

UNIVERSITI TEKNOLOGI MARA

**CITIZENS' ATTITUDES TOWARDS
TAX EVASION: DEMOGRAPHIC
PROFILE, PERCEPTION OF
FAIRNESS AND RELATIVE
SERIOUSNESS**

NUR QURATUN 'AINI BINTI HARON

Dissertation submitted in fulfilment
of the requirements for the degree of
Master of Accountancy

Faculty of Accountancy

December 2015

AUTHOR’S DECLARATION

I declare that the work in this dissertation 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 : Nur Quratun ‘Aini Binti Haron
Student I.D. No. : 2014280798
Programme : ACC 770
Faculty : Accountancy
Dissertation : Citizens’ Attitudes towards tax evasion:
Demographic Profile, Perception of Fairness and Relative
Seriousness
Signature of Student :
Date : December 2015

ABSTRACT

This is an exploratory study conducted in Malaysia whereby it focuses on the citizens' attitudes toward tax evasion and to determine whether demographic profile and perception of fairness affect the attitudes of the Malaysian citizens on tax evasion. In addition, this study examined whether citizens in Malaysia view tax evasion as an acceptable activity and examined the relative seriousness of tax evasion as compared to other offences. The sample size of this study is 173 comprising of salary earning and retirees located throughout the Southern and Central regions. This study found that only age and nature of employment have a significant difference on the attitudes towards tax evasion. Respondents' gender, level of income and level of education seemed to bear no significant difference to their attitudes towards tax evasion. Apart from that, perception of fairness is also found to have no significant relationship with the citizens' attitudes towards tax evasion. Surprisingly, this study found that citizens in Malaysia find it acceptable to evade on all sizes of income, be it "a small part", "a large part", or "all part" of their income. Tax evasion also was not considered as a serious offence as it has been ranked as the least severe as compared to suicide, abortion, homosexuality, prostitution, wife beating, divorce, accepting a bribe, avoiding fare on a public transport and claiming government benefits which you are not entitled to. This study may be useful and would be able to facilitate the tax authorities in evaluating and reviewing the current tax system. It is crucial so as to ensure that people will not take tax evasion lightly.

KEYWORDS: Tax Evasion, Demographic Profile and Fairness

ACKNOWLEDGEMENT

Alhamdullillah, in the name of Allah, the Merciful God, I am able to finish this dissertation on the dateline. This cannot be done without the full support from my mother, Esah Binti Abdul Majid who always encouraged me to do the best, pray for me and without her bless, I am not what I am today. To my dad, Haron bin Othman who was often in my thoughts on this journey- you are missed.

My appreciation goes to my supervisor, Dr. Rani Diana Othman for her sound advice, valuable guidance, patience and ideas in assisting me at various stages of this project. Without her, I may not able to complete this thesis successfully.

To my beloved Master-mate friends especially Farah Fatzel, Noor Asrafez Jailuddin and Nurul Nadiah; I really owe them a lot. Their kindness, insightful comments and warm support were fundamental in supporting me during these stressful and difficult moments. This fellows, they were very determined to help me despite their critical time to submit the thesis too. They have always been available to answer my questions and clear my doubts that I had. For that handful of friends, I must say that God really shower me with good friends.

Last but not least, to everyone which involves directly or indirectly in helping me to complete this thesis. Sincerely, I wish I can repay all of their kindness but I know I will not be able to do so. May your act and kindness be repaid fully by the Lord God. Thank you!

TABLE OF CONTENTS

AUTHOR’S DECLARATION	I
ABSTRACT	II
ACKNOWLEDGEMENT	III
TABLE OF CONTENTS	IV
LIST OF TABLES	VII
LIST OF FIGURE	IX
LIST OF ABBREVIATIONS	X
CHAPTER ONE: INTRODUCTION	1
1.1 Introduction	1
1.2 Problem Statement	4
1.3 Research Objectives	6
1.4 Research Questions	6
1.5 Significance of Study	6
1.6 Scope of Study	7
1.7 Organisation of the Dissertation	7
1.8 Summary and conclusion	8
CHAPTER TWO: LITERATURE REVIEW	9
2.1 Introduction	9
2.2 Overview of Malaysian Tax System	9
2.3 Ten Principles of Good Tax Policy	10
2.4 Theoretical Framework	12
2.4.1 Theory of Planned Behaviour (TPB)	12
2.5 Definition of Tax Evasion and Tax Avoidance	14