

TAX COMPLIANCE DILEMMA AMONG TIKTOK SELLERS IN MALAYSIA

*Norizam binti Ahmad @ Muhammad¹, Fa'izah Binti Ghazi¹

¹Faculty of Accountancy, Universiti Teknologi MARA, Cawangan Perlis

*Corresponding author: norizam@uitm.edu.my



The rise of social media platforms such as TikTok has had a significant impact on the way businesses operate. In Malaysia, a growing number of businesses are using TikTok to sell their products and services. This has led to a need for a better understanding of the factors that influence tax compliance among TikTok sellers. The rise of e-commerce has also created new challenges for tax authorities, who must ensure that all businesses, regardless of their size or mode of operation, comply with tax laws and regulations.

Tax compliance is a critical issue for e-commerce operators in Malaysia, particularly those who use social media platforms to conduct their business. The factors that influence tax compliance among TikTok sellers in Malaysia are somehow complex and complicated. The nature of TikTok as a platform where the sellers generate income through unconventional means such as brand partnerships, sponsored content and fan donation poses unique challenge for tax compliance. According to Mahran et al. (2023), tax knowledge and morale were found to positively influence tax compliance among sellers who use TikTok platform to sell their

products in Malaysia. This is consistent with previous research by Alm and Torgler (2004) that found the tax education and awareness programs can improve tax compliance behaviour among the taxpayers.



Additionally, e-commerce operators who have a positive attitude towards tax compliance are more likely to voluntarily comply with tax laws (Abd Hamid et al., 2019). However, the study found that tax awareness and complexity did not significantly affect compliance. This is consistent with the findings of Shahroni et al. (2022), who found that tax awareness alone may not be sufficient to promote tax compliance among e-commerce operators. This suggests that e-commerce operators may not be aware of their tax obligations or may find it difficult to navigate the tax system, but these factors do not necessarily impact their compliance behaviour. For example, an e-commerce operator may not be aware of their tax obligations but may still comply with tax laws if they have a positive attitude towards tax compliance. On the other hand, an e-commerce operator may be aware of their tax obligations but may not comply with tax laws if they have a negative attitude towards tax compliance.

As noted by Mahran et al. (2023), one of the main challenges faced by TikTok sellers in Malaysia is the lack of understanding of tax laws and regulations. The study found that low levels of tax awareness were observed among TikTok sellers which could lead to non-compliance with tax laws. This lack of awareness could be due to the fact that many e-commerce operators are small business owners who may not have the resources to hire tax professionals or attend tax education programs. Due to a lack of tax awareness, some taxpayers did not correctly report the amount of tax (Sitorus, 2018). In the context of e-commerce, Khamis and Mastor (2021) and Adam et al. (2021) found that tax awareness and tax compliance are positively correlated among e-commerce players.

Tax knowledge is another important factor that plays a crucial role in enhancing taxpayers' behaviour in tax compliance. Abdul Hamid et al. (2020) claimed that the level of taxpayers' knowledge of taxation could affect tax compliance. This is consistent with the statement made by Hamid et al. (2022), where knowledge of taxation is a valuable instrument to comply with the tax. Bernard et al. (2018) stated that improving tax knowledge could boost taxpayers' viewpoints towards tax compliance. The authors also noted that an optimistic view on tax led to a decrease in the wrong impression of tax and increased tax compliance. Thus, it is essential to provide taxpayers with adequate tax education to improve their tax knowledge and promote tax compliance behaviour.

Another challenge faced by TikTok e-commerce operators in Malaysia is the difficulty in keeping track of income and expenses. As noted by Abd Hamid et al. (2019), online players evaluate the detection risk for tax evasion as low since detecting income or revenue associated with online transactions is somewhat challenging, making the probability of being caught perceived as low. This could lead to underreporting of income and understating of liability in tax returns, resulting in tax revenue losses for the government. Furthermore, the lack of a physical presence among e-commerce operators makes tax enforcement challenging, making it more complex than for traditional businesses whose physical presence can be easily identifiable (Shahroni et al., 2022).

TikTok sellers in Malaysia face several challenges when it comes to tax compliance, including the lack of knowledge in understanding the tax laws and regulations (Mahran et al. (2023)). Thus, there is a need for more awareness and education on tax compliance among e-commerce players. Conducting workshops and seminars to educate them about the importance of tax compliance and the consequence of non-compliance is one the ways to increase tax compliance. To reach a larger audience, Lembaga Hasil Dalam Negeri Malaysia (LHDNM) as a national tax authority should utilise information technology, especially social media, to provide awareness and tax information.

The tax authority can collaborate with influencers to educate the public about tax compliance in the e-commerce sector. Influencers, with their large followers and ability to reach a wide audience, can help to spread awareness about the importance of tax compliance and the benefits it brings to society. By partnering with influencers, tax authorities can leverage their reach and influence to promote tax compliance among e-commerce players and the public. This collaboration can be an effective way to increase awareness and understanding of tax obligations, and ultimately improve compliance in the e-commerce sector.

These strategies not only benefit the tax authority and e-commerce players, but also contribute to a more transparent and fair society by significantly increasing government revenue. As we move forward, it is crucial to continue exploring and implementing innovative strategies to improve tax compliance in the ever-evolving e-commerce landscape. The future of tax compliance in Malaysia is uncertain, but the strategies mentioned above provide a good starting point. As the e-commerce landscape continues to evolve, it is important to stay up to date on the latest developments and to adapt our strategies accordingly.

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