

UNIVERSITI TEKNOLOGI MARA

**THE EFFECTIVENESS OF THE CORPORATE
TAX DEPARTMENT IN THE INLAND
REVENUE BOARD OF MALAYSIA IN
PREVENTING REINVESTMENT
ALLOWANCE MANIPULATION**

AHMAD AZAMIRUDDIN BIN ZAINAL ABIDIN

This applied research is submitted in partial fulfilment of the
requirement for the degree of
Master in Forensic Accounting and Financial Criminology

Faculty of Accountancy

December 2012

CANDIDATE'S DECLARATION

I hereby declare that this paper is my own work and effort and that it has not been submitted anywhere for any award. Where other sources of information have been used, they have been acknowledged.

In the event that my applied research is found to violate the conditions mentioned above, I voluntarily waive the right of conferment of my degree and agree to be subjected to the disciplinary rules and regulations of the Universiti Teknologi MARA.

Name of Candidate: **AHMAD AZAMIRUDDIN BIN ZAINAL ABIDIN**

Candidate ID No: **2010358457**

Programme: **AC773- Master in Forensic Accounting And
Financial Criminology**

Faculty: **Accountancy**

Applied Research Title: **The Effectiveness Of The Corporate Tax
Department In The Inland Revenue Board Of
Malaysia In Preventing Reinvestment Allowance
Manipulation**

Signature of Candidate:



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Date: **31 December 2012**

ABSTRACT

The best way to understand Reinvestment Allowance (RA) is to build a solid foundation on the principles on RA. The emphasis in the research is to provide foundation by discussing the basic principles and practice of RA with reference on case law decisions and administrative practices. Therefore, the research contains chapters on the implementation of RA in Malaysia, the theoretical aspects of RA systems and conditions, the legal and practical aspects of RA as well as illustrations of the applications of the field audit principles. Tax law is best appreciated by studying leading cases and the manner in which the decision was reached. Therefore, relevant local case law decisions are discussed in this research.

The aim of this study is (i) to examine the responsibilities and techniques used by the Corporate Tax Department (CTD) to avoid manipulation of Reinvestment Allowance claim; (ii) to identify the level of knowledge and experience required by the Inland Revenue Board of Malaysia's officers in the CTD in order to successfully deal with taxpayers on RA; and (iii) to identify and analyze the limitations or weaknesses of the Inland Revenue Board of Malaysia's rules and regulations in preventing the manipulation of RA claim.

This study is based on primary and secondary data from the CTD as well as the relevant departments in the Inland Revenue Board of Malaysia (IRBM). The data cover all RA cases handled by the field audit officers of the CTD in the year 2012. Altogether there were 54 cases distributed by the Tax Compliance Department of the IRBM for the period to be reviewed. The study showed that the field audit officers of the CTD have expressed their responses through questionnaires, interviews and observations. The aim of this is to fulfil the requirements of the research objectives. The study also indicates that the Income Tax Act 1967 (ITA 1967) and the Public Ruling No. 6/2012 are compulsory for documentation to prepare the field audit.

The study provides vital information to the field audit officers of the CTD to handle the RA cases carefully. As For the CTD and the IRBM, this empirical study might help them to review the RA policies as well as the guidelines in implementing the RA monitoring systems.

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