

**TAX PRACTITIONERS' ACCEPTANCE OF
ELECTRONIC TAX FILING SYSTEM SABAH AND
SARAWAK: SURVEY EVIDENCE**

By

NORAINI EDRIS

**A dissertation submitted in partial fulfillment of the requirement for
the
degree of Master of Accountancy**

UNIVERSITI TEKNOLOGI MARA

2006

TABLE OF CONTENTS

Acknowledgements	ii
List of tables	vi
List of figures	vii
List of Abbreviations	viii
Glossary of Terms	ix
Abstract	x

CHAPTER 1 INTRODUCTION

1.1	Introduction	1
1.2	Problem Statement	3
1.3	Research Objectives	5
1.4	Scope of Study	5
1.5	Significance of the Study	6
1.6	Organization of chapters	8

CHAPTER 2 LITERATURE REVIEW, CONCEPTUAL FRAMEWORK AND HYPOTHESES

2.1	Introduction	9
2.2	Recent Development in Malaysian Tax Administration Setting	9
2.3	About E-filing system	11
2.3.1	How to e-file?	11
2.3.2	Benefits of e-filing System	12
2.3.3	Drawbacks and Barriers to E-filing	13
2.4	Tax Practitioners	16
2.5	Guiding Principles of a Good Tax Policy	18
2.5.1	Certainty	20
2.5.2	Convenience of Payment	20
2.5.3	Economy of Collection	21
2.5.4	Simplicity	22
2.5.5	Economic Growth and Efficiency	22
2.5.6	Transparency and Visibility	23
2.6	Technology Acceptance	23
2.6.1	Introduction	23
2.6.2	Technology Acceptance Model	25
2.6.3	Integrating Perceived Insecurity into TAM	27
2.6.4	Previous study on the Use of Technology Acceptance Model	28

ABSTRACT

Experiences from overseas countries that had implemented an electronic tax filing system (e-filing) indicated that tax practitioners play an important role in the diffusion of the tax technology. In Malaysia, e-filing is at its early stage of implementation, thus far, little is known about the tax practitioners' acceptance of new tax technology. The study aims (i) to examine the determinants of tax practitioners' acceptance of an e-filing system; (ii) to evaluate the importance of several types of incentives that will motivate the tax practitioners to use e-filing; and (iii) to study other considerations towards the acceptance of e-filing.

A mail survey was used to collect data. Questionnaire was posted to 364 tax practitioners in Sabah and Sarawak. Ninety-two (92) usable questionnaires were received; the response rate was about 25% (92/364). The survey found that perceived usefulness had a positive effect on tax practitioners' usage intention of the e-filing system. Overall, 37% of the variance of tax practitioners' usage intention of the e-filing system can be explained by the proposed integrated technology acceptance model.

The survey also uncovered that the quest for speedy tax refund and speedy feedback are the key incentives that would motivate tax practitioners to use e-filing. However, concern over cost of compliance, not being user friendly, confidentiality, privacy, reliability and stability of the e-filing system were the major impediments to use the technology. The findings suggest that tax authorities ought to make sure that e-filing system is useful for tax practitioners in enhancing their tax service quality, and to incorporate American Institute of Certified Accountants (AICPA) (2001)'s guiding principles in developing e-filing policies in order to accelerate the diffusion of e-filing system.

CHAPTER ONE

INTRODUCTION

1.1 Introduction

With the advent of Information and Communication Technology (ICT) worldwide, the public sectors have embarked on e-government projects to modernize and enhance their services. In a similar vein, the Inland Revenue Board Malaysia (IRB) has taken a step to embrace an electronic tax filing (e-filing) system. E-filing is one of the e-governmental transformation initiatives, undertaken by the IRB to revitalize tax services in modernizing the tax administration system to facilitate tax compliance. The IRB first launched e-filing on 17 May 2004 for companies to file in the corporate tax returns (Chong, 2004). Subsequently, e-filing was officially launched on 10 February 2006 for individual taxpayers.

E-filing system is filing the tax returns electronically or filing via the Internet. It integrates tax preparation and tax filing. Taxpayers or their representatives (tax agents) can file tax returns electronically. Once forms are submitted, an on-line acknowledgement receipt is immediately issued to confirm the submission.

The main purpose of the IRB in embracing e-filing is to improve customer service and facilitate tax compliance through system improvement (Lai, 2002). With the introduction of e-filing system, it is also hoped that e-filing enhances the self-assessment tax system (SAS), which was fully implemented with effect from year of

CHAPTER TWO

LITERATURE REVIEW, CONCEPTUAL FRAMEWORK AND HYPOTHESES

2.1. Introduction

This chapter presents the literature review of the study. Section 2.2 provides the development on Malaysian tax administration setting. Section 2.3 presents the e-filing system, its benefits and barriers of adoption. Section 2.4 outlines the tax practitioners' role in the e-filing system. Then, Section 2.5 provides the guiding principles of a good tax policy that can be adopted in the development and implementation of an e-filing system. Section 2.6 discusses the technology acceptance model. Lastly, Section 2.7 presents the conceptual framework, research model and hypotheses of the study.

2.2 Recent Development in Malaysian Tax Administration Setting

Worldwide, the tax authorities are challenged to simplify tax administration procedure to encourage and facilitate tax compliance. Over the past three decades, many countries have adopted SAS. Malaysia IRB has implemented SAS on companies, individual and other taxpayers with effect from year of assessment 2001 and 2004 respectively.

The key objectives of SAS are to improve tax compliance, speed up the assessment process, reduce compliance costs and to facilitate collection of taxes (Singh and