

UNIVERSITI TEKNOLOGI MARA

**THE IMPACT OF GOODS AND SERVICES TAX
(GST) TOWARDS MALAYSIAN TRAVELERS'
INTENTION TO USE TRAVEL
AGENCY IN MALAYSIA**

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ABSTRACT

The implementation of Goods and Services Tax (GST) in Malaysia has changed the way people buy a product and services in Malaysia. The increasing of price has contributed to the changes of buying decision. In the tourism industry, the tax also could change the way people travel or medium that they use in order to plan their vacation or travel activities. One of the traditional intermediaries that can be affected by this tax is travel agencies in Malaysia. The existence of the Internet has made travel agencies lost their customers and some of them need to shut down their businesses and with the implementation of GST, the travel agents could be in higher risk of disintermediation. This research aims to investigate the impacts of GST towards travelers' intention to use travel agencies in Malaysia. This research focused on local travelers who have the experience using travel agents to travel inside and outside Malaysia. A total of 327 respondents answered the questionnaire related to the travel related services which are bookings, travel insurance, travel advice and services. The result of this study shows that travelers use travel agency for booking (hotels room, tickets, transportation and trip), to get travel advice (travel destinations, budget, travel consultation and information) and also because of the services that the travel agents provide such as tourist guide, preparing visa or passport and arrange travel itineraries. For travel insurance, the travelers did not use travel agency to get the insurance because they have their own insurance or they did not need the insurance and the implementation of GST has affected travelers intention to use travel agencies.

Keywords: Goods and Services Tax, Travel Related Services, Travelers, Intention, Travel Agency

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CHAPTER ONE

INTRODUCTION

1.1 CHAPTER OVERVIEW

This chapter discusses the background of the study that related to Goods and Services Tax (GST), travel related services and travelers' intention to use a travel agency. This chapter also includes research questions, research objectives, hypotheses, significance of the study as well as definition of terms.

1.2 BACKGROUND OF THE STUDY

GST which is also known as Value Added Tax (VAT) has been introduced in France in 1968 and the tax has spread from France to Europe and until today more than 100 countries have used this type of tax (Kloeden, 1998). The function of GST is to replace the existing tax, which is Sales and Service Tax (Royal Malaysian Customs, 2014) and the tax charged by the sellers and organizations that sell products and services. Besides that, GST also considered as an indirect tax because it is not being paid directly to the government but being paid indirectly through business peoples.

For each country that has implemented GST, they decide to use the tax because of their own reason and economic purposes and every country has different reason and purposes. For example in Singapore, the main objective of introducing and implementing GST are to reduce or lessen the inefficiency of the income tax system. Other than that, Singapore Government also tried to wider the indirect tax and make it more resilient in future. Other than that, Singaporean Government also has restructured the tax that has been used in Singapore and as a result the income tax rate has been reduced and with the combination of GST, the Singaporean government has decreased their surplus. Similar to other countries that has implemented GST, Malaysia has implemented the tax starting from 1st of April 2015 with the amount of 6% and as mentioned by Tran-Nam (2000), the introduction of new tax (GST) have made to new types of costs which are the implementation of compliance costs and the