PERCEPTION OF MANUFACTURERS IN PERAK
STATE TOWARDS GOODS AND SERVICES TAX (GST)
IMPLEMENTATION

BY

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DECLARATION

I hereby declare that:

1) This postgraduate project is the end result of my own work and that due acknowledgement has been given in the references to ALL sources of information be they printed, electronic, or personal.

2) No portion of this research project has been submitted in support of any application for any other degree or qualification of this or any other university, or other institutes of learning.

3) The word count of this research report is 15778.

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DEDICATION

Dedicated to:

Dr. Krishna Moorty Manicka Nadar

Dear supervisor who is supportive and able to guide and lead me to the right path in the process of this research project.

Universiti Tunku Abdul Rahman (UTAR)

For giving me the opportunity to conduct this research project.

Husband, family members and friends

Who are constantly there to fend for me no matter easy or hard time. Your supports give me the intensity and motivation to carry out this research project.

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LIST OF ABBREVIATIONS

GST   Goods and Services Tax

SST   Sales Tax and Service Tax

RMCD   Royal Malaysia Custom Department

IRBM   Inland Revenue Board of Malaysia

TBP   Theory of Planned Behaviour

FSIEM   Financial Self – Interest Expanded Model

Int   Intention to GST compliance

Att   Attitudes

Snorm   Subjective norms

Pcb   Perceived behavioural control

Tle   Tax law and enforcement

Tk   Tax knowledge

Tsc   Tas system complexity

PREFACE

This thesis is submitted in partial fulfillment of the requirements for the degree of Master of Business Administration (Corporate Management). This thesis contains work done from June 2015 to December 2015. This thesis was supervised by Dr. Krishna Moorthy Manicka Nadar and it was solely written by Ms. Rehka Sinniah.

ABSTRACT

The purpose of this study is to identify the factors that influence the intention of manufacturers in Perak state towards GST compliance. Research was conducted based on 206 manufacturers in Perak state. SPSS Statistics 20 was used in this study for data analysis. The findings show that attitude, subjective norm, tax knowledge and tax system complexity are significantly related to intention to GST compliance. The result shows that 62.8% variation of intention to GST compliance can be explained by these four variables. Perceived behavioural control and tax law and enforcement are found to be non-significant related to manufacturers' intention to GST compliance. The results of this study can be used as a guideline by various parties such as RMCD, GST collection centres and agencies, merchants, bank decision makers, governments, and practitioners to formulate their strategies related to GST compliance.

Keywords: intention to GST compliance, attitude, subjective norm, perceived behavioural control, tax law and enforcement, tax knowledge , tax system complexity, manufacturer

CHAPTER 1: RESEARCH OVERVIEW

1.0 Introduction

Tax in Malaysia was proclaimed by the British into the Federation of Malaya in 1947. At first, the Income Tax Ordinance 1947 was gazetted as the overwhelming demonstration, however was in this way restored and at last changed over by the Income Tax Act 1967 (ITA) which took impact on January 1, 1968. The Malaysian taxation framework is extensively portion into two: direct and indirect taxes. Inland Revenue Board of Malaysia (IRBM) is responsible for direct taxes, for example, individual and business income tax, real property gains tax, petroleum pay assessment and stamp duty. Royal Malaysian Custom Department (RMCD) organised the Indirect taxes which includes of excise duty, custom duties, service tax and sales tax. From the government view, tariff is a fundamental financial instrument in light of the fact that it will be used to manage the economy, to restore monetary development through the giving of monetary motivations as a significant objective of executing assessment strategies and to provide funds to development tasks. Table 1.1 demonstrates the total revenue of Federal Government for the year 2012 and 2013. In 2013, the direct and indirect taxes donates more than 70% to the Malaysian government income summed RM120, 523 billion (56.5%) and RM35, 429 billion (16.6%) individually.

Table 1.1 Total Revenue of Federal Government for the year 2008 and 2009

	Revenue	Year		
		2012	2013	
		(RM, Billion)	(RM, Billion)	%
1	Direct taxes	116,937	120,523	56.5
2	Indirect taxes	34,706	35,429	16.6
3	Non tax revenue	54,909	54,450	25.5
4	Non-revenue	877	1,590	0.75
5	Revenue from federal territories	483	1,378	0.65
	Total	**207,913**	**213,370**	**100%**

Source: Treasury Annual Economic Report (2012 and 2013)

Currently, the government has implemented Goods and Service Tax (GST) to supplant Sales Tax and Service Tax (SST). The evaluation to actualize the GST in Malaysia has been tramping since 1990s. It now appears to be just as this may turn into a reality in the 2014 financial plan. The plan to apprise the taxation framework has begun to accumulate momentum as the regime copes with increasingly feeble financial economic outlook, joined with universal vulnerability. Therefore the government added GST in their policy for instance, in the Malaysian New Economic Model (NEM). As this would go about as a key consider revolutionising the sources and distribution of income as a result of its more extensive assessment base (Council, 2010). Besides, the legislature has endured a deficiency since the financial disaster in 1997 until 2013 with the figures provided from 2005 to 2013 as demonstrated in Table 1.2. Henceforth, the GST order is seen as a measure that will secure the obligation and shortage does not stretch.

The SST should be supplanted with GST because indirect tax contribute to government income which improved from RM34, 706 billion in 2012 to RM35, 429 billion in 2013, however the contribution to Malaysian Government was lower contrast with the year 2011 and 2012. The collection dissimilarity was RM723 billion between the year 2012 and 2013 while RM2, 083 billion between the year 2011 and 2012, as demonstrated in Table 1.3. The table demonstrates that sales grew slightly from 2010 to 2013. The service tax also executed as sales tax from 2009 from 2013.

Table 1.2 Malaysian Government Financial Statement from 2005-2013

	YEAR								
	2005 (RM Million)	2006 (RM Million)	2007 (RM Million)	2008 (RM Million)	2009 (RM Million)	2010 (RM Million)	2011 (RM Million)	2012 (RM Million)	2013 (RM Million)
Revenue	106,304.00	123,546.00	139,885.00	159,793.00	158,639.00	159,653.00	185,419.00	207,913.00	213,370.00
	6.95%	16.22%	13.23%	14.23%	-0.72%	0.64%	16.14%	12.13%	2.62%
Expenses	125,028.00	142,655.00	160,543.00	195,387.00	206,063.00	202,929.00	227,928.00	249,864.00	251,954.00
Overall deficit/ surplus	(18,724.00)	(19,109.00)	(20,658.00)	(35,594.00)	(47,424.00)	(43,276.00)	(42,509.00)	(41,951.00)	(38,584.00)
GDP	519,451.00	574,441.00	639,776.00	742,470.00	678,938.00	765,965.00	885,339.00	941,949.00	986,733.00
	9.58%	10.59%	11.37%	16.05%	-8.56%	12.82%	15.58%	6.39%	4.75%
Debt	197,699.00	184,505.00	187,445.00	236,282.00	233,717.00	227,108.00	257,362.00	252,752.00	284,683.00
	-1.44%	-6.67%	1.59%	26.05%	-1.09%	-2.83%	13.32%	-1.79%	12.63%
Overall deficit/surplus	(0.036)	(0.033)	0.032)	(0.048)	(0.070)	(0.056)	(0.048)	(0.045)	(0.039)

Source: Malaysian Federal Governement Treasury Annual Economic Report (2005-2013)

Table 1.3 Types of Indirect Tax Revenues from 2009 - 2013

Types of Indirect Tax	2009	2010	2011	2012	2013	%
Export Duties	1,152	1,810	2,081	1,968	1,930	5.45
Import Duties	2,114	1,966	2,026	2,282	2,524	7.12
Excise Duties	10,069	11,770	11,517	12,187	12,193	34.42
Sales Tax	8,603	8,171	8,557	9,496	10,068	28.42
Service Tax	3,344	3,926	4,982	5,583	5,944	16.78
Others	2,847	2,864	3,460	3,190	2,770	7.82
Total	28,129	30,507	32,623	34,706	35,429	100.00

Source: Malaysian Federal Governement Treasury Annual Economic Report (2005-2013)

The aim of this study is to identify the perception of manufacturers toward GST implementation in Perak state. First of all, before going forward with the problem statement, research objective, research inquiries and significance of the subject, this thesis takes up with some introduction in sales tax in Malaysia, GST and the dissimilarities in sales tax and GST.

1.1 Background of Study

1.1.1 Sales Tax in Malaysia

Sales tax was presented in Malaysia on 29th February 1972 by the revenue legislation of Sales Tax Act, 1972 (Sales Tax Act 1972, 2006). This act presented subsequent to Malaysian Government spending plan is in deficiency circumstance or expenditures is more than revenues. Sales tax are required when an item is sold to its last client (allude to Figure 1.3). There are two sorts of sales tax which comprise of local sales taxation and import sales taxation. Local sales tax alludes to domestic items made in Malaysia by authorized producer and imposed when those items and merchandise traded, used or

disposed. Whereas imported goods and services into Malaysia will be imposed with imported sales tax at whatever point the goods and services arrived Malaysia border (Salleh, 2009). This execution considered as a solitary stage tax.

The RMCD levies the manufacturer because of a few reasons. Firstly, the sales tax collected from the manufacturer is generally higher. Besides, less regulatory issues are experienced when sales tax is collected from manufacturers, and lastly, the sale price is easier to be determined at the manufacturer's level for tax purposes.

Figure 1.1 Flow of Goods/ Salex Tax
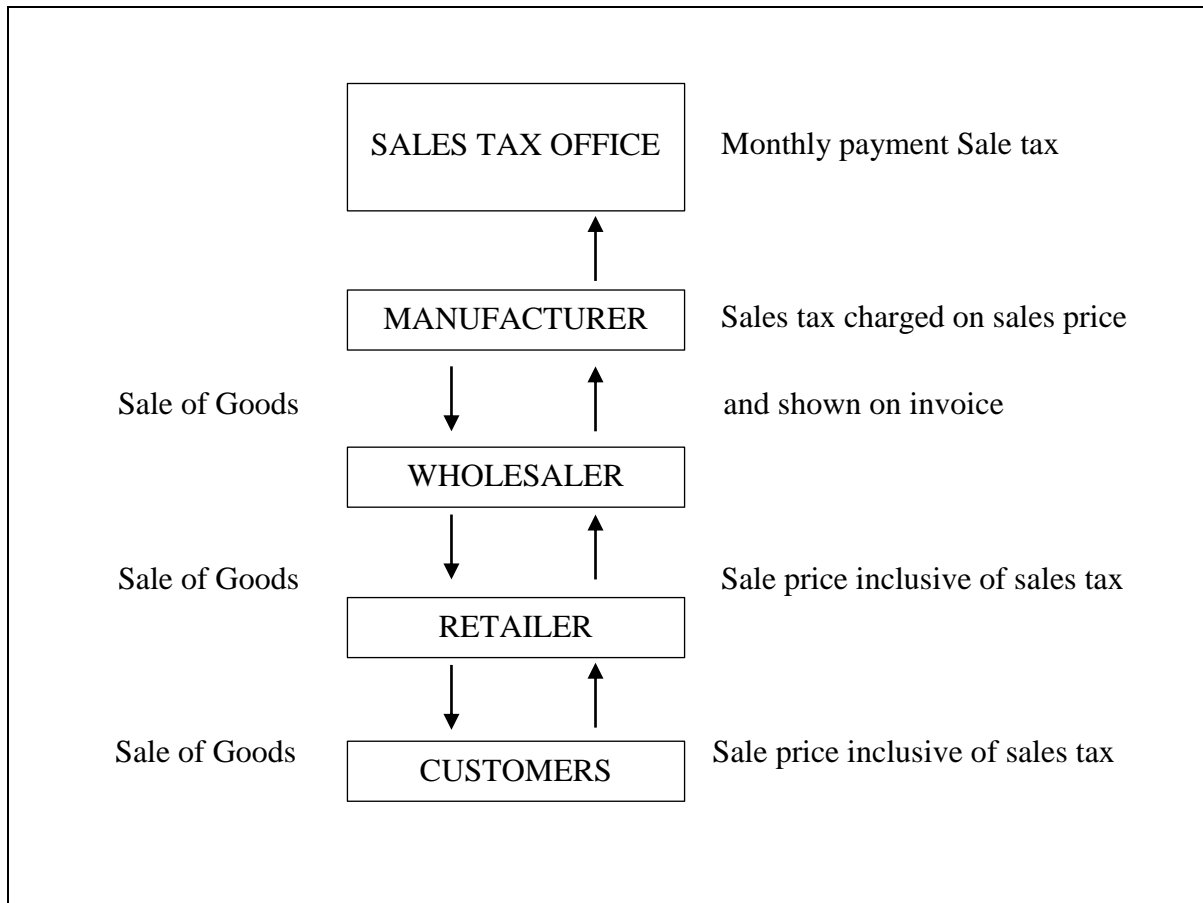
Source: Royal Malaysian Custom Department

1.1.2 Goods and Service Tax (GST)

GST is similarly named as Value Added Tax (VAT) in numerous states which impose levy on goods and services on a multi-stage basis. As indicated by Figure 1.2, GST is forced on the procurement of goods and services at every phase of the production network from the supplier up to the retail level of the scattering (Royal Malaysian Customs Department, 2014). Despite the fact that GST is collected on every period of the production network, the tax component does not turn out to be a part of the cost of the goods due to the fact that GST paid on the business inputs is claimable. Along these lines, it doesn't make a difference what number of stages where an especially goods and services experiences the production network due to the fact that the input tax triggered at the past stage is always deducted by the organizations at the accompanying pace in the production network.

Figure 1.2 Flows of Goods and services

Source: http://www.money4invest.com/gst-malaysia-goods-and-services-tax-in-year-2011/
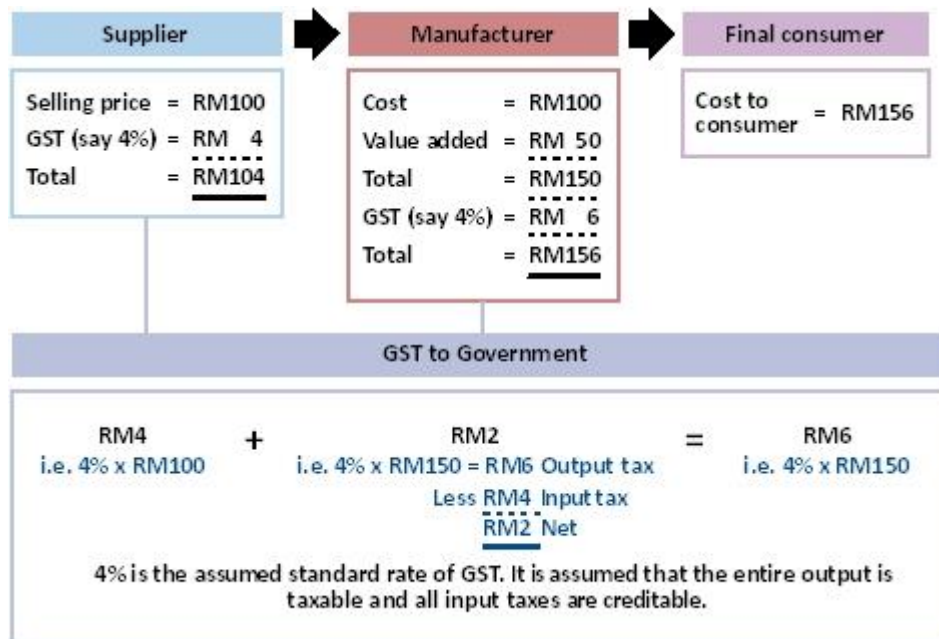
As indicated by RMCD (2014), GST is a tax covering all areas of the economy, i.e. all products and services manufactured in Malaysia comprising imports with the exception of particular products and services which are exempted by the Finance Minister and circulated in the Gazette. When the taxpayers pay tax as scheduled the government can back financial improvement; which incorporates giving foundation, providing infrastructure, welfare, education, medicinal services, national security and so on (Joseph Loh and Hariati Azizan, 2010).

The idea driving GST was developed in the year 1950s by a French tax official. Presently more than 160 countries, with the European Union and Asian countries, for instance, China, Singapore and Indonesia carry out this kind of assessment framework (refer to Figure 1.3).

Figure 1.3 Assessment Framework

Year	Country	Rate
1980	China	17.0%
1985	Indonesia	10.0%
1985	New Zealand	12.5%
1991	Thailand	7.0%
1994	Singapore	5.0%
1994	United Kingdom	17.5%
1996	Philippines	10.0%
2000	Australia	10.0%
2005	India	12.5%

Source: Royal Malaysian Custom Department

1.1.3 The difference between Good and Services Tax (GST) and Sales tax

GST includes the entire production network (refer to Figure 1.2). It is totally different from Sales tax structure, authorized just at one stage (Figure 1.1). Through a GST framework, there is a note tracing of all transactions identified with a specific good. It is challenging for fraudulent businesses to cheat by daunting tax on purchasers when they don't meet the criteria.

The proposed GST in Malaysia is just at 6% while the current Sales tax is at a 10% rate. In perspective of this, the specialists' trust that the costs of some goods and services could be lower under GST in light of the fact that rate is not as much as sales tax (The Star Online Turns, 2014).

1.1.4 GST in other countries

There have been numerous studies in different nations on GST. As indicated by Poh (2003), GST is otherwise called wide based utilization charge. Countries like China (1980), New Zealand (1985), Singapore (1994), and Australia (2000) have made expense change by presenting GST to improve the objectivity of the taxation frameworks as the primary target. In Australia, the government instigated GST on July 1, 2000 to stay aware of the development in the industrialized states that have moved from direct to indirect taxation (John Asafu-Adjaye and Renuka Mahadevan, 2002). They found that GST has an element of social advantage on the grounds that the GST is utilized as a system for redistributing consumption towards the poor citizens. The completing of the GST in Australia was effected on products and services which include consumer price index (CPI) basket, for example, food, clothing, footwear, alcohol and tobacco, housing: household furnishing, supplies and services and many more.

According to Micheal Smart and Richard (2008), VAT are more better to retail sales tax (RST) or gross receipt tax (GRT) because the RST usually has a tapered consumption base and is more feasible to open to tax evasion. While GRT has very broad basis because it

encourages considerable tax cascading via the value added chain, it misleads the relative price of business input, especially capital goods.

VAT was developed in China in 1980s. It is considered as a stable monetary income and to animate fast financial advancement. With respect to the GST execution, Poh (2003) claimed nations alike Singapore and Australia are considered as a very good example in executing the GST. In Singapore, the government doesn't rely on direct duty, while the GST is their main income by provides financial aid to work, boosts enterprises, stimulates investments as well holds the worldwide aggressiveness in inviting external competency and speculations.

1.2 Problem Statement

According to Table 1.2, the Malaysian government has suffered a deficit since 2005. The Malaysian government is restless with the income generated through the collection of direct tax as it will be not able keep up venture with the development of operating and improvement expenses (Ariff, 2009). As a result, GST will be one of the approach to overcome the major crisis in Malaysia. GST execution is a footprint that will secure the debt and deficit do not hit the point where the Federal Government would be unable to compensate. In the indirect tax collection, sales tax contributed approximately 28% and further contributed approximately to government revenue of 16% in 2013.

There is dependably challenge for a nation to execute another framework or approach as it has to consider the broad impact on individual citizen, organizations, government and the entire economy. The government need to adjust the enthusiasm between the advantages and disadvantages of the new approach alongside the long haul objective. Subsequently, the government ought to mindful of the difficulties of GST keeping in mind the end goal to secure the interest of public and to stay away from any unintended outcomes by giving satisfactory of information to the general population, adequate of time and more training programs ought to be occur with a specific end goal to individuals especially businesses houses which include manufacturers, wholesalers, and retailers who are as yet battling on the execution of the GST.

There are many researches have been conducted on the challenges in implementing GST in Malaysia and the taxpayer's compliance issue considered as a main issue in RMCD. Therefore, the main focus in this area is that of compliance behavioural conduct among manufacturers to pay GST in Malaysia. In admiration of compliance conduct, two common theories have been connected in this field are the Theory of Planned Behaviour (TPB) and Financial Self – Interest Expanded Model (FSIEM). The theories say that conduct alludes to an individual or person that influenced by elements, for instance, subjective norms, attitudes and perceived behavioural control. At that tip with these elements, FSIEM also been adopted which include tax knowledge, tax system complexity and laws and enforcement equally further to recognize the compliance behaviour among manufacturers in Perak State.

1.3 Research Objectives

1.3.1 General Objective

To identify the factors that influences the intention of manufacturer towards GST compliance.

1.3.2 Specific Objective

I. To investigate the relationship between manufacturer's attitudes and GST compliance.

II. To investigate the relationship between manufacturer's subjective norms and GST compliance.

III. To investigate the relationship between manufacturer's perceived behavioural control and GST compliance.

IV. To investigate the relationship between manufacturer's perception on tax law and enforcement and GST compliance.

V.   To investigate the relationship between tax knowledge and GST compliance.

VI.   To investigate the relationship between tax system complexity and GST compliance.

1.4 Research Questions

I.   Is there any relationship between manufacturer's attitudes and GST compliance?

II.   Is there any relationship between manufacturer's subjective norms and GST compliance?

III.   Is there any relationship between manufacturer's perceived behavioural control and GST compliance?

IV.   Is there any relationship between manufacturer's perception on tax law and enforcement and GST compliance?

V.   Is there any relationship between tax knowledge and GST compliance?

VI.   Is there any relationship between tax system complexity and GST compliance?

1.5 Significance of Study

GST is perceived by the government as another opportunity to expand its revenue in the wake of anguish a deficiency since 2005. Malaysia at this point can be classified as a latecomer to GST as several numbers of nations have effectively executed GST, for example, Singapore and New Zealand (Poh, 2003).

This research is on GST where it concentrates on the perception of taxpayers in the direction of GST execution in Malaysia. The indirect tax, for instance, sales tax has gotten little attention compare to income tax revenues. Revenue authorities are relied upon to use the finding of manufacturer's perceived behavioural control about goods and services tax so it will help policy makers to mend tax compliance, which enhances the revenues accessible for supporting public services without expanding the present taxation rate.

Ultimately it will satisfy Royal Malaysia Custom's mission in collecting tax and providing customs assistance to the industrial and trade zones. Simultaneously, it will improve law enforcement for the country's monetary needs, social and security interest.

The study is vital as it identifies the elements that lead the taxpayer's toward GST compliance. Specifically, it tries to study the role of taxpayer's subjective norms, attitudes, perceived behavioural control, laws and enforcement, tax knowledge and tax system complexity on the GST compliance.

1.6 Chapter Layout

Chapter 1 Research Overview

This chapter is the introduction to the study context and explanations of the research problems. It cover the research objectives which consists of the general objective and specific objectives, research questions, hypotheses and significance of the study to the development of management theory and practice.

Chapter 2 Literature Review

Chapter two outlines the review of relevant literature of this research topic. The literature review will cover the definition of terms used in this research and the review of relevant theoretical model. The conceptual framework of this study will also be presented in this chapter follow by the hypothesis development and a conclusion to conclude the overall of this chapter.

Chapter 3: Methodology

Chapter three describes the overview of the research methodology that will be applied in the research. These includes research design, data collection methods applied in this study, sampling design, research instrument used, explanation on constructs measurement, data processing and data analysis.

Chapter 4: Data Analysis

The results of the analysis will be presented through descriptive analysis, scale measurement and inferential analysis as well normality test in chapter four.

Chapter 5: Discussion, Conclusion and Implications

Eventually, constructive discussions and conclusion will in this chapter. This chapter will summarize the statistical analysis, discuss the main findings, implicate the final results of the study, point out the limitations of the study and provide recommendation for future research.

1.7 Conclusion

Overall, this section has discussed about the research background and the research problems. Besides, the research objectives, research questions, and the hypotheses of the study also was developed. Furthermore, the significance of the study and chapter layout also was included in this chapter. In the next chapter, the review of literature that are related to the relevant theoretical models will be discussed.

CHAPTER 2: LITERATURE REVIEW

2.0 Introduction

This section wrangles about the literatures pertaining to the theory pf planned behaviour (TBP) as the underlying theory of the subject. Comprehensively, the expectation of this part is to recognize the self-directed variables that would prompt goods and services (GST) compliance behaviour among taxpayers.

2.1 Goods and Services Tax (GST)

A study about the taxpayers' perception of indirect taxation in Malaysia was conducted by (Mansor, Tayib, & Yusof, 2005). The research was also about GST which the Malaysian government was expected to implement in 2007. The GST system proposal was presumed to be the answer as the aggregation of other indirect taxes was very pathetic. Since there is no benchmark available, it could not be determined whether the indirect tax was poorly collected by RMCD or otherwise. Furthermore, past studies focus on direct taxes.

2.2 Tax Compliance

In Malaysia, researches on tax compliance have been tended to by a few analysts. Notwithstanding, studies on tax compliance behaviour, particularly on indirect tax are rare (Salleh S. H., 2009). Consequently, this research ideally adds to the literary works on obedience conduct in indirect taxation. As for tariff obedience, past analysts had concentrated on the taxpayers' tax awareness and their happiness (Hj. Mohamad, Ahmad, & Deris, 2007). The research exploits the theory of planned behaviour and financial self – interest expanded model to determine taxpayer's perception toward GST execution. The cause for exploiting the TBP is portrayed in the accompanying part.

2.3 Theory of Planned Behaviour

Numerous researchers have applied the theory of planned behaviour (TPB). TPB is an expansion of theory reasoned action (TRA). The contrast in the middle of TRA and TBP is the consideration of saw behavioural control in the last hypothesis (allude to Figure 2.1 and Figure 2.2). Ink TPB, focus on the individual's behaviour of interest which, influenced by their own intention.

TPB hypothesizes three autonomous elements of intentions, i.e. attitude toward behaviour, subjective norms and the degree of perceived control. The addition of perceived behavioural control was found greatly to improve the prediction of behavioural intentions to the variables held in the original theory of reasoned action (Icek Ajzen & Martin, 1980). Behavioral execution in the theory is anticipated from individuals' intents and from their view of control over the behaviour (Doll & Ajzen, 1992).

Figure 2.1 Theory of Reasoned Action
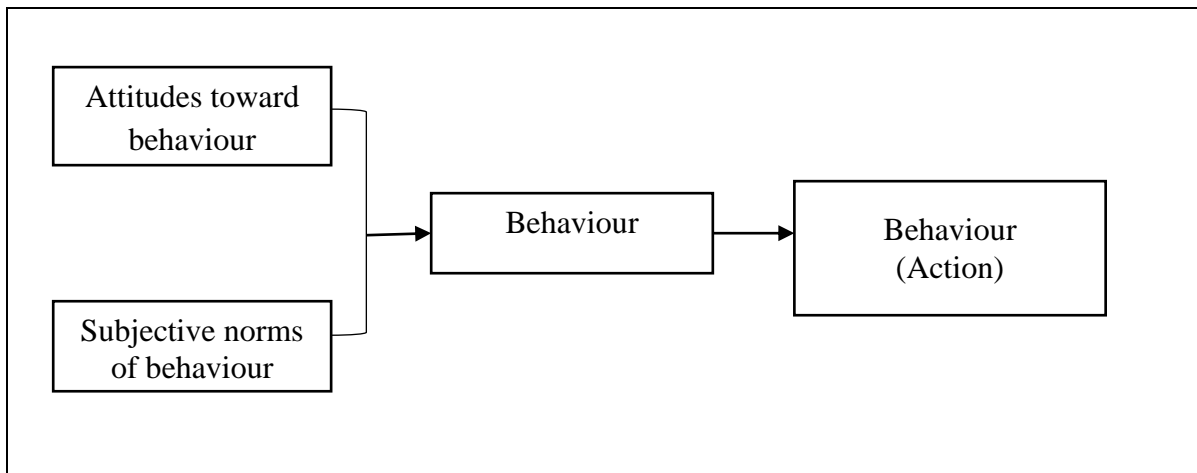
Source: Fishbein, Icek Ajzen & Martin (1980)

Figure 2.2 Theory of Planned Behaviour
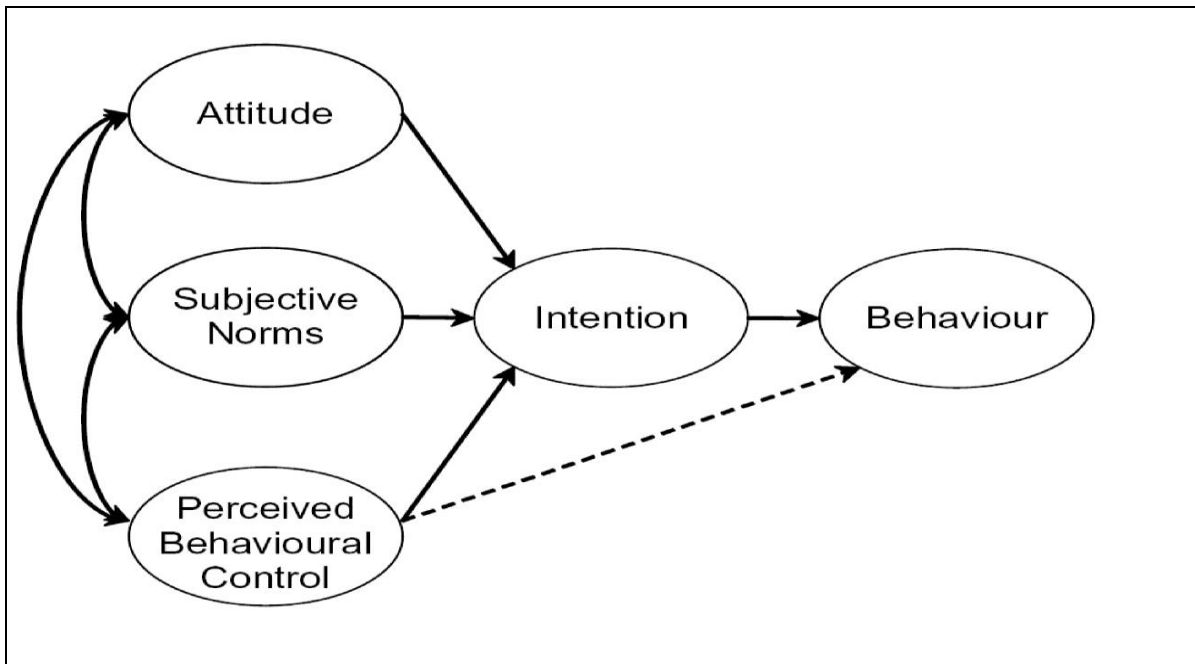
Source: Ajzen (1991)

Taking into account the writing of the perception of manufacturers toward the execution of GST, the accompanying components are integrated in this study: attitude, subjective norms and perceived behavioural control.

2.3.1 Attitude

Attitude is delineated as having relatively durable characteristics. Fishbein & Ajzen (1980) defiant attitude as the level to which an individual sustains a positive or negative valuation of his or her performing the conduct.

One of the components that focus attitude is behavioural conviction, which obliges valuation of the matters or results of a specific conduct. According to Ajzen (1991) sentiments of favour and disfavour behaviour reflect the attitudes towards compliance. A late study by E.C Loo, M. McKercher & A. Hansford (2010) additionally underlined that attitudes towards tax framework emphatically impact compliance behaviour.

Consequently, an individual with positive attitude would never flush it to comply with the taxation scheme and the other way round.

There are two extents of attitudes, to be specific, instrumental attitude and affective attitude. Instrumental attitude alludes to a more psychological thought to which executing a conduct would be beneficial while affective attitude manages feelings, for example, feeling cheerful or dismal when performing a certain conduct. It is excessively believed that a positive attitude towards a tariff arrangement indeed is the impact of positive reasonableness recognitions.

At the end of the day, positive reasonableness recognitions may go about as the precursor of a positive attitude. Subsequently, it is normal that taxpayer with positive view of the attractiveness of the tariff framework are more plausible to maintain uplifting attitudes towards the taxation framework and along these lines urge them to consent. The taxpayer attitude may be controlled by numerous components which thus impact taxpayer's conduct. Some of those causes that effect tax obedience behaviour include taxpayer's perceptions of the taxation system, subjective norm, their apprehension of a tax system, and ethics of the taxpayers and the fairness of the tax systems. The taxpayer's attitudes and feelings about the taxation scheme can bear on their nature to pay or avoid tax.

As per Robert E. Chestnut Jr & Mark J. Mazur (2003), duty consistence is indicated as multi-faceted measure and hypothetically, it is dictated by taking a gander at three particular sorts of submission, for instance, filing compliance, payment compliance and reporting compliance. These are categorised under administrative compliance and technical compliance which alludes to consenting to administrative rules of lodging and paying generally alluded to as procedural compliance, regulatory compliance or reporting compliance. Tax obedience is the stage to which taxpayer conform to the tariff law.

Taxpayer understand the equity and fairness of the tariff framework are linked with their viewpoints about paying tariff. It is clear that there is an immediate connection between one's perspectives about the fairness of the taxation framework and perspectives about paying tax. As indicated by (Wensel, 2007), taxpayer characters impact their commitments and obligations. He excessively discovered their character processes in taxpayer conduct by recognizing the relations between numerous comprehensive self characterized in the

taxation discernment, awareness and morality, which are the key social elements in tariff obedience. There are connections between education and tax behavior. The high fiscal information connects with uplifting attitutes towards taxation. Tax attitude is enhanced through better tax knowledge. The other protoganists of the attitude towards the levy framework that positively impacted obedience behaviour was from E.C Loo et. al. (2010) and James, Ariffin, & Idris (2011). These researches impulse taxpayer to comform and the other way around.

Murphy (2005) said the perception of biased taxation rates can influence taxpayer's' views about paying tariff and can influence their compliance behavior. In this manner, the perceptual experience of biased tax can be delineated as an unpleasant attitude that influnce the behaviour not to consent to tariff regulations. As per Breckler & Wiggins (1989), instrumental attitude alludes to a more psychological thought to which performing a conduct would be favorable while affective attitude manages feelings, for example, feeling positive, awful, guilt when performing certain behaviour.

In the context of GST compliance, Yong & Rametse (2009) noticed that numerous taxpayers of small businesses are aversion doing GST work because of the dreary working papers that should be completed. At the point when this happens, the taxpayers have the propensity not to agree to the tax scheme. Grounded along the above controversy, it is sensible that the accompanying hypothesis is tested.

H1: There is a significant relationship between manfacturer's attitudes and intention to GST compliance.

2.3.2 Subjective Norm

Subjective norm reveals inspiration to fit in with critical referents either to go along or not to consent to assessment commitments. A survey of variables bearing on compliance from year 1986 to year 1997 discloses individual compliance behaviour is closely interrelated with his or her peers (Richardson & Sawyer, 2001). This position is cognizant with Bobek (1997) who discovered compliance behaviour in a business deduction situation is significantly influenced by subjective norm. Bobek further his research in Singapore,

Australia and the US, additionally discovered subjective norm as a compelling component in clarifying tariff compliance behaviour. Grounded from the literal writing, this research trusts that subjective norm would definitely impact taxpayer's compliance towards taxation.

Granting to TPB, subjective norms gives direct impact towards behavioural intention. This force influences an individual either to act or not to act (Ajzen, 1991). Subjective norm is situated when an individual influenced by a possible referent individuals particularly in group or people endorse or object to perform the certain behaviour (Ajzen, 1991; Martin Fishbein & Icek Ajzen, 1980). Subjective norm is set up as an immediate determinant of behavioural intention in theory of planned behaviour (Ajzen, 1991).

Under significant social impact and social force, an individual would execute the conduct despite the fact that the individual is not for performing the conduct (Venkatesh & Davis, 2000). Yet, surveys have shown mixed results concerning subjective norm as an indicator of intention. Some have demonstrated no considerable relationship between subjective norm and intention (Chau & Hu, 2001; Davis, Bagozzi, & Warshaw, 1989; Lewis, Agarwal, & Sambamurthy, 2003; Mathieson, 1991) and some studies have shown a generous connection relating to subjective norm and intention (Chan & Lu, 2004; Fu, Farn, & Chao, 2006; Venkatesh & Davis, 2000). Yet again in numerous studies directed in our country (e.g. Gopi & Ramayah, 2007; Aafaqi & Ramayah, 2004; Yulihasri, 2004), indicate that subjective snorm is a basic marker of aim to utilize in the Malaysian setting.

- **Social influence.** Social impact is when an individual sees other individuals who are seen as vital to them trust that they should utilize the tax structure (Venkatesh, Morris, & Davis, 2003). Social impact embodies subjective norms, social components and image. The construct "social norms" has been used in former literary works and is like "subjective norms" (Thompson, Higgins, & Howel, 1991). It has likewise been noticed that the social influence develop contains an explicit or an implicit perception that individuals' conduct is affected by the way they trust others will see them as a result of having utilized the technology (Venkatesh et al., 2003). These impacts in a compulsory context could be attributed to compliance that causes social influence to induce an immediate impact on intention (Venkatesh, 2000). In contrast, social influence in voluntary contexts,

as in this study, functions by influencing perceptions about the technology knowhow. Earlier e-government writing has researched social influence as a substantial indicator of intention to use (Al Awadhi & Morris, 2008).

- **Companion (peer) influence.** Companions are typically alluded to taxpayer's partners which include relations, families and associates (Jackson & Milliron, 1986). The companion influence is replicated in a person's desire in joining to obey or disobey with that rebelliousness conduct. Scott & Grasmick (1982) propose that respondents with companions who practice tariff noncompliance are more probably to obligate as well. An overview taken by Mason, Calvin, & Faulkenberry (1975), they observed that individuals with taxation rebelliousness behavior are more potential to discuss tariff matters with their companions. A research coordinated by Chan, Troutman, & O'Bryan (2000) similarly revealed that taxpayer may in any case confer rebelliousness conduct as this resistance is predictable with in-group expectations and norms.

- **Culture.** Culture is considered to be a capable domain that influences taxpayer's obedience. Diverse social norms and moral qualities will make distinctive drives for tariff submission. According to Blanthorne & Kaplan (2008), moral qualities exaggerated by social norms might restrict individual from taking part in tax evasion. Hofstede (1980) generally utilized the cultural structure. Taking into account, an attitude review of around 116,800 IBN workers, Hofstede distinguishes four basic societal qualities; power distance, uncertainity avoidance, masculanity and individualism. This study has discovered critical contrasts between the US and Chinese residents (Hofstede, Hofstede, & Minkov, 2010).

Not all cultural measurements influence taxpayer's obedience. Chan at al. (2000) suggest that the cultural measurements influencing tariff compliance are individualism and collectivism. In Hofstede's study, individualism and collectivism allude to the level of interdependence a community upholds among individuals (Hofstede et al., 2010). The cultural measurement of individualism identifies with the level of assimilation a community upholds among its community individuals. A high individualism culture is marked by individuals concentrating on themselves instead of on the group to which they belong. Under this viewpoint, an individual is seen as distinguishable from and sovereign of a group affiliation. Interestingly, a high individualism culture, for instance, in the US is

connoted by individuals concentrating on themselves as opposed to the group to which they hold a position. Under this point of sight, they regard themselves as singular entities and spot extraordinary quality on individual rights. These cultural variability may cause an immediate effect on moral qualities and ethical advancement and eventually influencing tariff obedience decisions. A research directed by Chan at al. (2000) noticed that the nature of the individual affects their consistence endeavors.

In this circumstance, an exploration on GST consistence is yet to be refined by using TBP model. Yet, examines on direct tax consistence conduct might be adjusted to integrate subjective norms in the investigation of indrect tax consistence. Saad (2009) comparably determined that subjective norm is an influential variable in elucidating tax consistence conduct. In energy about the above contention, it is practical that the underneath hypothesis is being inspected.

H2: There is a significant relationship between manfacturer's subjective norms and intention to GST compliance.

2.3.3 Perceived Behavioural Control (PBC)

Rendering to TBP created by Ajzen (1991), perceived behavioural control (PBC) is a significant determinant of behavioural goal and actual conduct. PBC mirrors a person's discernment on the easiness in executing a specific conduct. A conduct that is stress-free to accomplish is high in PBC, while low PBC is when it is tough to accomplish (Ajzen, 1991). Besides, the author recommends that a person with high PBC will be more prone to perform the conduct in connection than a person with lower PBC. Case in point, individuals who have high PBC in performing a day by day physical movement are more inclined to practise the action than those with lower (Ajzen, 2006).

As per Saad (2009) when an individual trusts that he or she can effectively finish and record their assessment form frames with authority with no errors, the PBC will high and will high tendency to conform to the tariff commitments. In like manner, if an individual trusts that he or she can abstain from tariff payment and not caught by a tariff inspection,

the individual PBC will be high over non-going along, in addition to more inclined to abstain from tariff payment.

Past researches proposes that PBC is fundamentally connected with behavioral intention and genuine conduct (Donna & Hatfield, 2003; Kraft et al., 2005; Park & Blenkinsopp, 2009; Pavlon & Chai, 2002; Salman & Sarjono, 2013; Trivedi et al., 2005). In the field of tax, Ampofo, Mujtaba, Cavico, & Tindall, (2011) discovered that PBC is absolutely identified with the intention to consent to tax. Comparative result was additionally detailed by Trivedi et al. (2005). Studies in different fields, for example, moralities additionally demonstrate steady discovering whereby PBC substantially related to behavioral intention (e.g. Park & Blenkinsopp, 2009). In appreciation of the above argument, it is virtual that the below hypothesis is being examined.

H3: There is a significant relationship between manfacturer's perceived behavioural control and intention to GST compliance.

2.4 Financial Self – Interest Expanded Model

The financial self-interest expanded model was built up from financial self-interest model (FSIM) which was presented by (Becker, 1968). FSIM utilized economic crime way to deal with direct tariff compliance. The model subjugated associating the consequence of benefits by evading the tariff payments and the danger included if discovered blameworthy and subject to fine by tax authority. This model, propose tax rates, probabilities and penalty structure as cause factor to compliance cost that will impact to compliance conduct (allude to Figure 2.3).

Figure 2.3 Financial Self-Interest Model
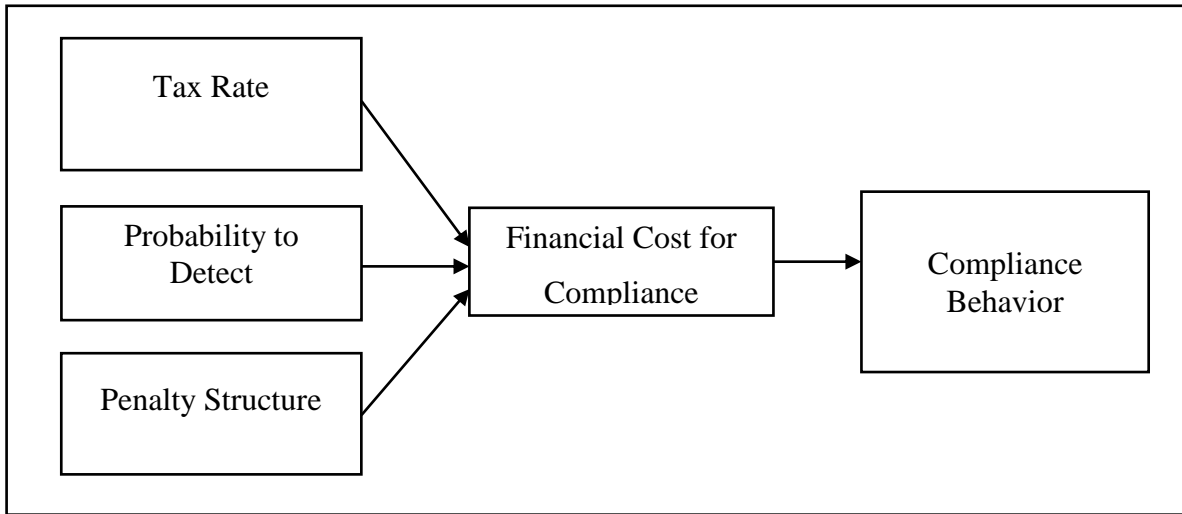
Source: Becker (1968)

Even though there are empirical statement to support that compliance behavior influenced by tax rate, detection and penalty, but researchers such as Fischer, Wartick, & Mark (1992) agreed that those factor is not only factor that influence compliance behaviour. Therefore, financial self-interest model is not describing the overall factors that influence compliance behaviour (Jackson & Milliron, 1986).

Despite the fact that there are experimental statement to bolster that compliance behaviour influenced by tax rate, detection and penalty, however investigators, for example, Fischer, Wartick, & Mark (1992) concurred that those component is not just variable that impact consistence conduct. In this way, financial self-interest model is not portraying the overall variables that impact obedience conduct. Jackson & Milliron (1986) have recognized 14 variables that are universally used in compliance behavior study. These variables are characterized in four groups.

i.   Demography (age and gender)
ii. Opportunity to evade (education, income indicator, source of income, occupation)
iii. Attitude and perception (ethic, fair perception in tax system)

iv.   Tax structure (tax system complexity, relationship with tax authority, tax rate, probability to detect, penalty structure)

Based on Jackson & Milliron (1986) finding, Fischer et al. (1992) developed financial self-interest expended model as shown in Figure 2.4.

Figure 2.4 Expanded Model – Taxpayer Compliance
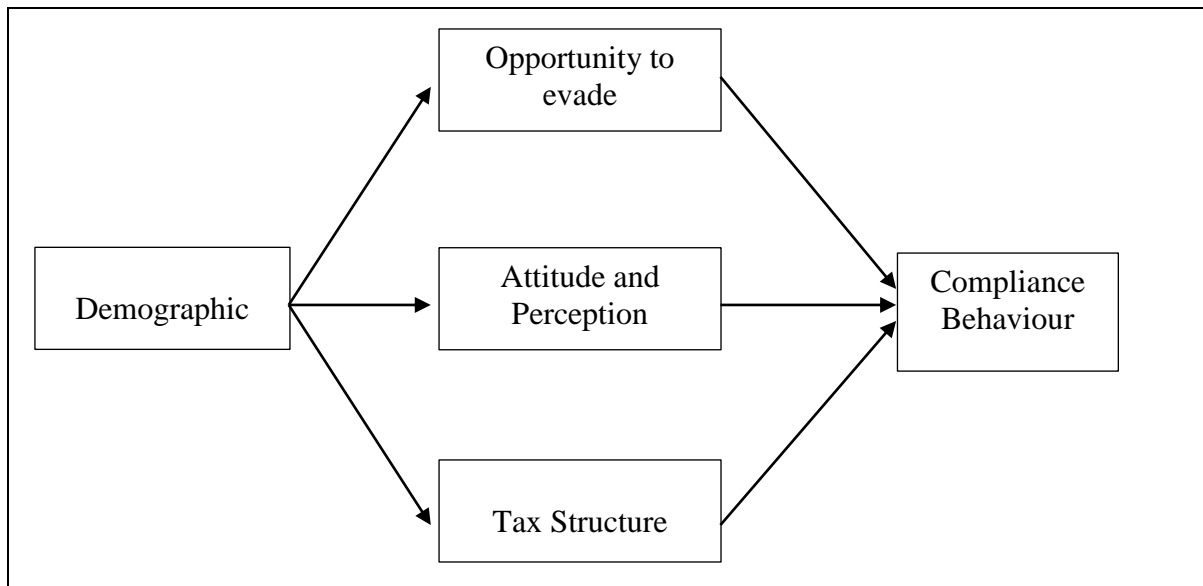
Source: Fischer et al. (1992)

Fischer et al. (1992) noticed that there are three direct groups and one indirect group behaviour that effect tariff obedience. The first group is the opportunity to evade variable which most researchers investigate is education, income indicator, source of income and occupation. It reflects directly to compliance conduct and impacts other variables in the attitude and perception categories. The second group is attitude and perception variable that most researchers study is on ethnic and fair perception in tariff farmework, which reflect straightforwardly to compliance conduct. The third group is on tax structure variable that most researchers investigate on tax system complexity, relationship with tax authority, tax rate, probability to detect and penalty structure. It reflects straightforwardly to consistence behaviour and impacts other variable in attitude and perception categories.

The last group is demographic that is age and sexual orientation, which can't impact consistence conduct straightforwardly yet it is constantly utilized as a pointer to distinguish other groups, for example, opportunity to evade and attitude and perception in tariff compliance conduct.

Despite the fact that, the above models propose assortments of variables that influence compliance conduct, however not all has association with goods and services tax compliance. The accompanying area of this section will talk about variables which are accepted to influence the goods and services tax compliance behaviour from Malaysian context.

2.4.1 Tax Law and Enforcement

One of the components that can impact compliance conduct of goods and services tax is discernments on law and enforcement developed by RMCD. Case in point, alluding to Sales Tax Act 1972, law identified with this study for those neglect to enlist in the framework or dodge tariff payment is liable to punish. As indicated by Kamil (2009), law is an intrument in controlling and directing certain authorities, which are comprehensive. Law and enforcement be present primarily to regulate and confirm the citizens to fulfill their reponsibilities by complying with the law. In push to keep the tax evasion, customarily, the government relies on upon criminal and civil penalty. Tax evasion still happen despite the fact that tax authorities expand the volume in reviewing process and force high punishment. Taking into past studies, the result determined that the probabilities in following and punishments force on the taxpayer evasion give a little positive effect on his or her behaviour to comply (Verboon & Dijke, 2007).

A positive relationship between law perceptions and high enforcement with intention to comply was found by Allingham & Sandmo (1972). They applied economical criminal approach to describe tax behaviour and believed that if tax evader located and major penalty imposed, tax compliance would incease. Trivedi et al. (2005) also found that when tax authority increases auditing activities, tax declaration acitvities also increase.

A positive relationship between law perceptions and high enforcement with intention to comply was found by Allingham & Sandmo (1972). They connected economical criminal approach to describe tax behaviour and understood that if tariff evader located and significant punishment forced, tariff obedience would escalate. Murphy (2005) which found that money related punishment charged to tax evader could be the best arrangement averting tax evasion. Trivedi et al. (2005) likewise found that when tax authority rises auditing practices, tax declaration acitvities additionally increases.

Referring to Wensel (2007), taxpayers recognizes their responsibilities and commitments. The Wenzel observational study demonstrated that, more positive tax morals, predicted stronger shame and guilt if discovered avoiding tariff, and attributed more noteworthy legitimacy to the taxation system.

The above researchers, concentrated on direct levy, however no exploration has been considered in the indirect tax environment. Along these lines, this study will take taxpayer perception on tax law and enforcement as a variable in this study. In energy about the above line of thinking, it is essential that the beneath hypothesis is being tested.

H4: There is a significant relationship between tax law and enforcement and intention to GST compliance.

2.4.2 Tax Knowledge

As indicated by Eriksen & Fallan (1996), education level concerning tariff is critical as key reference to current tariff frameworks and can impact taxpayer's behavioural intention towards tariff obedience. According to them just a couple studies have considered how behaviour in regards to tariff compliance is affected by particular knowledge in regards to tax legalization. In this manner, it is conceivable to think about whether the knowledge variable impacts the taxpayer's consistence conduct towards goods and services tax implementation..

According to Saad (2014) further studies attempted in Malaysia additionally recommended tax knowledge to be the most prevailing component to determine taxpayer's intention to

comply towards taxation system. This is empirically developed by numerous studies (for instance, E.C Loo et al., 2010; Kasipillai & Hijattullah, 2003; Carnes & Cuccia, 1996) which archived that having tax knowledge would prompt higher compliance rates. This was likewise supported by Eriksen & Fallan, (1996), the tax rate avoidance diminishes with the expansion of tax knowledge which consequently lead to high tariff compliance behaviour.

Previous tariff compliance scholars found that knowledge decidedly related with tax enactment framework and influence compliance bahaviour towards taxation system (Eriksen & Fallan, 1996). Past studies have prove that general tax knowledge has a cozy association with taxpayer's ability to comprehend the laws and regulations of tariff, and their intention to conform to tariff law (Singh, 2012). As per Palil (2010) and Chan et al. (2000), they discovered that individual with high level of education will have a high tendency of obedience. They contend that educated individual will be mindful of rebelliousness chances, yet when he or she induces a fuller apprehension of the duty framework and his or her greatest stage of moral development stimulates a more positive attitude and subsequently contribute to more prominent compliance. Moreover, they urged that those with a higher assessment information will probably have a higher degree of moral growth and more elevated approaches toward compliance and along these communication channels will receive a higher propensity to get along with.

As indicated by Palil (2005), detailed tax knowledge consolidates information about tariff rules with monetary information to make it conceivable to compute financial cost for taxpayers. Upgrading the level of general fiscal information, tariff obedience improves in light of more positive recognitions about assessment. Revenue agencies ought to present individuals with comprehensive tariff information and method to conform to the essentials, including making returns, instalment modalities, and approvals regarding nonconformity (Mukasa, 2011). Education to taxpayer has been enrolled as a crucial factor to determine Uganda's extremely poor taxpaying society (Kuteesa et al., 2010).In the meantime, Mukasa, (2011) additionally expressed that tax knowledge and tariff obedience have a positive relationship as tax knowledge increases, consistence also rises. This manifests that, it is plausible that were a taxpayer has great knowledge about tariffs, and later that he or she will likely concur. The above researchers, focused on direct taxation but no research

has been studied in the indirecr tax environment. Therefore, this study will take goods and services tax knowledge as a variable in this study. In appreciation of the above argument, it is virtual that the below hypothesis is being examined.

H5: There is a significant relationship between tax knowledge and GST compliance.

2.4.3 Tax System Complexity

Tax system complexity and compliance can examine whether a simple tariff framework makes conform and supports compliance. Tax system density in terms of numerous documentations, for example, computational difficulty, forms density (American Institute of Certified Public Accountants, 2002), procedural density (Cox & Edger I, 2006), rule complexity, compliance complexity (Carnes & Cuccia, 1996), and high difficulty in readability (Pau et al., 2007; Saw & Sawyer, 2010). Writers for the most part agree that tax complexity emerges because of the expanded complexity in the taxation regulation (Richardson & Sawyer, 2001; Strader & Fogliasso, 1989).

Mustafa (1996) examined taxpayers' awareness toward the self-assessment system (SAS), recommended tax system in Malaysia is too complex, especially in recordkeeping, excessive elements in tariff law and vagueness. The discoveries were moderately consistent with Long & Swingen (1987). Such complication was likewise exist in Australia which influences individuals to employ tax agencies in managing their tariff submissions (McKerchar, 2001; 2003).

Richardson G. (2006) , in his examination on 45 nations, found the density is the utmost imperative contributing factor of non-obedience. His discoveries were steady with Cox & Edger I (2006). These researchers noticed bureaucratic in tax system adds to individuals non-compliance. They found that individuals will probably comfort when the tax law was seen as less perplexing.

Interestingly, a later study on the salaried individuals likewise recommended the tax complexity in the income tax law (Saad, 2014), in spite of having less calculation included (contrasted with the business taxpayers) in conforming to their duty obligations.

Essentially, the latest study embraced by Isa (2014) similarly discovered record-keeping, tariff computations and tariff imbiguity to be classified in tax complexity. Readability issue in Malaysian taxation law is also discovered as the tax system complexity by these three studies (i.e. Mustafa, 1996; Saad, 2014; Isa, 2014).

From the above writing, it can be presumed that the higher the duty structure complexity, the behavioral intention to go along with taxation will be low. Consequently this research will consider the tax system complexity as a variable to be considered. Grounded along the above explanations, it is sensible that the accompanying hypothesis is tested

H6: There is a significant relationship between tax system complexity and intention to GST compliance.

To sum up this review, this study focuses on taxpayer's perception in Perak state towards GST execution. Two common theories have been connected in this field are the Theory of Planned Behavior (TPB) and Financial Self − Interest Expanded Model (FSIEM) as the foundation in this study. This study concentrates on the attitude, subjective norm, perceived behavioural control, opportunity to evade on tax knowledge, tax structure system on tax system complexity and taxpayer perception on tax law and enforcement because it contributes to the role in influencing human behavior.

2.5 Conceptual Framework

The purpose this research is to study the relationship between taxpayer's behaviour and GST compliance. An establishment of theoretical framework for detailed taxpayer behaviour is using adopted theory of planned behavior by Ajzen (1991) and expanded financial self-interest model developed by Fischer et al. (1992). This study will ponder on the relationship between dependent variable on taxpayer's behavioural intention on GST compliance and independent variables, which can categorized to three- category such as attitude, subjective norms and perceived behavioural control under TPB theory and the remaining three variables under opportunity to evade and tax structure system of expended financial self-interest model. Opportunity to evade variable consist of tax knowledge while

tax structure system consist of tax law and enforcement and tax system complexity. The conceptual framework adapted from TPB and financial self-interest expended model is shown in Figure 2.5.

Figure 2.5 Theoretical Framework of the study
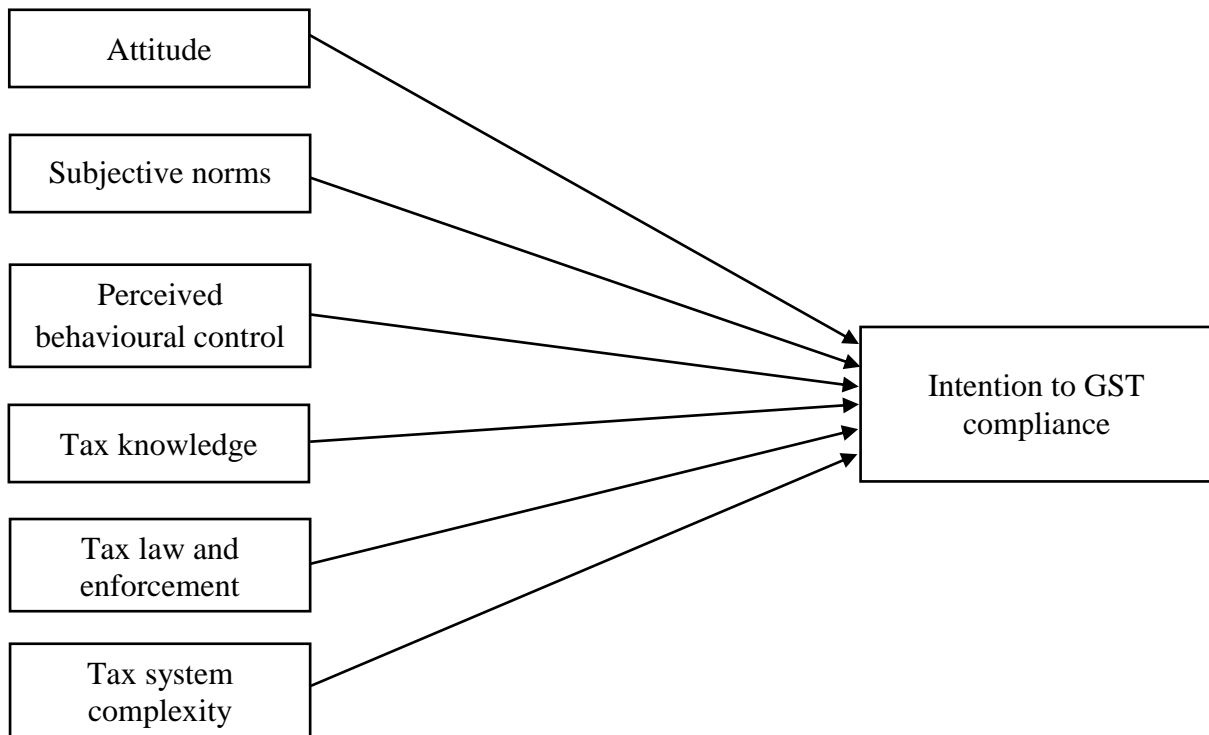
Source: Developed for the research

2.6 Conclusion

To recapitulate, this study focuses on taxpayer's perception in Perak state towards GST implementation in Malaysia i.e. whether or not he or she would comply with GST when it is implemented. Theory of planned behavior (TBP) and expended financial self-interest model are used as the underpinning theories in this study. In conceptual framework, compliance behavioural intention is the dependent variable, with the three independent variables are from TPB which consist of attitude, subjective norms and perceived

behavioural control and another three independent variables are from financial self-interest expended model which include tax knowledge, tax law and enforcement and tax system complexity.

CHAPTER 3: METHODOLOGY

3.0 Introduction

The methodology of the research which comprises of research design, data collection methods, sampling design, research instrument, constructs measurement, data processing and data analysis will be discussed in this chapter.

3.1 Research Design

Qualitative research is primarily used to gain an understanding of underlying reasons and opinions by collecting open-ended, emerging data with the intention of exploring and developing of new knowledge or idea from the data for future quantitative research (Creswell, 2013). On the other hand, quantitative research focuses on measurement and observation, thus data collected are based on predetermined instruments that able to yield statistical data (Creswell, 2013). In this research, numerical measurements and statistical analysis is being used, thus quantitative research is being employed in this research.

Grounded from the research objectives, the goal is to investigate the relationship between the independent variable (attitudes, subjective norms, perceived behavioural control, tax knowledge, tax law and enforcement and tax system complexity) and dependent variable (intention to GST compliance). Therefore, it can be said that causal research is being undertaken in the examination as this study tries to recognize cause-and-effect relationships between the variables.

3.2 Data Collection Methods

Quantitative method for data collection was adopted for this study. Quantitative method enables researcher to test specific hypotheses and examine specific relationships between

the variables and project results to population at large (Sekaran & Bougie, 2010). Primary data collection method was used for this study. As the nature of this study is to obtain the perceptions of manufacturers, therefore, primary data collection method is the most suitable method as up-to-date information can be collected. It is difficult to obtain secondary data that are relevant to this study as most of the secondary data are obsolete and do not meet the specific needs of present study (Sekaran & Bougie, 2010).

Self-administered questionnaire survey was employed for the study to collect valid data from qualified respondents. The data collection period begins from early October to mid of November 2015. The questionnaires were distributed through attaching the link of the questionnaire in e-mail sent to the respondents. Online distribution method is being used as one of the way in order to reach a broader base of respondents within several constraints. A clear introductory cover letter about the purpose of the study was attached together with the questionnaire for respondents' better understanding on the research. As an alternative to mailing the questionnaire, the researcher also had hand them out directly to potential respondents in the chosen sampling location.

3.3 Sampling Design

Sampling is a process of selecting a small number of units from the total population of interest to represent the whole population in the study (Zikmund,, Babin, Carr, & Griffin, 2010). This is critical as resercher is not ready to direct study on overall population because of budgetary and time imperative.

3.3.1 Target Population

Target population is defined as total group of individuals from which the sample might be drawn (Zikmund et al., 2010). The target population for this research is manufacturers in Perak State.

3.3.2 Sampling Frame and Sampling Location

The sampling frame defines as a set of elements from which a researcher can select a sample of the target population. According to Federation of Malaysian Manufacturers (FMM) directory official webpage, total numbers of manufacturing companies are 2,598 in Malaysia while 278 are located in Perak.

The sampling location of this study would be the manufacturing companies in Perak state. This area is selected since I contemplate on the variables that impact the consistence conduct among manufacturers particularly in Perak state. Since questionnaires are being distributed through e-mail and by hand, the respondents can be reached by the researcher through the e-mail address displayed in Federation of Malaysian Manufacturers (FMM) directory official webpage. Thus, the sampling location of this study consists of selected manufacturers in Perak state.

3.3.3 Sampling Elements

Sampling elements are the respondent involved in the study. Manufacturers in Perak state are being targeted as the respondents of this research. Therefore, instead of involving all manufacturers in Malaysia , this research is focuses on studying the relationship between attitudes, subjective norms, perceived behavioural control, tax law and enforcement, tax knowledge and tax system complexity with compliance behaviour of manufacturers towards GST implantation particularly in Perak state.

3.3.4 Sampling Technique

Sampling technique may be broadly classified as non-probability and probability. Non-probability sampling technique depends on the individual judgment of the researcher as opposed to opportunity to choose sample element while probability sampling, sampling units are chosen by chance (Sekaran & Bougie, 2010).

Convenience sampling of non-probability sampling technique is applied for this study where the selection of sampling element is based on the convenience of the researcher to obtain the email address of the manufacturers in the FMM directory. This sampling method is adopted due to it is cost efficient, less time consuming and easy to administer. It is used when researcher unable to reach wider population due to the time and cost constraints. Thus, the researcher chooses to distribute the questionnaire through email to selected manufacturing companies in Perak state.

Besides, another technique was also employed in this research. Snow ball sampling is a non-probability sampling technique in which a beginning gathering of respondents is chosen arbitrarily. Resulting respondents were chosen in light of the referrals or data gave by starting respondents (Malhotra, 2010). This procedure completed in route by getting referrals from referrals. By using this technique, questionnaire can easily reach to targeted respondents that are located at different areas in Perak state.

3.3.5 Sampling Size

Sampling size is the focus on number of respondent for the research conducted. It is generally accepted that with a greater sample size, the outcome of the result will be more accurate. According to Roscoe (1975), sample sizes in between 30 to 500 are appropriate for most research (as cited in Sekaran & Bougie, 2013). Since the population size (278) is known, the researcher used Krejcie & Morgan (1970) and Cohen (1969) for decision sample size at 162. The reseacher has emailed and handed by hand 250 set of questionnaires to the respondents. In this study, useable responses reverted was 206. Therefore, 206 respondents are being involved for data analysis purpose.

3.4 Research Instrument

This survey employed self-administered questionnaire. The questionnaire consists of 8 parts. Approximately 10 to 15 minutes is required to complete the questionnaire. Section A is about the demographic details of the respondents, 6 questions include types of business

form, types of industry, duration of existence, average gross income per year, average monthly GST paid and present job title. Demographic information of respondents is important for this study as frequencies, means, standard deviations and variances are to be calculated by using these information.

Section B is about manufacturers' intention on GST compliance while section C, D, E, F, G and H are related to the factors that influence the intention of manufacturers' compliance behaviour. These eight sections consist of 43 questions that are used for examining the connection between the autonomous and subordinate variables. There are 5 questions for each predicting variables covering attitudes, subjective norms, perceived behavioural control, tax law and enforcement, tax knowledge and tax system complexity and 7 questions for dependent variable, intention on GST compliance. All 37 questions are in 5-point Likert scales, ranging from strongly disagree to strongly agree.

3.4.1 Pilot Test

The pilot test is to test the respondents' understanding towards the question. It is a pre-testing process that is directed before real arrangement of questionnaires being disseminated. Pilot test functioned as a checker for reliability of the questionnaires and allow researcher to make amendments, for example, rework the arrangements of questions and improvise question with error to ensure the effectiveness of the actual questionnaire.

In order to run the pilot test, 25 set of questionnaires distributed by hand to the manufacturers. The 25 set of questionnaires was entered in SPSS Statistics 20 to test the reliability of the questionnaires in the pilot test. Table 3.1 shows the result of the reliability analysis.

Table 3.1 Result of Reliability Test for Pilot Test

No	Variables	Construct Measure	Cronbach's Alpha
1		Attitudes	0.758
2		Subjective Norms	0.848
3	Independent Variables	Perceived Behavioural Control	0.829
4		Tax Law and Enforcement	0.799
5		Tax Knowledge	0.807
6		Tax System Complexity	0.942
7	Dependent Variable	Intention to GST Compliance	0.713

Source: Data generated by SPSS Statistics 20

3.5 Constructs Measurement (Scale and Operational definitions)

3.5.1 Scale Definition

Nominal, ordinal, interval, and ratio scales are the four basis types of measurement scales (Cavana et al., 2001). There are eight sections in this questionnaire which include Section A, B, C, D, E, F, G and H. Nominal scale and ordinal scale are used for questions in Section A; whereas interval scale is used for questions from Section B to Section H.

The 5-point Likert Scale is used to measure variables in the current research. Named after its developer, Rensis Likert, the Likert scale is widely used rating scale that requires the respondents to indicate a degree of agreement or disagreement with each of a series of statement about the stimulus objects (Malhotra N. , 2010).

3.5.2 Origin of the Questions

Table 3.2 Origin of the Questions

Variables	Adapted from
Attitudes	Smart, 2012
Subjective Norms	Smart, 2012
Perceived Behavioural Control	Smart, 2012
Tax Law and Enforcement	Smart, 2012
Tax Knowledge	Saad, 2009
Tax System Complexity	Faridy et al., 2014
Intention to GST Compliance	Faridy et al., 2014

Source: Developed for the research

3.5.3 Operational Definitions of Construct

Table 3.3 Operational Constructs

Variable	Item
Attitudes	1. I would be upset if did not report my sales income fully to comply GST. 2. I would feel guilty if I do not declare my sales income to avoid GST. 3. I would feel guilty if I underreport my sales income to avoid GST. 4. I believe I have a moral obligation to report all my sales income to comply with GST. 5. If I underreport my sales income to avoid GST, I expect the

	Royal Malaysian Customs Department will impose penalties on the shortfall.
Subjective norms	1. Most people who are important to me think that I should report all my sales income to comply with GST. 2. Most people who are important to me would include all their sales income in their tax return to comply with GST. 3. Generally, I would do what I believe most people who are important to me would do to comply with GST if they were in a similar situation. 4. Most people who are important to me would not respect me if I underreport my sales income to avoid GST. 5. I would be deterred from underreporting my sales income to avoid GST if I believe that I will lose the respect of most people who are important to me.
Perceived behavioural control	1. Due to limited knowledge, skills and resources on GST, it is hard for me to complete GST form successfully. 2. If I have the opportunity I intend to underreport my sales income in my tax return to avoid GST. 3. If all my sales income is subject to reporting by others (banks, audit firms, etc.) it would be difficult for me to underreport my sales income to avoid GST. 4. If I encounter any financial pressure, it would be easy for me to justify underreporting my sales income in my tax return. 5. Often I encounter financial pressures that require me to underreport my sales income to avoid GST.
Tax law and enforcement	1. Simplified GST law and enforcement would increase voluntary compliance among manufacturers. 2. Penalties and punishments for not complying with the tax laws

	should be imposed in order to punish wrongdoing (for punishment).
	3. Penalties and punishments should not be used to punish past wrongdoing; rather it should be used to prevent future wrongdoings (for prevention).
	4. Probability of detection as unregistered GST licensee is high by Royal Malaysian Customs Department officers.
	5. Fine imposed on unregistered manufacturer is higher than cost of GST registration fee.
Tax knowledge	1. Information about GST licensee is easy to access.
	2. I know when to apply GST license.
	3. I know how to apply GST license.
	4. I have attended a tax awareness programmes or seminars on GST.
	5. Royal Malaysian Customs Department provide me with sufficient information on the penalties regime.
Tax system complexity	1. GST regulations are easy to understand.
	2. There are simple GST regulations that lead manufacturer to register as GST licensee.
	3. GST procedures easy to understand whether must register as licensee or not.
	4. It is much easier to get information for completing my tax return from other sources than from the Royal Malaysian Customs Department.
	5. Royal Malaysian Customs Department explains clearly on the procedures to claim the paid input tax.
Intention to GST	1. I would report my sales income fully to comply GST.

compliance	2. I would not attempt to cheat by omitting to report my income from sales to avoid GST.
	3. Paying the correct amount of GST is my civic duty.
	4. Paying the correct amount of GST is an important contribution to the development of Malaysia.
	5. I pay the correct amount of GST when there was greater enforcement and monitoring by GST authorities.
	6. The likelihood of penalties and sanctions increase my intention to comply with GST.
	7. The likelihood of audits encourage me to comply with GST.

Source: Developed for the research

3.6 Data Processing

According to Sekaran & Bougie (2010), the next step after receiving data collected from the respondents is to analyze the data for research hypotheses testing. However, some preliminary steps are necessary and are crucial to guarantee that the information are precise, comprehensive, and suitable for further investigation. The preparatory steps, also known as data processing steps involve data checking, editing, coding, and transcribing. All the uncommon responses are identified at this stage. Before proceed to data checking, each valid responses are being numbered and counted to ensure that there is no duplicated responses that will be key-in in the system.

3.6.1 Data Checking

Questionnaire checking involves checking for completeness and interview quality. The content of the questionnaire has been checked to measure the appropriateness with having pilot test and the reliability test will be conducted using the Statiscal Package for Social Sciences 20 (SPSS). The reason of having questionnaire checking is to ensure that the

quality of the questionnaire is integral. Each questionnaire is checked carefully to ensure that it has been filled up properly and to avoid any error such as illogical response, illegal codes, omissions and inconsistent responses. Questionnaires with such errors are being removed.

3.6.2 Data Editing

Illogical response is an outlier response which is an observation that is substantially differs from other observations. Therefore, existence of outliers will affect the research results. In order to make sure that the outliers are correct, investigation need to be carried out on these responses. According to Malhotra & Peterson (2006), stated that the data editing is a procedure of checking on the polls to expand the level of accurateness and exactness. It is led for checking mistake made by either the researchers or the respondents. Review frames with poor reactions, for example, twofold answers or fragmented answers are considered as missing worth and it will be tossed. Questionnaires with double answers or incomplete answers considered as flaw and it will be discarded.

3.6.3 Data Coding

Assigning a numerical code to each possible responds to each questions is referred as data coding. In Section A, answers are coded as '1','2', '3', '4', '5' & '6'. Whereas in Section from B to H, all answers are coded as '1' for 'Strongly Disagree', '2' for 'Disagree', '3' for 'Neutral', '4' for 'Agree', '5' for 'Strongly Agree'. The codes are assigned to all the responses in the questionnaire to enable the questionnaires to be analyzed using statistical tools to obtain meaningful interpretations (Malhotra N. , 2010).

3.6.4 Data Transcribing

Data transcribing is the fourth stage in the data processing process. According to Malhotra & Peterson (2006), data transcribing refers to the process of transferring coded facts from

the questionnaires into the computers via key punching. In this study, the data from the questionnaires were directly entered into the SPSS statistical software once it has been coded.

3.6.5 Data Cleaning

According to Malhotra & Peterson (2006), data cleaning involved consistency checks and treatment of missing responses. The questionnaires were checked extensively. Consistency checks are closure to identify data that are inconsistent or out of range. Out of range data can be caused by respondent errors and it can be identified with the help of SPSS software.

3.7 Data Analysis

Data analysis is the procedure to transform the fresh data into significant information by employing different statistical methods. Later, this data is utilized by researchers to make determinations and show signs of improvement experiences about the study (Zikmund et al., 2010). Data analysis bails researcher to figure out whether the proposed hypotheses are acceptable or not (Sekaran and Bougie, 2010). In this concentrate, all the crude information was dissected utilizing SPSS programming. The sort of investigation that has been directed in this study is descriptive analysis, reliability analysis and inferential analysis as well normality test.

3.7.1 Descriptive Analysis

According to Zikmund et al. (2010) descriptive analysis is an investigation technique utilized as a part of exploration to compress the study's crude information into a social system that is gentle to understand as well to construe. This analysis is usually engaged in research to represent the information or characteristics about the sample of the study. It

serves to compute the normal distribution of sample, frequency, percentage and the mean for the demographic information given by respondents (Sekaran & Bougie, 2010).

3.7.2 Scale Measurement

In the scale measurement, reliability analysis is used to test if the data is able to generate a reliable result. Reliability is the extent to which the measures are free from error and in this manner have predictable and stable results. According to Sekaran & Bougie (2010), Cronbach's alpha, α is the most generally connected assessment of a numerous element scale's reliability and characterizes the adequacy of all probable split-half consistencies for questions. The Cronbach's alpha is closer to 1, when the construct (questions) has higher internal consistency reliability (Sekaran and Bougie, 2010). SPSS Statistics 20 is used to find out the Cronbach's alpha value. Referring to Table 3.4, acceptable reliability of the result α must be within the range of 0.7 to 1.

Table 3.4 Rules of Thumb for Cronbach Alpha

Level of reliability	Alpha ranges
Poor reliability	0.60 – less
Fair reliability	0.61 – 0.70
Good reliability	0.71 – 0.80
Very Good reliability	0.81 – 0.95

Source: Sekaran & Bougie (2010)

3.7.3 Inferential Analysis

In this study, there are six independent variables and one dependent variable. Questions for all variables are designed using interval scale (Likert scale) and under metric scale

measurement. Therefore, Pearson Correlation Coefficient and Multiple Regression Analysis are used for the inferential analysis to test all the hypotheses.

Pearson Correlation Coefficient is used to test the relationship between each independent variable with dependent variable. Strength and direction of linear relationship between two random variables is shown. Pearson's Correlation Coefficient indicates both the strength and the direction of the relationship between the variables. According to Zikmund et al. (2010), the Pearson's Correlation Coefficient analysis is a static measure of the co-variation and substantial connotation among independent and dependent variables. The coefficient result is ranging from - 1 to; the figure indicates the quality of the connections while the sign (+ or -) demonstrates the directions (Coaker and Steed, 2007). Positive sign means there is a positive association between dependent and independent variables. Besides that, it also provides assessments of the closeness of a relationship among pairs of variables. In this study, researcher has used Pearson's Correlation Coefficient to investigate the independent and dependent variables' relationship.

Multiple Regression Analysis is employed in testing the effect of independent variables (more than one variable) towards subordinate variable (Sekaran & Bougie, 2010). Multiple linear regressions are utilized to analyze the significance of association between all autonomous variable and dependent variable. It mirrors the level of impact an autonomous variable is varied, while the other independent variables are held fixed. The multiple regression equation of this study is written as:

$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5 + \beta_6 X_6$

Y = Dependent Variable = Intention to GST compliance

X1 = 1st Independent Variable = Attitudes

X2 = 2nd Independent Variable = Subjective norms

X3 = 3rd Independent Variable = Perceived behavioural control

X4 = 4th Independent Variable = Tax law and enforcement

X5 = 5th Independent Variable = Tax knowledge

X6 = 6th Independent Variable = Tax system complexity

α = the intercept of the regression line or constant point where the straight line intersects the Y-axis when X equals to zero

β = the slope of the regression line or regression coefficient for X (the change in y for every 1 unit change in x, subject to other variables remain constant)

3.7.4 Normality Test

Normality of distributions is the elements of the population are generally normally distributed (Sekaran & Bougie, 2013). Testing normality of the data is a prerequisite for inferential statistical techniques. There are number of ways to measure the normality of the data. The researcher has used Shapiro-Wilk test, histogram and Normal Q-Q plot of business form to test the normal distribution of the manufacturers in this study.

3.8 Conclusion

The crucial part of a research is the research methodology. It helps researchers to systematically resolve the research problem. In overall, the chapter 3 has discussed about the research design, the data collection method, the sampling design, the research instrument, the construct measurement, and the data analysis techniques that will be adopted in this study.

CHAPTER 4: DATA ANALYSIS

4.0 Introduction

In this chapter, the results of questionnaire were being analyzed. The objective is to investigate and interpret the data collected throughout the survey. The data collected will be analyzed using SPSS Statistics 20. The result will be analyzed and divided into several parts such as demographic analysis, reliability test, Pearson Correlation Analysis and Multiple Regression Analysis.

4.1 Descriptive Analysis

4.1.1 Respondent Demographic Profile

This section gives an examination of the demographic attributes of the respondents which includes the types of business form, types of manufacturing industry, duration of existence, average gross income per year, average monthly GST paid, and present position based on one-way frequencies analysis.

4.1.1.1 Types of Business

Table 4.1 Types of Business Form

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	sole proprietor	33	16.0	16.0	16.0
	partnership	46	22.3	22.3	38.3
	private limited	48	23.3	23.3	61.7
	public limited	69	33.5	33.5	95.1
	foreign company	10	4.9	4.9	100.0
	Total	206	100.0	100.0	

Source: Data generated by SPSS Statistics 20

Figure 4.1 Distribution of Types of Business Form
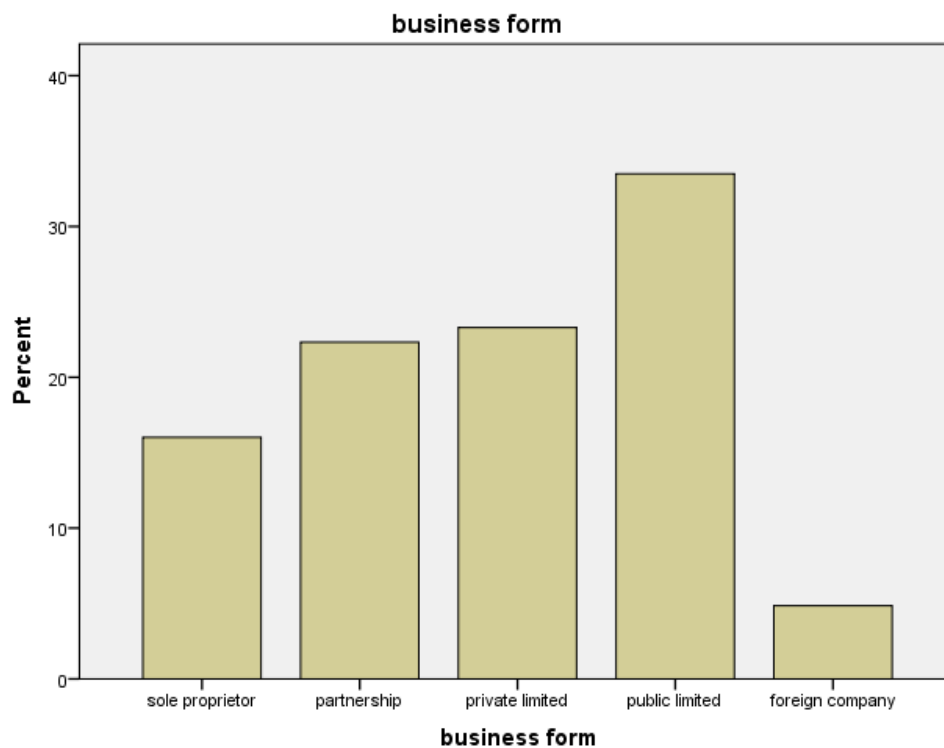
Source: Data generated by SPSS Statistics 20

Table 4.1 and Figure 4.1 show the frequency of types of business forms respondents. Out of the total respondents (N=206), 33.5% respondents (69) are public limited

manufacturers, 23.3% respondents (48) are private limited, followed by 22.3% respondents (46) are partnerships, 16% are sole proprietors with 33 respondents and 16% of foreign companies with 10 respondents.

4.1.1.2 Types of Manufacturing Industry

Table 4.2 Types of Manufacturing Industry

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	clothing & textiles	69	33.5	33.5	33.5
	petroleum, chemicals & plastics	44	21.4	21.4	54.9
	electronics, computers & transportation	28	13.6	13.6	68.4
	food production	35	17.0	17.0	85.4
	metal, wood, leather & paper	23	11.2	11.2	96.6
	others	7	3.4	3.4	100.0
	Total	206	100.0	100.0	

Source: Data generated by SPSS Statistics 20

Figure 4.2 Distribution of Types of Manufacturing Industry
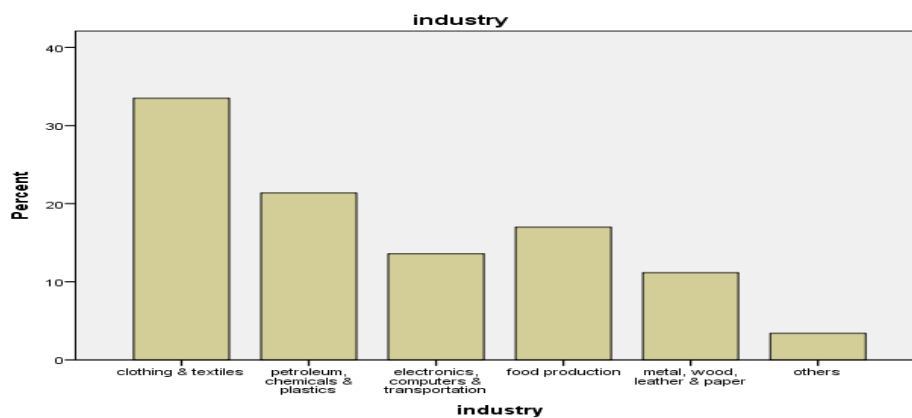
Source: Data generated by SPSS Statistics 20

Table 4.2 and Figure 4.2 show the distribution of types of manufacturing industry. 33.5% respondents are from clothing and textiles industry, 21.4% respondents are from petroleum, chemicals & plastics industries, 17% of respondents are from food production, 13.6% are from electronics, computers and transportation industries, 11.2% from metal, wood, leather & paper industries and others are 3.4%.

4.1.1.3 Duration of Existence

Table 4.3 Duration of Existence

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	less than 5 years	81	39.3	39.3	39.3
	6 - 10 years	52	25.2	25.2	64.6
	11 - 14 years	38	18.4	18.4	83.0
	more than 15 years	35	17.0	17.0	100.0
	Total	206	100.0	100.0	

Source: Data generated by SPSS Statistics 20

Figure 4.3 Duration of Existence
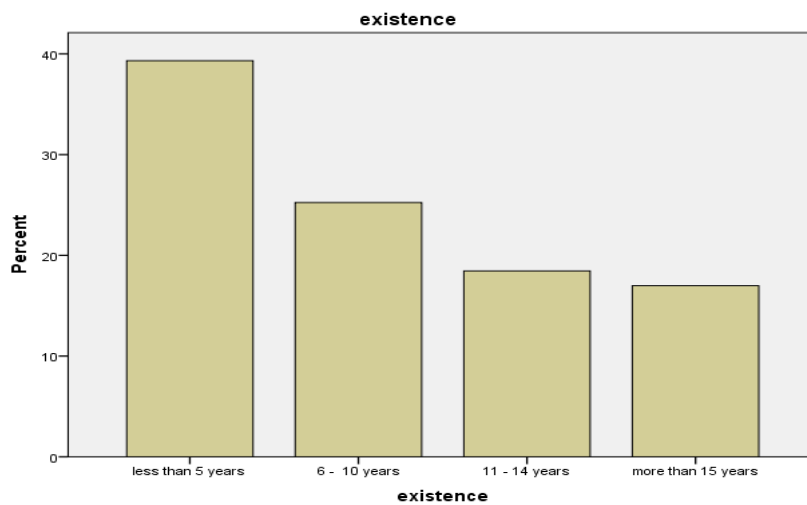
Source: Data generated by SPSS Statistics 20

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Table 4.3 and Figure 4.3 illustrate the existence of the companies in the industry. 39.3% respondents exist less than 5 years in the industry. 25.2% are from 6 to 10 years, 18.4% are from 11 to 14 years and more than 15 years are 17%.

4.1.1.4 Average Gross Income per Year

Table 4.4 Average Gross Income per Year

		Frequency	Percent	Valid Percent	Cumulative Percent
	less than RM100,000	122	59.2	59.2	59.2
	RM100,001 -RM500,000	45	21.8	21.8	81.1
Valid	RM500,001 -RM1,000,000	19	9.2	9.2	90.3
	more than RM1,000,001	20	9.7	9.7	100.0
	Total	206	100.0	100.0	

Source: Data generated by SPSS Statistics 20

Figure 4.4 Average Gross Income per Year
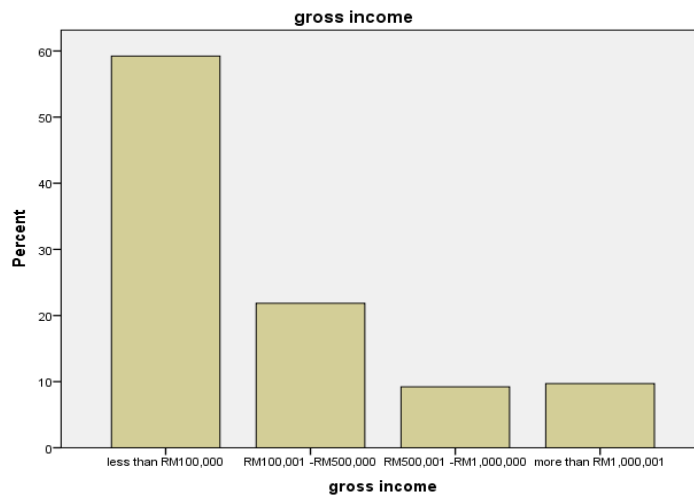
Source: Data generated by SPSS Statistics 20

Table 4.4 and Figure 4.4 illustrate the average gross income of the companies in a year. 59.2% of the companies average gross income is less than RM100, 000 in a year, followed by 21.8% of the companies falls between RM100, 001 -RM500, 000, 9.2% of the

companies' gross income is between RM500,001 -RM1,000,000 and 9.7% of the companies earn more than RM1,000,001 in a year.

4.1.1.5 Average Monthly GST Paid

Table 4.5 Average Monthly GST Paid

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	less than RM10,000	120	58.3	58.3	58.3
	RM10,001 - RM20,000	43	20.9	20.9	79.1
	RM20,001 - RM30,000	15	7.3	7.3	86.4
	RM30,001 - RM40,000	9	4.4	4.4	90.8
	RM40,001 - RM50,000	8	3.9	3.9	94.7
	above than RM50,001	11	5.3	5.3	100.0
	Total	206	100.0	100.0	

Source: Data generated by SPSS Statistics 20

Figure 4.5 Average Monthly GST Paid
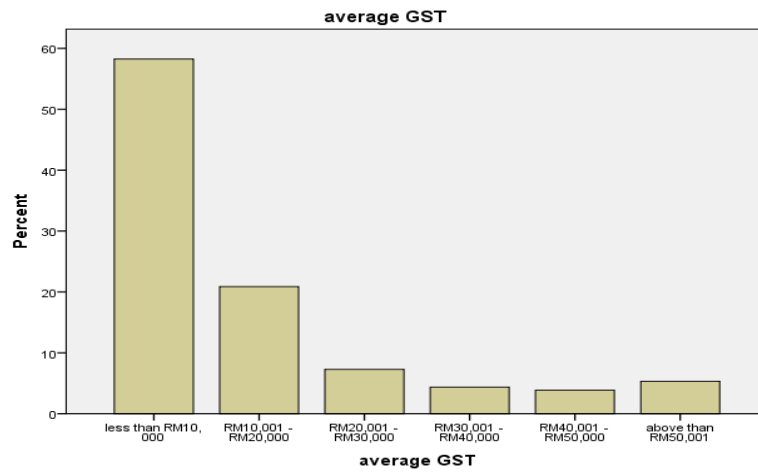
Source: Data generated by SPSS Statistics 20

Table 4.5 and Figure 4.5 show the average monthly GST paid from April to September 2015. There are 58.3% of the respondents paid average GST per month less than RM10, 000. 20.9% of the respondents paid within RM10, 001 – RM20, 000, 7.3% of the companies' average payment is between RM20, 001 – RM30, 000. 4.4% of companies pay between RM30, 001 - RM40, 000, 3.9% of the companies pay between RM40, 001 - RM50, 000 while the remaining respondents' 5.3%, average payment is more than RM50, 001.

4.1.1.6 Position

Table 4.6 Position

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	owner	54	26.2	26.2	26.2
	partner	13	6.3	6.3	32.5
	manager	88	42.7	42.7	75.2
	executive / supervisor	51	24.8	24.8	100.0
	Total	206	100.0	100.0	

Source: Data generated by SPSS Statistics 20

Figure 4.6 Position
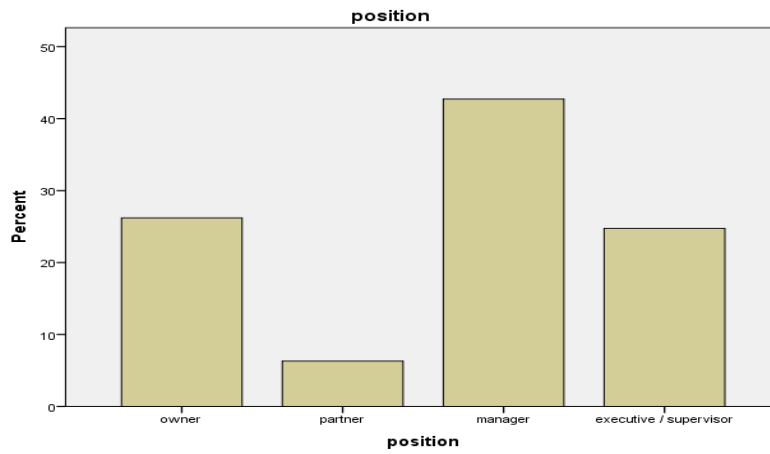
Source: Data generated by SPSS Statistics 20

Table 4.6 and figure 4.6 illustrate the present job title of respondents. Majority of the respondents are managers with 42.7%, followed by owner 26.2%, executive or supervisors with 24.8% and partners are 6.3%.

4.1.2 Central Tendencies Measurement of Constructs

4.1.2.1 Attitudes

Table 4.7 Central Tendency for Attitudes

No.	Questions	Mean	Mode	Standard Deviation
Att1	I would be upset if did not report my sales income fully to comply with GST.	3.92	5	1.174
Att2	I would feel guilty if I do not declare my sales income to avoid GST.	3.81	4	1.184
Att3	I would feel guilty if I underreport my sales income to avoid GST.	3.79	4	1.189
Att4	I believe I have a moral obligation to report all my sales income to comply with GST.	3.78	5	1.205
Att5	If I underreport my sales income to avoid GST, I expect the Royal Malaysian Customs Department will impose penalties on the shortfall.	3.72	5	1.248

Source: Data generated by SPSS Statistics 20

Table 4.7 shows the central tendencies measurement of attitudes. Based on the table above, Att1 has the highest value of mean (3.92) with lowest value of standard deviation (1.174). Att5 has the lowest mean (3.72) with the highest value of standard deviation (1.248). Therefore, it can be said that manufacturers strongly agree that they would be upset if they did not report their sales income fully to comply with GST.

4.1.2.2 Subjective Norms

Table 4.8 Central Tendency for Subjective Norms

No.	Questions	Mean	Mode	Standard Deviation
Snorm1	Most people who are important to me think that I should report all my sales income to comply with GST.	3.74	4	1.228
Snorm2	Most people who are important to me would include all their sales income in their tax return to comply with GST.	3.59	4	1.248
Snorm3	Generally, I would do what I believe most people who are important to me would do to comply with GST if they were in a similar situation.	3.59	4	1.245
Snorm4	Most people who are important to me would not respect me if I underreport my sales income to avoid GST.	3.59	4	1.245
Snorm5	I would be deterred from underreporting my sales income to avoid GST if I believe that I will lose the respect of most people who are important to me.	3.63	4	1.284

Source: Data generated by SPSS Statistics 20

Table 4.8 shows the summary of the central tendency for the variable called subjective norms. The mean value for all the questions related to subjective norms in this study falls within the range of 3.59 to 3.74. The Snorm1 has the highest mean score (3.74) with the lowest value of standard deviation (1.228), while Snorm2, 3 and 4 has the lowest mean score (3.59) and Snorm5 has the highest value of standard deviation (1.284). On the other hand, the mode score for the majority of the questions related to subjective norms in this study is 4. The findings of this study indicate that the majority of the target respondents in this study have "Agreed" to all the statements related to subjective norms.

4.1.2.3 Perceived Behavioural Control

Table 4.9 Central Tendency for Perceived Behavioural Control

No.	Questions	Mean	Mode	Standard Deviation
Pbc1	Due to limited knowledge, skills and resources on GST, it is hard for me to complete GST form successfully.	3.83	5	1.281
Pbc2	If I have the opportunity I intend to underreport my sales income in my tax return to avoid GST.	3.71	5	1.296
Pbc3	If all my sales income is subject to reporting by others (banks, audit firms, etc.) it would be difficult for me to underreport my sales income to avoid GST.	3.72	5	1.301
Pbc4	If I encounter any financial pressure, it would be easy for me to justify underreporting my sales income in my tax return.	3.75	5	1.300
Pbc5	Often I encounter financial pressures that require me to underreport my sales income to avoid GST.	3.75	5	1.304

Source: Data generated by SPSS Statistics 20

Table 4.9 shows the summary of the central tendency for the variable perceived behavioural control. Based on the table above, Pbc1 has the highest value of mean (3.83), Pbc2 has the lowest mean (3.71); Pbc5 has the highest value of standard deviation (1.304) while Pbc1 has the lowest value of standard deviation (1.281). Thus, it is distinctly noted that limited knowledge, skills and resources on GST would lead in difficulty to complete the GST form successfully. The findings of this study indicate that the majority of the target respondents in this study have "Strongly Agreed" to all the statements related to perceived behavioural control.

4.1.2.4 Tax Law and Enforcement

Table 4.10 Central Tendency for Tax Law and Enforcement

No.	Questions	Mean	Mode	Standard Deviation
Tle1	Simplified GST law and enforcement would increase voluntary compliance among manufacturers.	4.10	5	1.111
Tle2	Penalties and punishments for not complying with the tax laws should be imposed in order to punish wrongdoing (for punishment).	4.03	5	1.082
Tle3	Penalties and punishments should not be used to punish past wrongdoing; rather it should be used to prevent future wrongdoings (for prevention).	4.02	5	1.082
Tle4	Probability of detection as unregistered GST licensee is high by Royal Malaysian Customs Department officers.	4.06	5	1.073
Tle5	Fine imposed on unregistered manufacturer is higher than cost of GST registration fee.	4.09	5	1.053

Source: Data generated by SPSS Statistics 20

Table 4.10 shows the central tendencies measurement of tax law and enforcement. Based on the table above, Tle1 has the highest value of mean (4.10) and the standard deviation of 1.111 while Tle3 has the lowest mean (4.02) and Tle5 has the lowest value of standard deviation (1.053). It has been noted that manufacturers strongly agree to the Tle1 which indicates simplified law and enforcement would increase their voluntary compliance towards Goods and Services Tax. Therefore, government should emphasis during the enactment of law and enforcement.

4.1.2.5 Tax Knowledge

Table 4.11 Central Tendency for Tax Knowledge

No.	Questions	Mean	Mode	Standard Deviation
Tk1	Information about GST licensee is easy to access.	4.23	5	1.052
Tk2	I know when to apply GST license.	4.15	5	1.037
Tk3	I know how to apply GST license.	4.13	5	1.072
Tk4	I have attended a tax awareness programmes or seminars on GST.	4.08	5	1.121
Tk5	Royal Malaysian Customs Department provide me with sufficient information on the penalties regime.	4.14	5	1.096

Source: Data generated by SPSS Statistics 20

Table 4.11 shows the summary of the central tendency for the variable tax knowledge. Based on the table above, Tk1 has the highest value of mean (4.23), Tk4 has the lowest mean (4.08); Tk4 also has the highest value of standard deviation (1.121) while Tk2 has the lowest value of standard deviation (1.037). Thus, it is distinctly noted that information about GST licensee is easy to access. The findings of this study indicate that the majority of the target respondents in this study have "Strongly Agreed" to all the statements related to tax knowledge.

4.1.2.6 Tax System Complexity

Table 4.12 Central Tendency for Tax System Complexity

No.	Questions	Mean	Mode	Standard Deviation
Tsc1	GST regulations are easy to understand.	4.28	5	1.027
Tsc2	There are simple GST regulations that lead manufacturer to register as GST licensee.	4.17	5	1.046
Tsc3	GST procedures easy to understand whether must register as licensee or not.	4.17	5	1.071
Tsc4	It is much easier to get information for completing my tax return from other sources than from the Royal Malaysian Customs Department.	4.10	5	1.093
Tsc5	Royal Malaysian Customs Department explains clearly on the procedures to claim the paid input tax.	4.12	5	1.173

Source: Data generated by SPSS Statistics 20

Table 4.12 shows the central tendencies measurement of tax system complexity. Based on the table above, Tsc1 has the highest value of mean (4.28) and the lowest value of standard deviation (1.027) while Tsc4 has the lowest mean (4.10) and Tsc5 has the highest value of standard deviation (1.173). The majority of the manufacturers strongly agree to the Tsc1 which indicates GST regulations are easy to understand that influence their intention to comply with GST.

4.1.2.7 Intention to GST Compliance

Table 4.13 Central Tendency for Intention to GST Compliance

No.	Questions	Mean	Mode	Standard Deviation
Int1	I would report my sales income fully to comply with GST.	3.92	4	1.067
Int2	I would not attempt to cheat by omitting to report my income from sales to avoid GST.	3.89	4	1.105
Int3	Paying the correct amount of GST is my civic duty.	3.83	4	1.164
Int4	Paying the correct amount of GST is an important contribution to the development of Malaysia.	3.83	4	1.175
Int5	I pay the correct amount of GST when there was greater enforcement and monitoring by GST authorities.	3.79	5	1.235
Int6	The likelihood of penalties and sanctions increase my intention to comply with GST	3.82	5	1.238
Int7	The likelihood of audits encourage me to comply with GST.	3.81	5	1.242

Source: Data generated by SPSS Statistics 20

Table 4.13 shows the summary of the central tendency for the dependent variable intention to GST compliance. Based on the table above, Int1 has the highest value of mean (3.92), Int5 has the lowest mean (3.79); Int7 has the highest value of standard deviation (1.242) while Int1 has the lowest value of standard deviation (1.067). Thus, it is distinctly noted that the respondents would report their sales income fully to comply with GST. The findings of this study indicate that the majority of the target respondents in this study have "Agreed" to all the statements related to tax knowledge.

4.2 Scale Measurement

The scales of measurement which are employed in the questionnaire of this study are nominal scale, ordinal scale and interval scale. Details about the scale of measurement for each question had been discussed earlier in chapter 3 under section 3.7.2. Reliability test is performed on questions measuring the variables. It is used to determine that the measures are free from error and therefore yield consistent results. Cronbach's alpha coefficient (α) is used to indicate how well the internal consistency and correlation of the items in the questionnaire. The higher the internal consistency reliability, the closer the Cronbach's alpha is to 1 (Sekaran & Bougie, 2010). The details are indicated in Table 4.14:

Table 4.14 Cronbach Alpha

Level of reliability	Alpha ranges
Poor reliability	0.60 – less
Fair reliability	0.61 – 0.70
Good reliability	0.71 – 0.80
Very Good reliability	0.81 – 0.95

Source: Sekaran & Bougie (2010)

Table 4.15 Summary of Reliability Analysis

No	Variables	Construct Measure	Cronbach's Alpha
1	Independent Variables	Attitudes	0.788
2		Subjective Norms	0.904
3		Perceived Behavioural Control	0.867
4		Tax Law and Enforcement	0.789
5		Tax Knowledge	0.897
6		Tax System Complexity	0.914
7	Dependent Variable	Intention to GST Compliance	0.779

Source: Data generated by SPSS Statistics 20

Table 4.15 shows the results of the reliability test for study of 206 responses. With reference to table 4.14, all of the variables must have an alpha value, α at least 0.70. Intention to GST compliance, attitudes, and tax law and enforcement obtained lower scores of α=0.779, 0.788 and 0.789 respectively which indicates good reliability. Other variables (subjective norms, perceived behavioural control, tax knowledge, and tax system complexity) have α-value > 0.80, indicating all of them fall under very good reliability. Thus, it can be concluded that there is an internal consistency of reliability in this study.

4.3 Inferential Analyses

4.3.1 Pearson's Correlation Analysis

Pearson correlation coefficient is used to indicate the direction, strength and significance of the bivariate relationships among all the variables that were measured at an interval or ratio level. Negative coefficient indicates that both variables are in a negative relationship,

thus, when one variable increases, another will decrease. Conversely, a positive coefficient indicates both variables are in a positive relationship, when one variable increases, the other variable will increase as well. Hair et al. (2007) stated the rules of thumb about the coefficient range and the strength of association as shown in Table 4.16.

Table 4.16 Rules of Thumb about Pearson Correlation Coefficient

Coefficient range	Strength of Association
±0.91 to ± 1.00	Very strong
±0.71 to ± 0.90	High
±0.41 to ± 0.70	Moderate
±0.21 to ± 0.40	Small but definite relationship
±0.01 to ± 0.20	Slight, almost negligible

Source: Hair et al. (2007)

Table 4.17 Summary of Pearson Correlation Analysis

Correlations

		Attitude	Subjective Norms	Perceived Behavioural Control	Tax Law & Enforcement	Tax Knowledge	Tax System Complexity	Intention
Attitude	Pearson Correlation	1						
	N	206						
Subjective Norms	Pearson Correlation	.816	1					
	Sig. (2-tailed)	.000						
	N	206	206					
Perceived Behavioural Control	Pearson Correlation	.688	.798	1				
	Sig. (2-tailed)	.000	.000					
	N	206	206	206				
Tax Law & Enforcement	Pearson Correlation	.630	.617	.617	1			
	Sig. (2-tailed)	.000	.000	.000				
	N	206	206	206	206			
Tax Knowledge	Pearson Correlation	.574	.547	.602	.796	1		
	Sig. (2-tailed)	.000	.000	.000	.000			
	N	206	206	206	206	206		
Tax System Complexity	Pearson Correlation	.545	.487	.485	.667	.712	1	
	Sig. (2-tailed)	.000	.000	.000	.000	.000		
	N	206	206	206	206	206	206	
Intention	Pearson Correlation	.776	.694	.604	.569	.556	-.505	1
	Sig. (2-tailed)	.000	.000	.000	.000	.000	.000	
	N	206	206	206	206	206	206	206

Source: Data generated by SPSS Statistics 20

Table 4.17 presents the outcomes of the Pearson Correlation Coefficient analysis of this study. The Pearson Correlation Coefficient for most of the variables in this study is

between 0.41 - 0.70. This shows that the majority (5 out of 6) of the independent variables in this study has a moderate relationship with the dependent variable (Hair et al., 2007). On the other hand, the remaining independent variable of this study has a Pearson Correlation Coefficient between the range of 0.71 − 0.90. Consequently, this independent variable is said to hold a high association with the dependent variable of the study. 5 out 6 independent variables in this study have a positive relationship with the dependent variable. The Pearson Correlation Analysis with its explanation are as table below:-

Table 4.18 Summary of Pearson Correlation Analysis

Explanation
Attitude and intention to GST compliance **Direction:** From the results, there is positive relationship between attitudes and intention to GST compliance because of the positive value for correlation coefficient. The attitudes variable has a 0.776 correlation with the intention to GST compliance. Thus, when attitudes is high (positive), intention to GST compliance is high. **Strength:** The value of this correlation coefficient 0.776 is fall under coefficient range from ±0.71 to ± 0.90. Therefore, the relationship between attitudes and intention to GST compliance is high**.** **Significance:** The relationship between attitudes and intention to GST compliance is significant. It is because the p-value 0.000 is less than alpha value 0.05.   **Subjective norms and intention to GST compliance** **Direction:** From the results, there is positive relationship between subjective norms and intention to GST compliance because of the positive value for correlation coefficient. The subjective norms variable has a 0.694 correlation with the intention to GST compliance. Thus, when a subjective norm is high (positive), intention to GST compliance is high. **Strength:** The value of this correlation coefficient 0.694 is fall under coefficient range

from ±0.41 to ± 0.70. Therefore, the relationship between subjective norms and intention to GST compliance is moderate**.**

Significance: The relationship between subjective norms and intention to GST compliance is significant. It is because the p-value 0.000 is less than alpha value 0.05.

Perceived behavioural control and intention to GST compliance

Direction: From the results, there is positive relationship between perceived behavioural control and intention to GST compliance because of the positive value for correlation coefficient. The perceived behavioural control variable has a 0.604 correlation with the intention to GST compliance. Thus, when perceived behavioural control is high; intention to GST compliance is high.

Strength: The value of this correlation coefficient 0.604 is fall under coefficient range from ±0.41 to ± 0.70. Therefore, the relationship between perceived behavioural control and intention to GST compliance is moderate**.**

Significance: The relationship between perceived behavioural control and intention to GST compliance is significant. It is because the p-value 0.000 is less than alpha value 0.05.

Tax law and enforcement and intention to GST compliance

Direction: From the results, there is positive relationship between tax law and enforcement and intention to GST compliance because of the positive value for correlation coefficient. The tax law and enforcement variable has a 0.569 correlation with the intention to GST compliance. Thus, when tax law and enforcement is high; intention to GST compliance is high.

Strength: The value of this correlation coefficient 0.569 is fall under coefficient range from ±0.41 to ± 0.70. Therefore, the relationship between perceived behavioural control and intention to GST compliance is moderate**.**

Significance: The relationship between tax law and enforcement and intention to GST compliance is significant. It is because the p-value 0.000 is less than alpha value 0.05.

Tax knowledge and intention to GST compliance

Direction: From the results, there is positive relationship between tax knowledge and intention to GST compliance because of the positive value for correlation coefficient. The tax knowledge variable has a 0.556 correlation with the intention to GST compliance. Thus, when tax knowledge is high;, intention to GST compliance is high.

Strength: The value of this correlation coefficient 0.556 is fall under coefficient range from ±0.41 to ± 0.70. Therefore, the relationship between tax knowledge and intention to GST compliance is moderate**.**

Significance: The relationship between tax knowledge and intention to GST compliance is significant. It is because the p-value 0.000 is less than alpha value 0.05.

Tax system complexity and intention to GST compliance

Direction: From the results, there is negative relationship between tax system complexity and intention to GST compliance because of the negative value for correlation coefficient. The tax system complexity variable has a -0.505 correlation with the intention to GST compliance. Thus, tax system complexity is high; intention to GST compliance is low.

Strength: The value of this correlation coefficient -0.505 is fall under coefficient range from ±0.41 to ± 0.70. Therefore, the relationship between tax system complexity and intention to GST compliance is moderate**.**

Significance: The relationship tax system complexity and intention to GST compliance is significant. It is because the p-value 0.000 is less than alpha value 0.05.

Source: Data generated by SPSS Statistics 20

4.3.2 Multiple Linear Regression Analysis

Multiple regression analysis is engaged when there are more than one independent variable is used to explain variance in a dependent variable. In this study, researcher would like to examine whether these independent variables (attitudes, subjective norms, perceived behavioural control, tax law and enforcement, tax knowledge and tax system complexity) are significant explaining the variance in intention to GST compliance.

Table 4.19 Multiple Linear Regression (Model Summary)

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.792[a]	.628	.617	.66132

a. Predictors: (Constant), Tax System Complexity, Perceived Behavioural Control, Attitude, Tax Law & Enforcement, Tax Knowledge, Subjective Norms

Source: Data generated by SPSS Statistics 20

As the table above shows that the coefficient of correlation value (R) is 0.792, which means that there has high correlation between independent variables (attitudes, subjective norms, perceived behavioural control, tax law and enforcement, tax knowledge and tax system complexity) and dependent variable (intention to GST compliance). Besides that, the coefficient of correlation equal to 0.792 indicate that there is positive association between independent variables and dependent variable.

The R Square value in the model summary is used to explain the variation in the dependent variable of a study due to the study's independent variables (Sekaran & Bougie, 2010). It provides a measure of how well the data points are replicated by model, as the proportion of total variation of outcomes explained by the model. The coefficient of determining value (R^2) is equal to 0.628. It means that 62.8% variation of intention to GST compliance can be explained by these independent variables. On the other hand, it specifies that 37.2%

variation of the intention to GST compliance remained unexplained under this model and can be explained by other variables that are not included in this study.

Table 4.20 Multiple Linear Regression Analysis (ANOVA)

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	146.860	6	24.477	55.966	.000[b]
	Residual	87.032	199	.437		
	Total	233.892	205			

. Dependent Variable: Intention

b. Predictors: (Constant), Tax System Complexity, Perceived Behavioural Control, Attitude, Tax Law & Enforcement, Tax Knowledge, Subjective Norms

Source: Data generated by SPSS Statistics 20

The value of F-Statistics is used in a study to examine the overall statistical significance of the regression model (Sekaran & Bougie, 2010). According to them, the regression model is said to be significant if it has a p-value which is less than 0.05. Referring to table shown, the F-value is 55.966 with a p-value of 0.000. As the p-value of ANOVA is less than the significance level 0.05, it means that these independent variables have a significant relationship with the intention to GST compliance. Therefore the regression model of this study is statistically fit to predict the dependent variable of the study using these independent variables. The model for this study is a good descriptor of the relations between the dependent and predictor variables.

Table 4.21 Multiple Linear Regression Analysis (Coefficients)

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.587	.216		2.721	.007
	Attitude	.538	.076	.562	7.099	.000
	Subjective Norms	.128	.084	.140	1.530	.049
	Perceived Behavioural Control	.014	.067	.016	.205	.838
	Tax Law & Enforcement	-.008	.083	-.008	-.097	.923
	Tax Knowledge	.134	.085	.127	1.586	.000
	Tax System Complexity	.039	.067	.038	.584	.004

a. Dependent Variable: Intention

Source: Data generated by SPSS Statistics 20

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5 + \beta_6 X_6$$

Initial equation:

$$Y = 0.587 + 0.538\ X_1 + 0.128\ X_2 + 0.014\ X_3 - 0.008\ X_4 + 0.134\ X_5 + 0.039\ X_6$$

Y = Dependent Variable = Intention to GST compliance (Int)

X1 = 1st Independent Variable = Attitudes (Att)

X2 = 2nd Independent Variable = Subjective norms (Snorm)

X3 = 3rd Independent Variable = Perceived behavioural control (Pbc)

X4 = 4th Independent Variable = Tax law and enforcement (Tle)

X5 = 5th Independent Variable = Tax knowledge (Tk)

X6 = 6th Independent Variable = Tax system complexity (Tsc)

α = the intercept of the regression line or constant point where the straight line intersects the Y-axis when X equals to zero

β = the slope of the regression line or regression coefficient for X (the change in y for every 1 unit change in x, subject to other variables remain constant)

Multiple linear regression analysis is used to examine the relationship between more than one independent variables and one dependent variable. According to the equation above, Att, Snorm, Tk and Tsc have a significant positive relationship with intention to GST compliance as the significant level is less than 0.05. Other independent variables, Pbc and Tle also hava a positive and negative relationship respectively with intention to GST compliance; however, they are not significant to explain the variance of intention to GST compliance in this model as the significance levels are more than 0.05. The revised Multiple Linear Regression equation for this study and its explanation are as table below:-

Table 4.22 Multiple Linear Regression Equation and Explanation

Explanation
Y = 0.587 + 0.538 X1 + 0.128 X2 + 0.014 X3 − 0.008 X4 + 0.134 X5 + 0.039 X6
Attitude (Att) = β1 = 0.538 There is a positive relationship between attitude and intention to GST compliance. When the attitude increases by 1 unit, the intention to GST compliance will increase by 0.538 units when other variables in the model hold constant. Attitude is the indicator variable that contribute the most elevated to the variation of dependent variable (intention to GST compliance) on the grounds that Beta value (under standardized coefficients) for this indicator variable is the largest (0.562) contrast with other variables (subjective norms, perceived behavioural control, tax law and enforcement, tax knowledge and tax system complexity). This means that attitude makes the strongest unique contribution to explain the variation in dependent variable, when the variance explained by all other predictor variables in the model is controlled for.

Subjective Norm (Snorm) = β2 = 0.128

There is a positive relationship between subjective norm and intention to GST compliance. When the subjective norm increases by 1 unit, the intention to GST compliance will increase by 0.128 units when other variables in the model hold constant. Subjective norm is the indicator variable that contribute the 2nd most elevated to the variation of dependent variable (intention to GST compliance) on the grounds that Beta value (under standardized coefficients) for this indicator variable is the 2nd largest (0.140) contrast with other variables. This implies subjective norm make the second most grounded one of a kind commitment to clarify the variation in dependent variable, when the fluctuation clarified by all other indicator variables in the model is controlled for.

Perceived Behavioural Control (Pcb) = β3 = 0.014

There is a positive relationship between perceived behavioural control and intention to GST compliance. When the perceived behavioural control increases by 1 unit, the intention to GST compliance will increase by 0.128 units when other variables in the model hold constant. Perceived behavioural control is the indicator variable that contribute the 2nd lowest to the variation of dependent variable (intention to GST compliance) on the grounds that Beta value (under standardized coefficients) for this indicator variable is the 2nd lowest (0.016) contrast with other variables. This implies perceived behavioural control make the minor commitment to clarify the variation in dependent variable, when the difference clarified by all other indicator variables in the model is controlled for.

Tax Law and Enforcement (Tle) = β2 = 0.008

According to the above analysis tax law and enforcement and intention to GST compliance have a negative relationship. When the tax law and enforcement increases by 1 unit, the intention to GST compliance will decrease by 0.008 units when other variables in the

model hold constant. Tax law and enforcement is the forecasting variable that donate the most minimal to the variation of dependent variable because Beta value (under standardized coefficients) for this predictor variable is the lowest (-0.008) if compare to other variables. This means that tax law and enforcement make the least contribution to explain the variation in dependent variable, when the variance explained by all other predictor variables in the model is controlled for.

Tax Knowledge (Tk) = β5 = 0.134

There is a positive relationship between tax knowledge and intention to GST compliance. When the tax knowledge increases by 1 unit, the intention to GST compliance will increase by 0.134 units when other variables in the model hold constant. Tax knowledge is the indicator variable that contribute the third most elevated to the variation of dependent variable on the grounds that Beta value (under standardized coefficients) for this indicator variable is the third largest (0.127) contrast with different variables. This implies tax knowledge make the third most grounded one of a kind commitment to clarify the variation in dependent variable, when the fluctuation clarified by all other indicator variables in the model is controlled for.

Tax System Complexity (Tsc) = β6 = 0.039

There is a positive relationship between tax system complexity and intention to GST compliance. When the tax system complexity increases by 1 unit, the intention to GST compliance will increase by 0.039 units when other variables in the model hold constant. Tax system complexity is the indicator variable that contribute the third lowest to the variation of dependent variable on the grounds that Beta value (under standardized coefficients) for this indicator variable is the third lowest (0.038) contrast with different variables. This implies tax system make the minimal contribution to clarify the variation in dependent variable, when the change clarified by all other indicator variables in the model is controlled for.

Source: Data generated by SPSS Statistics 20

4.4 Normality Test

This section provides an analysis for a normal distribution of the respondents which focus on the types of business form based on normality test.

Table 4.23 Tests of Normality

Tests of Normality

	Kolmogorov-Smirnov[a]			Shapiro-Wilk		
	Statistic	df	Sig.	Statistic	df	Sig.
business form	.211	206	.009	.889	206	.067

a. Lilliefors Significance Correction

Source: Data generated by SPSS Statistics 20

Figure 4.7 Types of Business Form
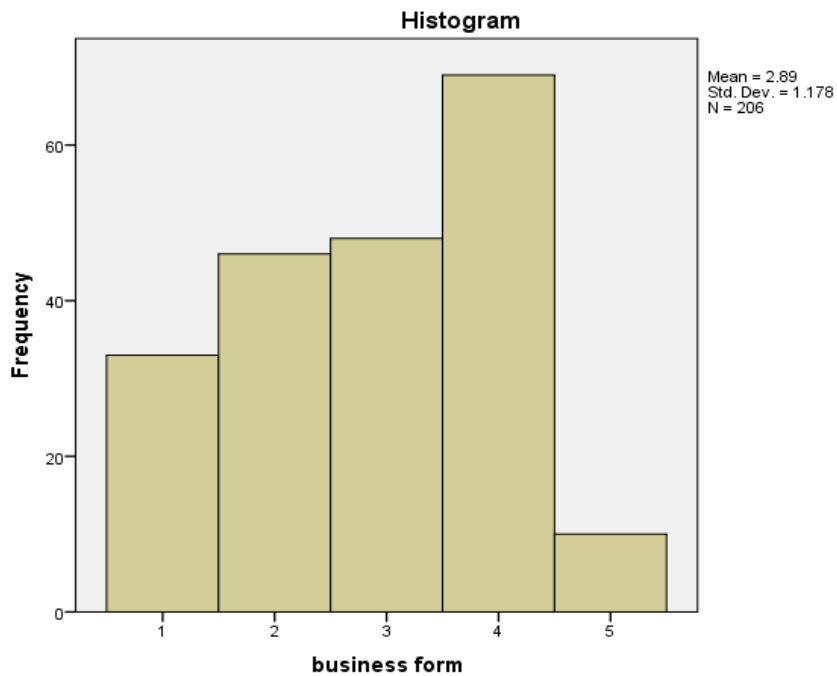
Source: Data generated by SPSS Statistics 20

The above Table 4.22 presents the results from two known tests of normality, namely the Kolmogorov-Smirnov Test and the Shapiro-Wilk Test. The researcher will utilize the Shapiro-Wilk test for measuring normality. If the Sig. value of the test is larger than 0.05, the data is normally distributed. In the event that it is below 0.05, the data basically diverge from a normal circulation. Shapiro-Wilk test indicates that p-value 0.067 is above 0.05 which signifies the data is approximately normally distributed and Figure 4.7 of business form correspondingly implies the values on the vertical axis indicate the frequency of cases and the values on the horizontal axis are the types business of our respondents. Though, the shape of the distribution is not perfect bell shape, is quite considered normal.

Figure 4.8 Types of Business
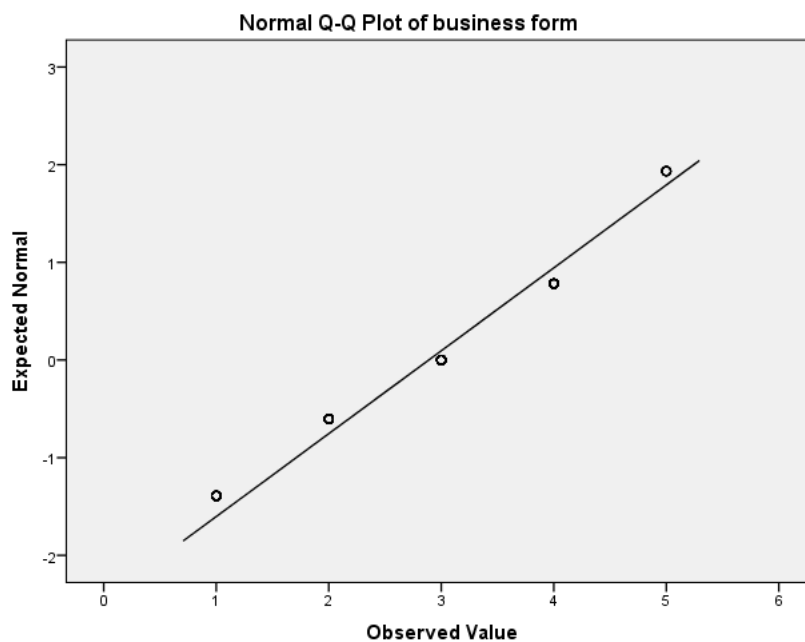
Source: Data generated by SPSS Statistics 20

There is another method the researcher has used to test the normality by using Normal Q-Q plot. The Figure 4.8 shows the data is normally distributed since the most of the points are found along the horizontal line. Thus, it indicates the data is normally distributed.

4.4 Conclusion

In summary, this chapter has discussed about the results of the various data analysis techniques that have been conducted using the SPSS software. The next chapter will be discussing about the major findings of the study, the implications of the study, the limitations of the study, as well as the suggestions for the future studies.

CHAPTER 5: DISCUSSION, CONCLUSION AND IMPLICATIONS

5.0 Introduction

In this chapter, the discussion of major findings and implications of the study will be performed. Apart from that, limitations of the study and the recommendations for future research are also highlighted. Last but not least, the overall conclusion of the whole research project is developed to project a clear picture and idea of this research project

5.1 Summary of Statistical Analyses

5.1.1 Descriptive Analysis

5.1.1.1 Respondent Demographic Profile

Overall, there are 206 respondents involved in this research project. These respondents are made up of manufacturers in Perak State. The majority of the respondents is public limited companies at 33.5%. Clothing and textiles industry displays high rate of responses at 33.5%. Majority of these companies exist less than 5 years in the industry with the percentage of 39.3. Average gross income of the manufacturers in Perak State is less than RM100, 000 with 59.2%. Most of the manufacturers paying average monthly GST less than RM10, 000 at 58.3%. This survey is mostly responded by managers (42.7%) of these manufacturing companies.

5.1.1.2 Central Tendencies

The majority of the target respondents in this study have "Strongly Agreed" to almost all the statements in the questionnaire. In this study, Att1, Snorm1, Pbc1, Tle1, Tk1, Tsc1 and Int1 has the highest mean score, while Att5, Snorm2, Snorm3, Snorm4, Pbc2, Tle3, Tk4, Tsc4 and Int5 have the lowest mean score. The mode score for the majority of the statements in this study is 5.

5.1.2 Scale Measurement

All the variables in this study are reliable since their Cronbach Alpha value is more than 0.07. The majority of the variables of this study have a good reliability.

5.1.3 Inferential Analyses

5.1.3.1 Pearson's Correlation Analysis

The Pearson Correlation Coefficient for the majority of the variables in this study is between 0.41 - 0.70. This demonstrates most (5 out of 6) of the predictor variables in this study has a moderate relationship with the dependent variable. The remaining one variable (attitudes) of this study has a Pearson Correlation Coefficient between the range of 0.71 – 0.90. Thus, this predictor variable is said to hold a high relationship with the dependent variable of the study. All the predictor variables in this study have a constructive connection with the dependent variable.

5.1.3.2 Multiple Linear Regression Analysis

The coefficient of correlation value (R) is 0.792, has high positive correlation between independent variables (attitudes, subjective norms, perceived behavioural control, tax law

and enforcement, tax knowledge and tax system complexity) and dependent variable (intention to GST compliance). The coefficient of determining value (R^2) is equal to 0.628. It means that 62.8% variation of intention to GST compliance can be explained by these independent variables and 37.2% variation of the intention to GST compliance remained unexplained under this model. The F-value is 55.966 with a p-value of 0.000. As the p-value of ANOVA is less than the significance level 0.05, it means that these independent variables have a significant relationship with the intention to GST compliance. Thus, it is statistically fit to predict the dependent variable of the study using these independent variables.

5.1.4 Normality Test

Overall, there is a normal distribution among manufacturers' types of business involved in this research project.

5.2 Discussions of Major Findings

Table 5.1 Summary of Hypotheses Testing Results

Hypothesis	Accepted/ Rejected
H1: There is a significant relationship between manfacturer's attitudes and intention to GST compliance.	Accepted
H2: There is a significant relationship between manfacturer's subjective norms and intention to GST compliance.	Accepted
H3: There is a significant relationship between manfacturer's perceived behavioural control and intention to GST compliance.	Rejected
H4: There is a significant relationship between manufacturer's perception	Rejected

on tax law and enforcement and intention to GST compliance.	
H5: There is a significant relationship between tax knowledge and intention to GST compliance.	Accepted
H6: There is a significant relationship between tax system complexity and intention to GST compliance.	Accepted

Source: Developed from research

5.2.1 Attitudes and intention to GST compliance

According to table 5.1, H1 is accepted as it has a correlation coefficient value of 0.776 which indicates high correlation in strength with regression coefficient p-value 0.000 less than α-value 0.05. Hence, it shows that there is a positive and significant relationship between manufacturer's attitudes and their intention to GST compliance.

The utmost significant element found to impact GST compliance intention was attitudes. H1, there is a significant relationship between manfacturer's attitudes and expectation to GST consistence was supported. The outcome introduced that attitude is noteworthy in affecting manufacturer's intention to GST consistence in Perak State. This outcome is like that uncovered by past studies on tax collection and zakat (Bobek, 1997; Martin et al., 1980;Zainol, M.I, & M.S, 2009). This study exhibited the noteworthiness of attitude toward intention to GST consistence, which must be considered by those in RMCD. Purposeful endeavors must be taken to ensure that potential manufacturers create good mentalities toward GST as structured by RMCD. Media channels should play a vital role in disseminating the reliable information about GST.

5.2.2 Subjective norms and intention to GST compliance

According to table 5.1, H2 is accepted as it has a correlation coefficient value of 0.694 which indicates moderate correlation in strength with regression coefficient p-value 0.049

less than α-value 0.05. Hence, it shows that there is a positive and significant relationship between manufacturer's subjective norms and their intention to GST compliance.

In this work, subjective norm had all the hallmarks of being the second most noteworthy indicator that influenced GST consistence desire conduct among manufacturers in Perak state. This infers social and peer influences as well culture assumes a vast role in affecting manufacturers to conform to GST. This discovering sustain with Hypothesis 2 and is firm with past studies (Saad, 2009; Zainol, H, & M.S., 2011) that found that subjective norms were a 2nd huge predictor for tariff consistence conduct among manufacturers.

5.2.3 Perceived behavioural control and intention to GST compliance

The hypothesis for perceived behavioural control, there is a significant relationship between manfacturer's perceived behavioural control and intention to GST compliance was not supported in this study since its regression coefficient p-value is more than 0.05. It is statistically proven that there is no significant relationship between perceived behavioural control and intention to GST compliance. The direction of the relationship between these two variables in this study is positive. The results for perceived behavioural control in this study contradict with the results of the previous studies related to the GST compliance in terms of the significance. The results of previous studies have concluded that PBC and the intention to GST compliance have a significant positive relationship (Salman & Sarjono, 2013; Ampofo et al., 2011; Park & Blenkinsopp, 2009).

The findings of this study suggest that the perceived behavioural control is not an essential predictor in this study in terms of predicting manufacturers' intention to GST compliance. Since GST is new in Malaysia, individuals are not acquainted with it and with a little number of manufacturers in Perak state and greater part of them with average income less than RM10, 000, they might not favour GST. This is congruent with study by (Rameste & Yong, 2006) who found that small business perceive GST compliance process as a burden due to limited knowledge, skills, resources, financial pressure, involving more paperwork and costly.

5.2.4 Tax law and enforcement and intention to GST compliance

H4: There is a significant relationship between manufacturer's perception on tax law and enforcement and intention to GST compliance was not supported in this study since its regression coefficient p-value is more than 0.05. It is statistically proven that there is no significant relationship between law and enforcement and intention to GST compliance. The direction of the relationship between these two variables in this study is positive. The results for tax law and enforcement in this study contradict with the results of the previous studies related to the GST compliance in terms of the significance. The results of previous studies have concluded that there is a significant positive relationship between manufacturer's perception on tax law and enforcement and intention to GST compliance (Verboon & Dijke, 2007; Wensel, 2007; Murphy, 2005; Trivedi, Shehata, & Mestelman, 2005).

The findings of this study suggest that tax law and enforcement is not an essential predictor in this study in terms of predicting manufacturers' intention to GST compliance. GST is fresh in Malaysia, people are not familiar with it and penalties and punishments for not complying with tax laws maybe yet to be implemented at the very first place. The probability of detection as unregistered GST licensee is also might be low as the RMCD officers are quite eventful with the execution of GST and handling the ad hoc matters. Thus, manufacturers are not well alarm about the laws and the penalties which will be imposed for their non-compliance behaviour. As a result, this provide indication that the tax law and enforcement could not be an essential predictor in this study.

5.2.5 Tax knowledge and intention to GST compliance

According to table 5.1, H5 is accepted as it has a correlation coefficient value of 0.556 which indicates moderate correlation in strength with regression coefficient p-value 0.000 less than α-value 0.05. Hence, it shows that there is a positive and significant relationship between these two variables.

In this study, tax knowledge appeared to be the 3rd most significant predictor that affected GST consistence expectation behaviour among manufacturers in Perak state. This implies comprehensive and sufficient information about tax play a vital part in affecting manufacturers' behaviour to conform to GST. This study withstands Hypothesis 5 and is firmly with past studies (Saad, 2014; Singh, 2012; Mukasa, 2011; Palil, 2010) that found that tax knowledge were a 3rd predictor for tariff consistence conduct among manufacturers.

5.2.6 Tax system complexity and intention to GST compliance

According to table 5.1, H6 is accepted as it has a correlation coefficient value of 0.505 which indicates moderate correlation in strength with regression coefficient p-value 0.004 less than α-value 0.05. Hence, it shows that there is a negative and significant relationship between tax system complexity and intention to GST compliance. High complex in the tax system would lead manufacturers not to conform to the implementation of GST.

In this study, tax system complexity seemed to be the 4th significant predictor that influences GST consistence behaviour among manufacturers. This study supports Hypothesis 6 and is absolutely similar with historical findings (Richardson G. , 2006; Kirchler, Niemirowski, & Wearing, 2006; Mckerchar, 2005) that found that tax system complexity were one of the predictor for tariff consistence conduct among manufacturers in Perak state. This denotes simplified tax system which consists of regulations, procedures, and information pertaining to taxation would increase the manufacturers' voluntary behaviour towards GST compliance.

5.3 Implications of the Study

5.3.1 Theoritical Implications

Since GST is still new in Malaysia, not many studies have been taken along in terms of the GST compliance, especially in the Malaysian context. Therefore, this study has contributed to the existing literature world by examining the intention to GST compliance among taxpayers particularly manufacturers in the Malaysian context. Besides, this study also has successfully employed two important models, namely, Theory of Planned Behavior (TPB) and Financial Self – Interest Expanded Model (FSIEM). These models are believed to provide a more accurate prediction on the intention to GST compliance compared to the TPB model alone. Though two variables (perceived behavioural control and tax law and enforcement) are insignificant, yet there are four other variables (attitude, subjective norm, tax knowledge and tax system complexity) which are identified as significant predictor in influencing the manufacturer's intention to GST compliance. It provides an insight on the factors that are significant in predicting the intention to GST compliance in the Malaysian context. Aside from that, these models also can be applied to study, the intention to Self-Assessment System (SAS) for personal tax payers for more accurate effects.

5.3.2 Managerial Implications

The breakthroughs of the research provided vital ramifications for responsible authorities' for example, the RMCD. The RMCD needs to consider the important predictors that impact individuals (manufacturers) to consent to GST during its implementation. According to this study, attitudes, subjective norms, tax knowledge and tax system complexity play significant roles and cannot be performed on an individual basis because these factors are closely connected and they are costly in predicting manufacturers' intention towards GST compliance.

Effective supervision of GST by RMCD is comparatively supervising behaviour for the benefits of GST compliance. There has dependably been strong public and media enthusiasm in tax and customs issues in Malaysia; it is a safe strategy that can help to support taxpayers' attitudes, especially manufacturers of these benefits in relation to whether the tax burden distributed equally across society. Open and media intrigue likewise gives chances to get over the messages about the advantages and dangers of compliance. RMCD ought to seek opportunity by giving knowledge to end- user on the importance of tax payment for the development of the country. For instance, Ministry of Domestic Trade and Consumer (KPDNHEP) broadcast advertisement in television, radio and other social media by providing more information and awareness programs to public.

It is recommended that the RMCD to concentrate on the referent groups, for instance, society or peers of the individuals to cultivate consciousness and provide sufficient and comprehensive information about GST. Malaysia can refer to Singapore as a role model, in its GST operation since 1994. A percentage of the fundamental perspectives for GST execution in Singapore are strong obligation from the government, strict enforcement, well drafted laws and very much outlined execution timetable, a far reaching government funded training effort, close involvement between the diverse authorities, and a viable GST audit program (Lee, 2011).

Education for existing members in business is likewise a significant plan because indirect tax revenues collection system in Malaysia for the most part depends on taxpayers evaluating their own account for threshold or subject to enroll as licensee. Basis to this framework taxpayers must have adequate information in the tax laws and procedures. The government must have market division among potential taxpayers, for example, manufacturers from distinctive industries, size of capital and other community so that information education can be sent effectively through media, for example, week by week article in major daily paper or radio, road show, small dialog and direct seminar and course throughout the nation. It will cultivate public new perception on consistence taking into account the trust and transparency displayed by tax administrators.

At the same time, tax administration ought to provide distinct consideration to the new generation of future taxpayers. Freshies in school or in "Pusat Latihan Khidmat Negara" should get detailed information about the importance of paying taxes, alarm this generation

that they are regulated by laws and this tax compliance has no exception. Changing the people's way of thinking and the behaviour is far more difficult and in bringing about this change, education plays a vital role to influence their way of thinking and behaving to work together for future development of Malaysia.

5.4 Limitations of the study

With the hard work and effort that contributed to this study, there are a number of limitations from this study that need to be highlighted. First, the time constraint to complete this project limits the time period for data collection. Thus, this study is only conducted based on 206 useable responses received during the data collection period. Although this number of responses is sufficient for conducting the research, bigger sample size is expected to have better generalizability for the population at large. Second, the outcomes of the study can't be generalized to whole manufacturing companies in Malaysia since this study was just led in Perak state.

Those manufacturers from other states of Malaysia were omitted in this study. Third, cross sectional research applied in this study is not able to generate useful evidences to determine the causal relationship between the variables. As a result, the observed significant relationships between the variables should be interpreted with caution and no causal inferences should be made. Lastly, the majority of the journals that has been used in this study to write the literature review were about the general taxpayers. In this manner, the variables that have been taken from those journals may not be attractive to foresee the intention to GST consistence among taxpayers particularly manufacturers.

5.5 Recommendations for Future Research

In order to produce a better research in future, future researchers should take a longer time frame for data collection period so that larger amount of responses can be collected for analysis. Besides that, future researchers are encouraged to conduct the survey using other type of data collection method besides e-mail survey in hope for higher response rate. A

representative sample from different regions needs to be obtained for better generalizability to the population at large. Longitudinal study is also encouraged in order to determine the causal relationship and whether variable effects change over time.

Besides that, further investigation into the relationship between perceived behavioural control and tax law and enforcement and intention to GST compliance are also encouraged as the result from this study is contradicted to the expectation of the researcher. Future researchers might be able to find out the reasons that contribute to the non-significant relationship other than what had been suggested earlier.

5.6 Conclusion

The purpose of this study is to examine the factors that influence the intention of GST compliance among manufacturers in Perak state. Theories of planned behaviour and financial self-interest expended model have been used in this study to predict the intention to GST compliance. The findings of this study suggest that the attitudes, subjective norms, tax knowledge and tax system complexity have a significant relationship with the intention to GST complaince. The findings of this study provide a contribution to both practical and academical world. The results of this study can be used as a guideline by various parties such as RMCD, GST collection centres and agencies, merchants, bank decision makers, governments, and practitioners to formulate their strategies related to GST compliance.

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APPENDICES

UNIVERSITI TUNKU ABDUL RAHMAN

Faculty of Business and Finance

MASTER OF BUSINESS ADMINISTRATION (CORPORATE MANAGEMENT)

FINAL YEAR PROJECT

TITLE OF TOPIC:

Perception of Manufacturers in Perak State towards Goods and Services Tax (GST) Implementation

Survey Questionnaire

Dear respondent, I'm a final year MBA student from Universiti Tunku Abdul Rahman. I'm conducting this survey to collect information about the factors that influence the Goods and Services Tax (GST) compliance behaviours among manufacturers in Perak State. Thank you for your participation.

This questionnaire has 6 sections with 43 questions. Please circle the relevant number provided in the box.

Section A

Below are statements regarding manufacturer's background, please states your level of agreement for each of the following statements. Please circle the relevant number provided in the box.

1.	Types of business form	Sole proprietor	1
		Partnership	2
		Private Limited	3
		Public Limited	4
		Foreign Company	5
2.	Types of Manufacturing industry	Clothing & Textiles	1
		Petroleum, Chemicals & Plastics	2
		Electronics, Computers & Transportation	3
		Food Production	4
		Metal, Wood, Leather & Paper	5
		Others	6
3.	Duration of existence	Less than 5 years	1
		6 years – 10 years	2
		11 years – 14 years	3
		More than 15 years	4
4.	Average Gross Income per year	Less than RM100,000	1
		RM100,001 – RM500,000	2
		RM500,001 – RM1,000,000	3

		More than RM1,000,001	4
5.	Average monthly GST paid (April 2015 – September 2015)	Less than RM10,000	1
		RM10,001-RM20,000	2
		RM20,001-RM30,000	3
		RM30,001-RM40,000	4
		RM40,001-RM50,000	5
		Above than RM50,001	6
6.	Position	Owner	1
		Partner	2
		Manager	3
		Executive / Supervisor	4
		Staff	5

Section B

Below are statements regarding manufacturer's **intention** on GST compliance. Please state your level of agreement for each of the following statements. Please circle your response according to the following scale.

1	2	3	4	5
Strongly Disagree	**Disagree**	**Neutral**	**Agree**	**Strongly Agree**

1. I would report my sales income fully to comply GST. 1 2 3 4 5

2. I would not attempt to cheat by omitting to report my income 1 2 3 4 5
   from sales to avoid GST.

3. Paying the correct amount of GST is my civic duty. 1 2 3 4 5

4. Paying the correct amount of GST is an important contribution 1 2 3 4 5
   to the development of Malaysia.

5. I pay the correct amount of GST when there was greater 1 2 3 4 5
   enforcement and monitoring by GST authorities.

6. The likelihood of penalties and sanctions increase my intention 1 2 3 4 5
   to comply with GST

7. The likelihood of audits encourages me to comply with GST. 1 2 3 4 5

Section C

Below are statements regarding manufacturer's **attitudes** on GST compliance. Please state your level of agreement for each of the following statements. Please circle your response according to the following scale.

1	2	3	4	5
Strongly Disagree	**Disagree**	**Neutral**	**Agree**	**Strongly Agree**

1. I would be upset if did not report my sales income fully to 1 2 3 4 5
   comply GST.

2. I would feel guilty if I do not declare my sales income to avoid GST.   1 2 3 4 5

3. I would feel guilty if I underreport my sales income to avoid GST.   1 2 3 4 5

4. I believe I have a moral obligation to report all my sales income to comply with GST.   1 2 3 4 5

5. If I underreport my sales income to avoid GST, I expect the Royal Malaysian Customs Department will impose penalties on the shortfall.   1 2 3 4 5

Section D

Below are statements regarding manufacturer's **subjective norms** on GST compliance. Please state your level of agreement for each of the following statements. Please circle your response according to the following scale.

1	2	3	4	5
Strongly Disagree	**Disagree**	**Neutral**	**Agree**	**Strongly Agree**

1. Most people who are important to me think that I should report all my sales income to comply with GST.   1 2 3 4 5

2. Most people who are important to me would include all their sales income in their tax return to comply with GST.   1 2 3 4 5

3. Generally, I would do what I believe most people who are important to me would do to comply with GST if they were in a similar situation.   1 2 3 4 5

4. Most people who are important to me would not respect me if I underreport my sales income to avoid GST.   1 2 3 4 5

5. I would be deterred from underreporting my sales income to avoid GST if I believe that I will lose the respect of most people who are important to me.   1 2 3 4 5

Section E

Below are statements regarding manufacturer's **perceived behavioural control** on GST compliance. Please state your level of agreement for each of the following statements. Please circle your response according to the following scale.

1	2	3	4	5
Strongly Disagree	**Disagree**	**Neutral**	**Agree**	**Strongly Agree**

1. Due to limited knowledge, skills and resources on GST, it is hard for me to complete GST form successfully. 　1　2　3　4　5

2. If I have the opportunity I intend to underreport my sales income in my tax return to avoid GST. 　1　2　3　4　5

3. If all my sales income is subject to reporting by others (banks, audit firms, etc.) it would be difficult for me to underreport my sales income to avoid GST. 　1　2　3　4　5

4. If I encounter any financial pressure, it would be easy for me to justify underreporting my sales income in my tax return. 　1　2　3　4　5

5. Often I encounter financial pressures that require me to underreport my sales income to avoid GST. 　1　2　3　4　5

Section F

Below are statements regarding manufacturer's **perception on GST law and enforcement.** Please state your level of agreement for each of the following statements. Please circle your response according to the following scale.

1	2	3	4	5
Strongly Disagree	**Disagree**	**Neutral**	**Agree**	**Strongly Agree**

1. Simplified GST law and enforcement would increase voluntary compliance among manufacturers. 　1　2　3　4　5

2. Penalties and punishments for not complying with the tax laws should be imposed in order to punish wrongdoing (for punishment). 　1　2　3　4　5

3. Penalties and punishments should not be used to punish past   1 2 3 4 5
   wrongdoing; rather it should be used to prevent future
   wrongdoings (for prevention).

4. Probability of detection as unregistered GST licensee is high by   1 2 3 4 5
   Royal Malaysian Customs Department officers.

5. Fine imposed on unregistered manufacturer is higher than cost of   1 2 3 4 5
   GST registration fee.

Section G

Below are statements regarding manufacturer's **tax knowledge** on GST, please state your
level of agreement for each of the following statements. Please circle your response
according to the following scale.

1	2	3	4	5
Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree

1. Information about GST licensee is easy to access.   1 2 3 4 5

2. I know when to apply GST license.   1 2 3 4 5

3. I know how to apply GST license.   1 2 3 4 5

4. I have attended a tax awareness programmes or seminars on GST.   1 2 3 4 5

5. Royal Malaysian Customs Department provide me with sufficient   1 2 3 4 5
   information on the penalties regime.

Section H

Below are statements regarding **tax system complexity**, please state your level of agreement for each of the following statements. Please circle your response according to the following scale.

1	2	3	4	5
Strongly Disagree	**Disagree**	**Neutral**	**Agree**	**Strongly Agree**

1. GST regulations are easy to understand.   1 2 3 4 5

2. There are simple GST regulations that lead manufacturer to register as GST licensee.   1 2 3 4 5

3. GST procedures easy to understand whether must register as licensee or not.   1 2 3 4 5

4. It is much easier to get information for completing my tax return from other sources than from the Royal Malaysian Customs Department.   1 2 3 4 5

5. Royal Malaysian Customs Department explains clearly on the procedures to claim the paid input tax.   1 2 3 4 5

Thank you for your time, opinion and comments.

~ The End ~