

**TAX LITERACY AMONG SALARIED INDIVIDUALS :SABAH AND  
SARAWAK'S PERSPECTIVE**



**INSTITUTE OF RESEARCH ,DEVELOPMENT AND  
COMMERCIALIZATION (IRDC)  
MARA UNIVERSITY OF TECHNOLOGY  
40450 SHAH ALAM, SELANGOR**

**PREPARED BY :**

**AMRIZAH HJ. KAMALUDDIN  
NERO MADI**

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Head

Institute of Research, Development and Commercialization (IRDC)

MARA University of Technology

40450 Shah Alam

Dear Professor

**FINAL RESEARCH REPORT “TAX LITERACY AMONG SALARIED INDIVIDUALS: SABAH AND SARAWAK’S PERSPECTIVE”**

With reference to the above, enclosed are the three copies of the Final Research Report entitled “Tax Literacy among Salaried Individuals: Sabah and Sarawak’s perspective” by two researchers from UiTM Sarawak Branch, Kota Samarahan Campus.

Thank you.

Yours faithfully

**AMRIZAH HJ KAMALUDDIN**

Leader for research project

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## **ABSTRACT**

The main objective of this study is to gauge the general level of tax literacy among salaried taxpayers in Sabah and Sarawak. This study is undertaken to shed light on our preparedness to face the challenge posed by the implementation of Self Assessment System (SAS) on salaried taxpayers beginning from the year 2004 where taxpayers are expected to be functionally literate to compute their own tax liabilities accurately. For the purpose of this study, samples were randomly taken from salaried taxpayers working in Kuching, Sibul, Bintulu, Miri, Sandakan, Tawau and Kota kinabalu. Statistical tests using One-Way ANOVA were applied on the mean tax literacy scores by employment sector, working experience, educational attainment, marital status and place of work. Relationships between tax literacy scores and academic qualification and place of work were also analyzed by using the Chi-square test of independence. Some of the findings, among others, indicated that salaried taxpayers in Sarawak were found to be more tax literate compared to their counterparts in Sabah. It was also discovered that the sector of employment is not an important factor of tax literacy. Public and corporate sector employees were found to be equally literate as indicated by insignificant difference in the mean scores of these two sectors. Overall, it could be inferred that salaried taxpayers in both states are not prepared for SAS in 2004 as reflected by a low percentage of 'very literate' category. To raise the level of tax literacy among taxpayers, more aggressive efforts such as providing brochures and tax updates to the doorsteps of taxpayers and attending a compulsory tax liability computation workshops at workplace are recommended.

# CHAPTER 1

## INTRODUCTION

### 1.0 Introduction

This chapter highlights the background, the problem statements and discusses motivation of the study. It outlines the objectives, significance and scope of the research. Definitions of terms used throughout the reports are also included in this chapter.

### 1.1 Background of the study

In 2000, the tax authority of Malaysia made a bold move in the assessment system by shifting from Preceding Year Assessment (PYA) to Current Year Assessment (CYA). This was followed by the implementation of Self Assessment System (SAS) to replace Official Assessment System (OAS), another milestone to the Malaysian Taxation System. The implementation of SAS is carried out in stages. It was first imposed on companies which was in 2001 and will be implemented to partnerships and individuals taxpayers in 2004. It is intended that under the new system (SAS), the system will enhance efficiency by improving compliance, speeding up assessment process and facilitating collection of taxes.

Other countries that have implemented the SAS include: United States, New Zealand (1988), Australia (1986), Sri Lanka (1972) and Pakistan (1979) (see Kasipillai, 2000). Shanmugam (2003) noted that SAS in countries like United States, New Zealand, Australia, Sri Lanka and Pakistan has proven to be better at bringing down management cost and improving efficiency by cutting down non-value adding or income producing processes.

