

GOODS AND SERVICES TAX
A STUDY ON THE PERCEPTION AND AWARENESS OF
FEDERAL GOVERNMENT EMPLOYEES TOWARDS GOODS AND
SERVICES TAX IN KUCHING

by

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ABSTRACT

This study seeks to find out whether the federal government employees in Kuching is aware of the government's intention to introduce a broad-based tax system that is the Goods and Services Tax (GST) and their perception towards the new tax system to be introduced. Being implementers of government policies, it is important for the federal government employees to know what is happening around them especially on any new policies introduced by the government and in this case, the intention of the government to introduce a new form of taxation that is the GST.

The respondents of this survey consists of employees of federal government attached to various departments especially those whose works has relation with taxation with the exception of Royal Customs Department.

The level of awareness among federal government employees towards GST is low. On their perception towards GST, most of them are of the opinion that GST can cause the price of goods to increase and increase their expenditure. The government has not carried out extensive education programme to educate their employees about GST.

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CHAPTER ONE

INTRODUCTION

1.1 Introduction

Goods and Services Tax (GST) also known as Value Added Tax (VAT) is portrayed by its proponents as “the end of all taxes” (Sridhar V., 2003). GST is a tax on final consumption of goods and services. France is acknowledged as the first country to introduce a GST regime in 1968 although the early growth and development was prompted by the European Union (Tan, 2004). The African countries have introduced GST in the 1960's and 1970's. Asian countries such as China, Indonesia and Japan followed suit. Singapore and India adopted GST in 2004 and 2005 respectively. To date, there are approximately 120 countries around the world that has adopted GST and the number is growing.

Malaysia plans to adopt this broad-base indirect tax beginning 1st January 2007. The intention to introduce a VAT system was first announced in 1989. It was only during the 2005 budget speech that the commitment to implement this system was announced and this new tax system will replace the existing sales and services tax. However the implementation date has been postponed to give the people the opportunity to know more about the new tax system.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

A tax, also known as “duty”, or “Zakat” in Islamic economics, is a charge or other levy imposed on an individual or a legal entity by a state or a functional equivalent of a state such as tribes, secessionist movements or revolutionary movements. The Encyclopaedia of Britannica defines taxation as “that part of revenues of a state which is obtained compulsory dues and charges upon its subjects.” Generally, tax is a compulsory payment imposed by the government on the income of individual, companies, and other taxable persons including clubs and association, trustees and estates of deceased persons (Lai, 2005).

2.2 The role of taxation

The role of taxation in a country is related to the objectives of tax policies. It can be summarised as follows:

- Raising revenue to finance government expenditure.
- Ensuring that taxes are collected effectively and at minimum cost both to the government and taxpayers.
- Regulating the private sector of the economy to maintain the desired level of employment and increase economic development/growth.