

UNIVERSITI TEKNOLOGI MARA

**AN EXAMINATION OF THE
INDIVIDUAL, CONTEXTUAL AND
SITUATIONAL SUPPORTS FACTORS
ON PROFESSIONAL JUDGEMENT OF
TAX OFFICERS**

NURLIYANA BINTI HAJI KHALID

PhD

November 2020

AUTHOR'S DECLARATION

I declare that the work in this thesis was carried out in accordance with the regulations of Universiti Teknologi MARA. It is original and is the results of my own work, unless otherwise indicated or acknowledged as referenced work. This thesis has not been submitted to any other academic institution or non-academic institution for any degree or qualification.

I, hereby, acknowledge that I have been supplied with the Academic Rules and Regulations for Post Graduate, Universiti Teknologi MARA, regulating the conduct of my study and research


Name of Student : Nurliyana Binti Haji Khalid

Student I.D. No. : 2014614468

Programme : Doctor of Philosophy (Financial Criminology) –
AR952

Faculty : Accounting Research Institute (ARI)

Thesis Title : An Examination of the Individual, Contextual and
Situational Supports Factors on Professional
Judgement of Tax Officers

Signature of Student : 

Date : November 2020

ABSTRACT

This study examines the effects of individual, contextual and situational supports factors on the tax professional judgement of tax officers. In order to provide a holistic view on tax professional judgement, this study is designed into two sub-studies denoted as Study A and Study B. Both studies utilize Partial Least Squares (PLS) of Structural Equation Modelling for data analyses. For Study A, an experimental approach is employed to a total of 176 tax officers of Inland Revenue Board of Malaysia (IRBM). The results reveal that scepticism is significant in influencing tax professional judgement either in its direct or indirect capacity, while there are no significant differences between tax auditors and tax investigators' professional judgement. The results of Study A also demonstrate that contextual factor (client's fraud indicators intensity) mediates the relationship between scepticism and tax professional judgement. Moreover, the interaction analysis points out that the client's internal control significantly interacts the relationships between scepticism, client's fraud indicators intensity and the tax professional judgement. Study B adopts a survey method with a total of 145 tax officers. This study examines the influence of antecedent factors on tax professional judgement reveals that individual factor (scepticism), contextual factor (client's fraud indicators intensity) and situational supports significantly influence tax professional judgement. Competencies, however, is found as not significant in influencing tax professional judgement. Also, it provides further evidence that shows the existence of mediation effect of client's fraud indicators intensity on the relationship between competencies, scepticism and situational supports factors on tax professional judgement. In overall, both studies recognize that client's fraud indicators intensity is a critical element in improving tax officers in making tax professional judgement. Both studies suggest that individual factor (scepticism), contextual factors (client's internal control, client's financial pressure and client's fraud indicators intensity), and situational supports factors affect tax professional judgement significantly in some direct and indirect context. The current research provides significant contributions to the existing body of knowledge in the tax fraud risk area by substantiating the underlying theoretical foundations and extending the fraud risk judgement framework in tax profession. In addition, the findings from this research are deemed to be useful to those in the tax audit and investigation fields in providing additional guidelines in developing and enhancing tax fraud risk assessment programs and training to improve better quality of tax professional judgement.

ACKNOWLEDGEMENT

I have to acknowledge that the pursuit of my PHD is not a solo journey. There are a number of individuals whom I owe a special debt of gratitude. First and foremost, my sincere appreciation, gratitude, and heartfelt thanks go to my main supervisor, Prof. Dr Zuraidah Mohd Sanusi and the co-supervisor, Dr Intan Salwani Mohamed, the dedicated and aspiring mentors for their continuous intellectual guidance and wise counselling throughout the journey of this thesis. Enduring this journey would not have been possible without their encouragement, guidance, thoughtfulness and farsightedness.

My profound gratitude also goes to the Ministry of Higher Education, Malaysia for awarding the scholarship for me to further my doctorate study. I also would like to acknowledge the continuous supports given by the Accounting Research Institute, Universiti Teknologi MARA, Malaysia in allowing me the space and time to complete this study.

My heartfelt thanks are extended to my fellow post-graduate colleagues, especially Fazlida Mohd Razali (now Dr Fazlida), Yusarina Mat Isa (now Dr Yusarina), Nur Aima Shafie (now Dr Nur Aima), Zulaikha Amirah Johari, Salwa Zolkafli (now Dr Salwa), Marhamah and Taufik for their endless supports and willingness to extend their help when needed. May this experience open up a whole lot of exciting things in our lives!

Last but definitely not the least, my deepest appreciation to my lovely parents (Haji Khalid Abdullah and Hajah Norsiah Buyong), my beloved husband, Mohd Razib bin Jasman for the unrelenting support he has afforded me, and for being there for me through thick and thin, my adorable children (Rayd Luqman and Raysha Luthfeya), thanks for the prayers, supports and unconditional love.

TABLE OF CONTENTS

	Page
CONFIRMATION BY PANEL OF EXAMINERS	ii
AUTHOR'S DECLARATION	iii
ABSTRACT	iv
ACKNOWLEDGEMENT	v
TABLE OF CONTENTS	vi
LIST OF TABLES	xiii
LIST OF FIGURES	xv
LIST OF ABBREVIATIONS	xvi
CHAPTER ONE: INTRODUCTION	1
1.1 Chapter Overview	1
1.2 Background of Study	1
1.3 Problem Statement	6
1.4 Research Questions	10
1.5 Research Objectives	11
1.6 Rationale of the Study	12
1.7 Significance of the Study	15
1.7.1 Theoretical Foundation	15
1.7.2 Conceptual Framework	16
1.7.3 Research Methodology	17
1.7.4 Sample Coverage	18
1.8 Definition of Terms Used	19
1.8.1 Inland Revenue Board of Malaysia (IRBM)	19
1.8.2 Income Tax Act 1967	20
1.8.3 International Standard on Auditing (ISA 240)	20
1.8.4 Malaysian Tax Academy (MTA)	20
1.8.5 Organisation for Economic Co-operation and Development (OECD)	20
1.8.6 Association of Certified Fraud Examiners (ACFE)	20