. In Sabah, the tax system was governed by the Sabah Income Tax Ordinance 1956 and in Sarawak by the Sarawak Inland Revenue Ordinance 1960. These three