

UNIVERSITI TEKNOLOGI MARA

**THE DEVELOPMENT OF
COMPUTERISED ACCOUNTING
SYSTEM IN GOODS AND SERVICES
TAX IN MALAYSIA:
CLIENT AND VENDOR
PERSPECTIVES**

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ABSTRACT

This study focuses on the goods and services tax (GST) technological aspect, namely GST-compliant computerised accounting system. The study aims to explore the development of GST-compliant computerised accounting system throughout the GST phases: pre-GST implementation, GST implementation, and post-GST implementation from the client and vendor perspectives. The presence of GST-compliant computerised accounting system is needed to facilitate the implementation of GST. GST-compliant computerised accounting system is defined as accounting software capable of recording, processing economic data, storing financial information, and generating reports embedded with eight GST attributes determined by the tax authority. However, developing a computerised accounting system to GST-compliant is challenging and multidimensional, involving unique phases, processes, activities, issues, and people. Hence, the current study attempts to seek qualitative evidences that would explain how the GST-compliant computerised accounting system is developed from the client and vendor perspectives throughout the GST phases. Besides, the study is intended to identify the socio and technical issues influence the development of GST-compliant computerised accounting system. In order to promote better understanding on the phenomenon and to strengthen findings under the study, tax authority's experience is considered. Also, considering several key gaps found in previous studies, this study employed a triangulation of theories; Stakeholder Theory and Stakeholder Salience Theory, System Development Life Cycle (SDLC), and the Socio Technical System Theory (STST) as a lens to explore the development of GST-compliant computerised accounting system. The current study used interpretivism ontology to explore the issue in conjunction with the research issue highlighted and supported in the literature. Accordingly, three case studies were selected to explore, describe, and explain deep insights about the phenomenon under study from the client (business), vendor (system developer) and tax authority's perspectives, which most prior studies have neglected. Furthermore, this interpretive case study allowed the researcher to interpret meaningful experiences from the client, vendor, and tax authority for theory building (inductive). Regarding the data analysis aspect, data transcribing, data coding, and thematic coding were the main elements of this interpretive qualitative case study. Moreover, three individual case studies, namely, client, vendor, and the tax authority's cross-case analyses were conducted for further discussion. In developing the GST-compliant computerised accounting system, both client and vendor, as well as tax authority, encountered various processes, activities, socio, and technical issues for each GST phase. Importantly, GST mapping (designing process) during pre-GST implementation is a critical system development activity from both client and vendor perspectives. Cross-case analyses managed to identify socio and technical issues from client and vendor perspectives, as well as client, vendor, and tax authority perspectives throughout the GST phases. Overall, people (socio) and technology (technical) were the main influencing factors to the development of GST-compliant computerised accounting system. The proposed conceptual framework redirects findings from the qualitative nature of current study, in which the development of GST-computerised accounting system involves distinct processes, activities, socio, and technical issues throughout the GST phases.

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CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

“Proper record-keeping is necessary for accurate tax declarations. Using accounting software helps greatly in record-keeping. In addition, the use of accounting software generates other operational and financial information that is useful for the management of the business. With a proper accounting system in place to accurately capture and produce accounting information for tax reporting purposes, businesses are less likely to make errors in their tax declarations. This would reduce compliance costs for businesses, as any tax reporting errors would result in penalties being imposed”.
(Royal Malaysian Customs Department (RMCD), 2014b, p. 1).

An indirect tax regime known as goods and services tax (GST) or value-added tax (VAT) has been implemented in more than 160 countries globally. The implementation of GST addresses all types of economies, such as developed economies, economies in transition, and developing economies (United Nations (UN), 2014). GST is a robust tax collection mechanism that increases national sources of income (Ling et al., 2016; Mohd Rashid, Yusoff, & Md Nor, 2014; Palil & Ibrahim, 2011). In order to strengthen the nation’s financial management regime and overcome the weaknesses of the existing indirect tax system in Malaysia, sales tax and service tax (SST), the Malaysian government replaced SST with a GST in April 2015. Historically, SST was present in Malaysia for almost 40 years.

Although GST or VAT has been implemented in numerous countries worldwide, GST implementation varies among diverse countries. Yong (2014) mentioned that GST is significantly different from both technical and procedural perspectives. GST implementation needs to be executed prudently considering that each country is different in four aspects: political, social, economic, and technological. Accordingly, the Malaysian government highlighted five key areas by assigning three GST phases during the implementation of GST, namely pre-GST implementation, GST implementation, and post-GST implementation. The five key areas cover tax regulatory compliance, documentation and systems, legal and transitional issues, education and