UNIVERSITI TEKNOLOGI MARA

THE IMPACT OF TAX STRUCTURES TOWARDS THE ECONOMIC GROWTH OF TOP 5 DEVELOPED COUNTRIES

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AUTHOR'S DECLARATION

I declare that the work in this thesis was carried out in accordance with the regulations of Universiti Teknologi MARA, Johor Branch, Segamat Campus. 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 Undergraduate, Universiti Teknologi MARA, Johor Branch, Segamat Campus, regulating the conduct of my study and research.

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ABSTRACT

The implementation of certain tax structures in a country may cause an enourmous impact towards its economic growth either in positive or negative way. Therefore, the ultimate purpose of this research is to investigate the impacts of tax structures towards the economic growth of developed countries. The dependent variable of this study is gross domestic product (GDP). Meanwhile, the independent variables to be used in this study is consists of five variable, which are tax revenue (TAX), tax on income, profit and capital gain (INCOMETX), tax on international trade (INTERTX) and lastly tax on goods and services (GOODTX). Based on previous research findings, this study is expecting a significant and positive relationship between the overall variables with the GDP. This due to some of the previous researchers found the opposite results. For instance, Folster & Henrekson (2001) claimed that tax revenue which is part of GDP share has negative correlation with GDP growth. Gemmell et.al (2011) states that taxes on income and profit bring harms to economic growth in the long run, following by deficits and consumption tax. Therefore the researchers are expecting the opposite results compared to previous researchers. In this study, the data used is yearly data which gathered from year 2006 until 2015. The country involved in the research study is among top developed country in different regions which is Norway, Australia, Netherland, United States and Japan. World Bank is the main sources of data in this study. This study is using multiple linear regression as a method of the study. Futhermore, in order to observe the relationship of the taxes variable towards GDP, the econometric tests are employed so as the E-View package is used as a tool to run the test and analyze the collected data.

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