



UNIVERSITI TEKNOLOGI MARA

**A STUDY ON MANUFACTURERS' BEHAVIOR TOWARDS TAX
EVASION OF SALES TAX IN INANAM, MENGGATAL AND KKIP
IMPOSED BY ROYAL MALAYSIA CUSTOMS DEPARTMENTS**

BY

**VALENTINO MARK JAMES
2009672952**

**BACHELOR OF BUSINESS ADMINISTRATION
(HONS) MARKETING
FACULTY OF BUSINESS MANAGEMENT
UNIVERSITI TEKNOLOGI MARA (UiTM)
KOTA KINABALU CAMPUS, SABAH**

3rd July 2013

MAKMLK
Perpustakaan
Universiti Teknologi MARA (UiTM) Sarawak
Berbandar 71
Kuching, Sarawak

ACKNOWLEDGEMENT

First and foremost I would love to thank God the opportunity to complete my study. I also would like to convey my deepest gratitude and sincere appreciation to my supervisor, Dr. Rozita@Uji Mohammed whom from the beginning has consented and provided me with all the guidance, assistance, motivation and advices through the processing and the completion of this thesis.

Special thanks to respective respondents and friends, who have been involved directly or indirectly, for their cooperation and precious time in allowing me to obtain the necessary feedbacks and information, suggestions and comments.

I would like also to extend my special thanks and utmost appreciation to my ex-Lecturers, classmates, workmates and individuals for their valuable supports and advices in preparing this project paper.

Last but not least, the greatest of all, to my beloved, caring and supportive wife, Shirley Marie Kenny for her love, understanding, patience, moral and spiritual support that never fade and undivided in all situations.

ABSTRACT

Tax is one of the ways to finance expenditures and it plays an important role in increasing the government revenue. The amount of tax collected depends on the structure of the economy. When the taxation is ineffective, many companies including manufacturers would use this opportunity to avoid paying tax and tax evasion would be popular. Realizing the significant impact of tax evasion on the economy and a lack of study in this area for Sabah, this study attempts to fill the gap. Specifically, this study tries to determine factors that cause the manufacturers in Inanam, Menggatal and KKIP areas fail to file their sales tax returns which lead to tax evasion. The results show that tax burden faced by the manufacturers, manufacturers' poor attitude (not bothered or not committed), manufacturers' lack of knowledge of sales tax penalty, inefficiency of enforcement and ineffectiveness of administrative system has positive effect tax evasion.

TABLE OF CONTENTS

	PAGE
Acknowledgement	i
Abstract	ii
List of Tables	iii
List of Figures	iv
CHAPTER 1	
1.0 Background Of Study	1-2
1.1 Problem Statement	3
1.2 Scope of Study	4
1.3 Significant of Study	5
1.4 Objective of Study	6
1.5 Research Questions	6
1.6 Limitation of study	7
1.7 Framework	8
1.8 Key Terms	9
CHAPTER 2	
2.0 Literature Review	10
2.1 Introduction	10
2.2 General Overview of RMCD	11-12
2.3 General Overview of Indirect Taxes in Malaysia	13-16
2.4 Views on Collection of Indirect Taxes Year 2011	17-19
2.5 General Overview of Sales Tax in Sabah	20
2.6 Amount of Sales Tax Not Paid In Sabah	21
2.7 Summary Overview of Sales Tax	22-24
2.8 Sales Tax Procedure	25-31
2.9 Overview of Tax Evasion	32-35
CHAPTER 3	
3.0 Research Methodology and Design	36
3.1 Data Collection Technique	37-39
3.2 Operational Definition	39-40
3.3 Data Analysis Technique	40

CHAPTER 4

4.0	Analysis and Interpretation	41
4.1	The Respondents Demographic and Profile	42
4.2	Age of the Respondents	43-44
4.3	Qualification of the Respondent	45-46
4.4	Respondent's Management Position	47-48
4.5	Length of Service of the Respondent	49-50
4.6	Types of Manufacturer	51-52
4.7	Manufacturers' Monthly Income	53-54
4.8	Amount of Sales Tax Paid by the Manufacturers	55-56
4.9	Frequency of Payment of Sales Tax	57-58
4.10	Special Department for Sales Tax	59
4.11	Manufacturer's Trained Officer	60
4.12	High Tax Rate Imposed Cause Tax Burden	61-62
4.13	Rate of Sales Tax in Malaysia	63-64
4.14	Sales Tax should be Reviewed	64-65
4.15	Sales Tax Should Only be Paid After The Products Are Sold	66-67
4.16	Ignorance of the Manufacturers	67-68
4.17	Facilities and Service Provided by RMCD	69-70
4.18	Training Manufacturers	70-73
4.19	Sufficient Information Given By RMCD	73
4.20	Efficient RMCD Officers	73-74
4.21	Training Provided by RMCD	75-76
4.22	Availability of Information	76-77
4.23	Awareness of Obligation and Responsibility	78
4.24	Awareness of RMCD's Tax Audit	78
4.25	Objective of Tax Audit	79
4.26	Eight Most Common Approaches	80-81
4.27	Transactions Constitute Tax Evasion	82-83
4.28	The Most Effective Method to Combat Tax Evasion	84-85

CHAPTER 5

5.0	Conclusion	86-87
5.1	Recommendation	88-89

BIBLIOGRAPHY/REFERENCES	90-91
APPENDIX 1 (Statistically analysis of SPSS Programme v.13)	92-103
APPENDIX 2 (Set of Questionnaires)	5 Pages