

TAX LITERACY AMONG SALARIED INDIVIDUALS IN SARAWAK



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Dear Professor

FINAL RESEARCH REPORT “TAX LITERACY AMONG SALARIED INDIVIDUALS IN SARAWAK”

With reference to the above, enclosed are the three copies of the Final Research Report entitled “Tax Literacy among Salaried Individuals in Sarawak” by two researchers from UiTMCSKS.

Thank you.

Yours faithfully



NERO MADI

Leader

Research Project

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ABSTRACT

The focal issue under investigation comprises gauging the general level of tax literacy among different demographic groups of salaried taxpayers in Sarawak. The motivation to undertake this tax literacy study is very much prompted by the implementation of Self Assessment System (SAS) on salaried taxpayers beginning from the year 2004 where taxpayers are expected to be functionally literate to compute their own tax liabilities. This study also investigates the taxpayers' awareness on issues relevant to SAS. For the purpose of this study, samples were randomly taken from salaried taxpayers working in Kuching, Sibul, Bintulu and Miri. Statistical tests using One-Way ANOVA were applied on the mean tax literacy scores by employment sector and working experience. Relationships between tax literacy scores and academic qualification and place of work were analyzed by using Chi-square test of independence. Some of the findings, among others, indicated that salaried taxpayers working in the public sector were found to be as literate as their counterparts in the corporate sector. The mean level of tax literacy scores between the two sectors of employees did not differ significantly. Similarly, working experience and tax literacy were positively confirmed to be independent of each other. The results of the study also gave the impression that salaried taxpayers in Sarawak might not be prepared for SAS at least for one or two years of assessments. To enhance the level of tax literacy among taxpayers, intensified efforts such as providing brochures and tax updates to the doorsteps of taxpayers and tax liability computation workshops are recommended.

CHAPTER 1

INTRODUCTION

1.0 Introduction

This chapter highlights the background and discusses the motivation of the study. It outlines the objectives, significance and scope of the research. Definitions of the terms used throughout the report are also included in this chapter.

1.1 Background of the Study

The complexities of rules and regulations of the tax system of any country which make interpretation difficult, has raised some concerns among researchers and tax professionals world-wide over the years. Some researchers have attempted to establish the relationship of tax system with tax compliance, tax evasion, and tax literacy. To quote a few, for example, researchers like Allingham and Sandmo (1972), Yitzhaki (1974) and Pancavel (1979) conducted studies on tax evasion. Scoles, Wilson and Woltson (1990) did a study on tax avoidance. Errard and Feinstein (1994) and Mottiakavandar *et al* (2002) investigated the issue of tax compliance while Bardai (1992), Kasipillai and Baldry (1995) and Razman *et al* (2000) explored the areas of tax literacy. In the international scene, researchers who had addressed this issue of tax knowledge in relation to either tax compliance behaviour or attitude towards tax include Song and Yarbrough (1978), Lewis (1982), Roberts *et al* (1994) and Fallan and Eriksen (1996).