DEVELOPING A TAX EDUCATION BLUEPRINT FOR NON-ACCOUNTING CURRICULUM IN MALAYSIA

RESEARCH MANAGEMENT INSTITUTE (RMI)
UNIVERSITI TEKNOLOGI MARA
40450 SHAH ALAM, SELANGOR
MALAYSIA

BY:

Lai Ming Ling
Zalilawati Yaacob
Mohd Amran Mahat
Choong Kwai Fatt

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5.2 Enhanced Executive Summary

(Abstract of the research)

This primary objective of this study is to develop a tax education blueprint for the non-accounting curriculum in Malaysia. A questionnaire survey was conducted 1) to find out the quest for tax education among Malaysian undergraduates from the non-accounting disciplines; (ii) to examine the level of tax knowledge among non-accounting undergraduates; (iii) to identify the instructional methods to be used, iv) to identify the relevant tax topics to be covered in tax course for the non-accounting curriculum; (v) to solicit tax practitioners and tax academics opinions on introducing tax education into non-accounting curriculum.

A self-administered survey was conducted from in the month of February to April 2011 in three public universities in Malaysia. In total, 995 usable responses were received and used for data analysis. The respondents profiles show 67.1% (668) from Universiti Teknologi MARA, 16.5% (164) from Universiti Putra Malaysia and 16.3% (163) from Universiti kebangsaan Malaysia. Ths survey found (1) majority of the respondents were in favour that tax education should be introduced to their faculties and become part of their learning subject (mean score of 3.34, significant at $p< 0.001$). (ii) Just 10.6% of the respondents exhibited that they had high level of tax knowledge, 44.5% of them possessed medium level of basic tax knowledge and 44.9% had low level of basic tax knowledge. Although SAS has been implemented for 7 years on salaried individuals, the result indicates that the respondents' level of tax knowledge is considered low. (iii) The most preferred methods of teaching tax are using case studies (mean=3.31, significant at $p<0.001$) and face-to-face classroom learning (mean=3.28, significant at $p<0.001$). Whilst, the least preferred method of teaching is through e-learning (mean =2.86, significant at $p<0.001$). (iv) the topics that the respondents like to learn the most are personal taxation, tax planning for individual, and basic concepts of taxation with the mean score of 3.59, 3.58 and 3.52 respectively (significant at $p<0.001$), and (v) Tax practitioners interviewed were in favour of introduce tax education to non-accounting curriculum; however accounting academicians were apprehensive to introduce tax subject to non-accounting curriculum as they were concerned about the availabiltiy of tax lecturers.

5.3 Introduction

Tax compliance has always been a national challenge. To facilitate tax compliance and to close tax gap, the Inland Revenue Board Malaysia (IRBM) had launched self-assessment system (SAS) on individual taxpayers in year of assessment (YA) 2004. Under the SAS, the onus to assess tax liability rests on the taxpayers. Hence, to be tax compliant, individual taxpayers need to possess some basic tax knowledge on personal taxation, in relation to the taxability of income, deductibility of expenses, entitlements, reliefs, rebates and exemptions, in order to compute tax liability correctly.

Since the implementation of self-assessment regime, it was reported that Malaysian tax offences and tax defaulters increased by almost 10 times (Krishnamoorthy, 2006a). The tax offences included failure to submit returns, declaring false returns and not providing sufficient information; notably, around one-third of Malaysians did not pay their taxes. For example, in year 2005, 1.3 million potential taxpayers did not file their tax returns, and it was estimated that the Malaysian government has loss approximately Ringgit Malaysia (RM) 307.7 million due to tax non-compliance (Krishnamoorthy, 2006b).

The statistics obtained from the IRBM's annual reports show that the total number of taxpayers selected for tax audit is increasing over the past five years (see Figure 1). In addition, the amount of additional tax and penalties raise over the past five years somewhat indicate that tax offences and tax fraud are on the rise as years go by.

Figure 1: Tax Audit (including of field audit and desk audit):

	2005	2006	2007	2008	2009
Number of case settle	7,204	6,741	279,175	1,052,939	1,399,660
Amount of additional tax and penalty (RM million)	635.40	692.68	1,410.57	1,697.16	3,054.95

(Source, IRBM annual report, 2008; 2009))