UNIVERSITI TEKNOLOGI MARA

THE FACTORS INFLUENCING CORPORATE TAXPAYERS' INTENTION TO PARTICIPATE IN PERMANENT VOLUNTARY DISCLOSURE IN MALAYSIA: TAX PRACTITONERS' PERSPECTIVE

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ABSTRACT

Tax reprieve has emerged as an important policy tool to increase revenue, broaden the tax base, and encourage voluntary compliance. Particularly, the voluntary disclosure programme (VDP) has been implemented to resolve persistent non-compliance issues by offering incentives for taxpayers to regularise personal tax obligations without experiencing severe penalties or legal actions. In Malaysia, Permanent Voluntary Disclosure (PVD) has been introduced by the Inland Revenue Board Malaysia (IRBM) as a mechanism to enhance tax compliance and boost tax revenue collection. Nonetheless, participation among corporate taxpayers in PVD has remained low. A deeper understanding of potential reasons contributing to the lower participation rate can assist in developing pertinent strategies to improve voluntary compliance. The current study aimed to bridge the gap by identifying the determinants of PVD participation and examining the relationships between the determinants to enhance tax compliance in Malaysia. The objectives included pinpointing relevant factors influencing corporate taxpayers' intention to participate in PVD, developing economic and non-economic indicators based on the above factors, and investigating the linkages between the indicators with intention to participate in PVD. The present study consisted of two phases. Phase 1 (qualitative) involved interviewing a total of 12 participants recruited through purposive sampling. The collected data were analysed thematically using the NVivo 12 software. Phase 2 (quantitative) was conducted by distributing survey questionnaires to tax practitioners across Malaysia via simple random sampling. The gathered data were assessed on the SPSS version 29 software and through structural equation modelling (SEM) on the SmartPLS Version 4.0.9.6 software. The qualitative findings revealed five major themes and nine sub-themes, namely, (1) the threat of punishment (tax penalty and the probability of being audited), (2) procedural fairness (PVD assurance and procedure simplicity), (3) trust (information confidentiality and perception of tax officers), (4) tax awareness (awareness of PVD and awareness of basic tax regulations), and (5) coping mechanisms. The quantitative results demonstrated that the tax penalty, simplicity of procedures, and awareness of PVD significantly and positively influenced corporate taxpayers' intention to participate in PVD. In sum, the uniqueness of the current investigation was reflected in the collection of primary information from individuals directly involved in the Special Voluntary Disclosure Program (SVDP) and PVD. The current study also extended the existing literature by scrutinising Malaysian PVD and developing economic and non-economic indicators related to the intention of PVD participation, which provided a unique guideline as a future policymaking, refine enforcement strategies, and enhance voluntary compliance through a deeper understanding of corporate taxpayer behaviours.

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CHAPTER 1
INTRODUCTION

1.1 Chapter Overview

The current chapter offers an overview of the current thesis. The thesis begins with Section 1.2, which serves as the background of the study, detailing tax compliance and tax non-compliance, the context surrounding the Voluntary Disclosure Programme (VDP), and the emphasis on Permanent Voluntary Disclosure (PVD). Section 1.3 delineates the research problem, whereas Section 1.4 highlights the research objectives (ROs) and research questions (RQs). Section 1.5 presents the significance of the study, while in Section 1.6, the scope and limitations of the present study are discussed. The novelty of the present study is also outlined in Section 1.7, with the organisation of the current thesis presented in Section 1.8 and the chapter summary in the final section. Essentially, the current study aimed to provide a holistic review of the factors that can determine the corporate taxpayers' intention to participate in the PVD through the perspectives of tax practitioners based on the indicators of economic and non-economic factors.

1.2 Background of the Study

Tax revenues are crucial to achieving a stronger economic growth (Gurdal et al., 2021) and supporting the governmental budgetary demand, which can assist resources in being channelled for social services, public investments, and infrastructure development (Sritharan & Salawati, 2019; Teh et al., 2024; Bhattarai, 2024; OECD, 2024). As tax is a vital source of revenue for a country, the leakage of tax revenue can potentially undermine the progress of society and economic growth. Hence, to ensure sustainable revenue collection, consistently addressing tax compliance issues is a key focus. The issues can be addressed by initiating alternative tax compliance mechanisms parallel to taxpayers' obligations, which are necessary to persuade non-compliers and