

# **THE INFLUENCE OF TAXPAYERS' TAX LIABILITY, AFFORDABILITY AND MORALITY ON TAX AMNESTY PROGRAM IN MALAYSIA**

**Nadiah Abd Hamid<sup>1\*</sup>, Mohammad Hilmi<sup>1</sup>**

<sup>1</sup> *Faculty of Accountancy, Universiti Teknologi MARA Puncak Alam Campus, Selangor,  
Malaysia*

---

## **ABSTRACT**

Tax amnesty is described as a restricted-time opportunity for a precise organisation of taxpayers to pay a defined quantity in change for forgiveness of a tax liability (including interest and penalties) related to a previous tax duration or durations and without fear of criminal prosecution. It is generally expired once some authorities begin a tax investigation of the past-due tax. In some cases, legislation extending amnesty additionally imposes harsh penalties to those whose square measure eligible for amnesty that do not take it. Tax amnesty is one in all voluntary compliance methods to extend assets and government income. Data of this study were collected from 105 respondents from the areas of Selangor and Kuala Lumpur, which are opened to all taxpayers regardless of background.

---

**Keywords:** Taxpayer' Tax Liability, Affordability, Morality, Tax Amnesty Program

## **Introduction**

Macroeconomic policy and sustainable growth of a country are largely influenced by its fiscal and taxation system specifically in areas such as public debt, inflation, fiscal deficit, income distribution and economic stability. Many developed and developing countries use tax amnesties as part of their fiscal programme (Luitel and Tosun, 2013). Tax amnesty is described as a restricted-time opportunity for a precise organisation of taxpayers to pay a defined quantity in change for forgiveness of a tax liability (including interest and penalties) related to a previous tax duration or durations and without fear of criminal prosecution (Le Borgne and Baer, 2008; Ross, 1986).

---

\* Corresponding author. Nadiah Abd Hamid is a Postgraduate Coordinator, Faculty of Accountancy, Universiti Teknologi MARA, 42300 Bandar Puncak Alam, Selangor, Malaysia. E-mail: nadiah201@salam.uitm.edu.my

Tax amnesty is one in all voluntary compliance methods to extend assets and government income. It is completely different from alternative voluntary compliance methods partly wherever tax amnesty typically waives the taxpayers' liabilities.

There are many important goals of the tax amnesty programme. First is to inspire the non-filers and taxpayers who understate their sales lower back to the tax roll (Ross, 1986) and second is to increase the tax compliance behaviour among taxpayers (Ross, 1986). Tax amnesty is historically introduced in Egypt by Ptolemy V Epiphanes around 200 BC (Mikesell and Ross, 2012). The history was written on the stone named Rosetta explaining the appreciation of the community for the tax amnesty programme (Mikesell and Ross, 2012). Despite the assumption that tax amnesty is used to boost the country's revenue and tax compliance of the tax payers, there are some countries within the world that had enforced tax amnesty programme in their countries since it considers the disputable revenue tools (Alm and Rath, 1998). There are 25 countries that had already implemented tax amnesty programme, which are: Argentina, Australia, Belgium, Bolivia, Brazil, Chile, Colombia, Costa Rica, Ecuador, France, Honduras, India, Indonesia, Ireland, Italy, Malaysia, Mexico, New Zealand, Pakistan, Panama, Peru, Sri Lanka, Switzerland, the Philippines and Uruguay (Alm and Rath, 1998). Unfortunately, there exists a scarcity of studies that consistently examine the implementation of tax amnesty in Asia. Therefore, it is necessary for the United States to look at the implementation of the tax amnesty programme in Asia to determine the key success issue to the programme area unit as well as the advantages and values of the tax amnesty programme.

In Malaysia, there are inadequate information available either from the scholarly database or popular sources (newspaper, website) regarding tax amnesty programme. Historically, there was only one-time full-scale tax amnesty given to tax evaders in the 1960s (Wallschutzky and Singh, 1995). In 2015, Malaysian Inland Revenue Board (IRBM) launched tax amnesty programme for only a short period from 1 March 2015 until 30 November 2015. The tax amnesty programme was then extended from 1 March 2016 until 16 December 2016 (Aspa, 2016; EY, 2016). It aim is to spice up voluntary disclosures and early settlement of tax debts among taxpayers. While the majority of the countries applying tax amnesty in the world cover the repatriation of the offshore property and the whitening of the black money, the Malaysian tax amnesty programme does not cover both issues due to the Anti-Money Laundering, Anti-Terrorism Financing and Proceeds of Unlawful Activities Act 2001 (Malaymail, 2015). However, there is lack of studies in Malaysia investigating the benefits of tax amnesty programme; thus, the effectiveness of such programme is yet to be unresolved. Moreover, the neighbouring countries such as Indonesia and Bangladesh are still precede with their tax amnesty programme, which explains that tax amnesty programme may also act as an effective fiscal programme to Malaysian tax collection strategies. Therefore, this study is vital to investigate the benefits of tax amnesty programme in Malaysia where the findings are useful for IRBM to reconsider the continuation of this programme in the future.

## **Overview on Tax Amnesty**

The term 'amnesty' is literally derived from Greek 'amnestia' and defined as 'forgetting or an act of forgetting'. Black's Law Dictionary defines amnesty as a pardon extended by the government to a group or class of persons. It is a legal forgiveness from certain infractions (Gardner, 1999). Moreover, the oxford dictionary defines tax as an obligatory contribution to help the authorities in carrying out public offerings. It is far levied on people, houses, earning, commodities and transactions at a set fee mostly proportionate to the amount of

which the contribution is levied (Josephine, 2015). Amnesty is the President's right as stipulated in Article 14 Act (2) the 1945 Constitution. The article mentioned that amnesty should be considered by the House of Representative. In relation to taxation, tax amnesty refers to the abolition of consequences through president particularly circumstance in the direction of taxpayers who had executed infringement of taxation legal guidelines. Consequently, tax amnesty provides taxation facility with abolition particularly period for imposition, investigation and prosecution of wealth or profits previously, whether or not entirely or in part, taxed due to recantation of the taxpayers who regretted and promised to no longer do such infringement. Jacques Malherbe defined tax amnesty as "the possibility of paying taxes in exchange for the forgiveness on the amount of tax liability including interest and penalties, the waiver of criminal tax prosecution and/or limitations to audit tax determinations for a period of time." Meanwhile, Carla Marchese argued that it is an opportunity given to taxpayers to write off current tax liability (such as interest and fines) with the aid of paying a described quantity. Such gives are usually considered as significant and to be had for best a confined time frame. Amnesties can either be general or restrained to agencies of taxpayers or taxes, and robotically including the waiving of crook and civil penalties (Prastowo, 2016). Tax amnesty is described as a work of the legislature authority aimed at deleting an offense criminal and accordingly to stop prosecutions or clear condemnation (Chatagny, 2008). On the other hand, Od Heige Fjeidstad stated that tax amnesty is a rule or law issued by the government to forgive tax debts of previous years to taxpayers. Through this measure, the authorities can afford a gain to taxpayers by permitting them to rectify mistake or omissions in tax returns with none rear of legal moves. In different phrases, government sacrificed the consequences by passing non-compliance in alternate for improving compliance inside the future. Amnesty is typically installed for a hard and fast length time. Two capacity rationales for introducing tax amnesties; the primary is the idea that a nation might initiate a tax amnesty if it predict the amnesty software to produce a full-size sales yield; and the second one is the concept that a kingdom might introduce an amnesty in instances of monetary duress, as a result, the amnesty is one source for growing revenue series at some stages in a recessionary duration (Borgne, 2006). Tax amnesty aims to: (a) rapidly obtain the revenue; (b) improve the level of obedience by taxpayers; (c) distance from previous government; (d) mark the change of regime; and/or (e) repatriate assets kept overseas; (f) collect the real data of taxpayers that could be a base to improve law enforcement and tax revenue (Prasetyo, 2016). However, the establishment of tax amnesty also brings several risks such as: (a) in a long term, honest taxpayers are likely to be dishonest after the establishment of tax amnesty since they expected another tax amnesty in the future; (b) indication of a possibility and facility for tax evasion; (c) assumption of obedient taxpayers that tax amnesty is injustice; and (d) might decrease the obedience of taxpayers precisely since they believe that further tax amnesty would be established without any better law enforcement. For example, according to (Zulnaidi Yaacob, 2009) cost savings during the production process due to lower price of supplies made from lower quality input may lead the organisation to bear a higher total cost if the low quality products reach the market. In many cases, external quality failure cost brings more harm to the organisation rather than internal quality failure cost. Therefore, the practice of reward systems should be consistent with the requirements of QM objectives. Otherwise, the employees would be blurred on what to focus on.

## **Brief Overview on the Malaysian Tax System**

In earlier years, the IRBM officials were required to evaluate the tax returns acquired from the taxpayers (assessor). According to the records furnished via the inland sales department director popular round (IRDDGC) in 1978, commonly, an assessor below the employment unit is able to check 2,000 instances consistent with year (because of this, each assessor is required to assess and decide tax legal responsibility for 2,000 salaried taxpayers in a 12 months). Meanwhile, an assessor in the self-employed unit and company branch is required to assess 1,080 and 480 cases, respectively (IRDDG, 1978), as cited in UM (1997) page 2. Nevertheless, they sometimes are not able to achieve the target due to lack of experience and/ or also the complexity of the cases.

Under the formal or official assessment system, IRBM is needed to work out the number of a taxpayer's liability. The matter long-faced by the system was that each legal instrument received needs to be examined; thus, the quantity of taxpayer's liability has to be determined by the assessors (Ghani, Ling, & Wah, 2012; Palil, 2010). The system needs each mathematical computation of the tax (known as 'assessment') and the scrutiny of the accuracy (known as 'audit') of a taxpayer's declaration and different documents, particularly the business accounts of freelance taxpayers to be performed at the same time (dual functions) (Mahmud, 2012). This method is difficult with plenty of time needed to analyse the cases. Moreover, attributable to the rise of the population of tax payers, employment to the assessors is conjointly augmented. However, it has failed to match with the present variety of personnel (technical officers) in IRBM required to cater the tax cases. Additionally, another downside encountered by the standard system is in ensuring that the standard of the assembly of labour is in line with the number of the assessment to be provided inside the dateline (UM, 1997). The officials consequently had to paint greater hours to finish the instances mainly in the event of more complex issues. Therefore, due to the heavy workload, officials are more targeted on the quantity and dateline as opposed to focusing on the quality of the assessment. On top of that, issues on tax legal responsibility unfold the next tax evaluation year, which is after the issuance note of evaluation through the board. The delay of the consequences from time to time took greater than a year gap among incomes earned by means of taxpayers and the portion to be back to the authorities as tax sales. Further, because of the overdue recognition of tax legal responsibility at the profits earned, the tax due had been in no way accrued and so taxpayers took the possibility to use the profits for other functions rather than tax functions. Such opportunistic activities are finished particularly for contract based on total transactions and cash receipts. By the time the board problems the assessment word, the enterprises had long gone bankrupt or the tax payers could not be traced with cash to solve the problems. These conditions expanded the back-log of unresolved instances and troubles not on time the finalisation of tax cases (IRD, 1993) as cited by UM (1997) page 3.

According to (Mohd Faisol Ibrahim, 2009) stated the Islamic capital market in Malaysia comprises the primary market, in which new issues of Government Islamic securities and the Islamic corporate securities are offered to the public and institutions; and the secondary market in which existing Islamic Government papers and Islamic corporate securities are traded. There are two major components of the Islamic corporate securities market, namely Islamic debt securities (IDS) market and the Islamic equity market. Here, in this present paper, we emphasize on the Islamic equity market rather than the IDS market. In Malaysia, the Islamic equity market is reflected by the presence of Islamic

stock-broking operations which include Islamic indices, Islamic unit trusts, and a list of permissible counters in the KLSE as issued by the Securities Commission (SC).

Realising such prevalent problems, many researchers such as Abrie and Doussy (2006); Allingham & Sandmo (1972); Ghani et al. (2012) suggested that voluntary compliance is the best answer to stop such issues from prolonging and to ensure the potency of the legal system that could indirectly increase taxpayers' confidence within the government and tax administration. After much research and assessments, IRBM then introduced the self-assessment system (SAS) for company taxpayers in 2001 and for other than company tax payers in 2004 (IRBM, 2001). In the Self-Assessment System (SAS), taxpayers' voluntary compliance is crucial. However, once SAS has been enforced, the tax administrator still addresses non-compliance problems. The non-compliance (intentional or unintentional) problems are literally a standard drawback featured by tax directors around the globe and became a severe matter particularly among the bulk of tax directors over the past 40 years (Ghani et al., 2012). Consequently, policy makers including the tax administrator struggled to find a way to reduce the 'non-compliance' and increase 'voluntary compliance'. Failure to reveal the powerful tax and voluntary compliance may additionally bring about awful implications toward the financial system (Allingham & Sandmo, 1972). Basically, tax non-compliance and tax evasion exist in all countries including Malaysia. For example, in the United Kingdom from 2008 to 2009, it was predicted that approximately a tax gap of £42 billion would occur due to tax fraud/ evasion and some criminal activities (Ghani et al., 2012; HRMC, 2010). The non-compliance problems have become worse when the introduction of the Self-Assessment System was attributable to a number of factors like the complexness of the tax laws, lack of tax information among tax payers, the complexness of the system and the taxpayers' behaviour. Due to these factors, IRBM introduced the tax audit to boost voluntary compliance with the tax laws and rules where it became a main activity for IR Board of Asian country (IRBM) underneath the Self-Assessment System (SAS) tax regime and plays a crucial and central role of enhancing voluntary compliance among tax payers (Choong & Lai, 2008; Ghani et al., 2012). According to Palil & Mustapha, (2011), some studies claimed that audits have a positive impact on tax evasion (Jackson & Jaouen, 1989; Kastlunger, Kirchler, Mittone, & Pitters, 2009). The above scenarios suggest that non-compliance is an important difficulty that calls for serious attention. Actions should be taken to minimise or control the good sized of non-compliance and at the equal time, try and resolve the modern-day noncompliance hassle. In different phrases, there may be a need to implement institute measures that must also foster voluntary tax compliance.

### **Problem Statement**

Nowadays, considering that tax revenues constitute an important part of public sales (Stewart, 2001), collection of tax revenues becomes such an important issue. Mainly after the economic crisis in 2008, growing public finance deficits of countries have accelerated the need for tax sales notably as the international locations have become toward extra international cooperation to find a good way against tax loss and evasion. Although the efforts spent for worldwide cooperation square measure are massive, in today's modern kingdom data, making a property and voluntary tax paying life-style has turned into the first priority. Based on the statement in this study, there is a need to hold the relationship between the tax amnesty programme, tax liabilities, affordability and morality of taxpayers in cooperation and in line to run the procedure well. Otherwise, the "sensitivity" that occurs at some point of tax compliance procedure can purpose the hassle of

perception in taxation sense for the taxpayers. Sensitivity activity standards, which incorporates the assessment of advantages reciprocally for the tax paid, the bounds of acceptance of tax imposition or coercion, perceptions of justice and the approaches in the legal system, are intended for the perceptions, attitudes and behaviours of taxpayers (either negatively or positively) (Lewis, 2008). Insufficient acceptance of taxation sensitivity by the society can cause tax compliance problems within the type that tax duties square measure consummated inadequately or not in any respect. Compliance charges are commonly interpreted as the mean of lack of time and money. Apart from that, the problem statement in this study should be the issues of whether or not tax amnesty programme against tax liability, affordability and morality of the taxpayers in Malaysia and their perception of the tax amnesty programme can help taxpayers to reduce their expenses and tax revenue. Based on this study, to make this study clear the study is all about we want to know the correlation between all that factors and how it can influence compliance if amnesty offered. Besides that, if tax amnesty really can help increased compliance, then maybe we can offer amnesty as part of tax compliance program in Malaysia. Furthermore, to become clear for how the factors can influence compliance if amnesty offered, table 1 below show the collection for current tax penalty and the Amnesty regime in Malaysia on 2016 compared to 2013 to 2015.

According to (Tax amnesty 2016 reduction and waiver of tax penalties, 2016) set out below are the current penalty regime under the tax law, the concessionary rates applied by the IRB in practice and the reduced penalty rates under the Amnesty regime. Based on the table 1.5 below show the penalty rates from 2013 to 2016. As we can see penalty regime failure to furnish tax returns by the statutory due date (income tax) and the penalty rates reduced 15% for full payment and payment in 6 instalments are 20% compared to failure to present an instrument for stamping within the stipulated period from 1 March 2016 to 30 June 2016 are 5% while from 1 July 2016 to 15 December 2016 are 10%.

**Table 1: Penalty rates**

<b>Penalty regime</b> • Income Tax Act 1967 •Petroleum (Income Tax) Act 1967	<b>Penalty rates based on the tax law</b>	<b>Penalty rates (Concessionary rate)</b>	<b>Reduced penalty rates (Amnesty regime*)</b>
Failure to furnish tax returns by the statutory due date (income tax)	Up to 300%	x period from the statutory due date for furnishing the tax return**: • Within 12 months: 20% • After 12 months to 24 months: 25% • After 24 months to 36 months: 30% •Beyond 36 months: 35%	• Full payment: 15% • Payment in 6 instalments: 20%

Failure to furnish tax returns by the statutory due date (petroleum income tax)	Up to 300%	No concessionary rate specified in any guidelines issued by the IRB	<ul style="list-style-type: none"> <li>• Full payment: 15%</li> <li>• Payment in 6 instalments: 20%</li> </ul>
Incorrect returns: Voluntary disclosure (within a stipulated period) after taxpayer has been informed of the tax audit	Up to 100%	35%***	<ul style="list-style-type: none"> <li>• Full payment: 25%</li> <li>• Payment in 6 instalments: 35%</li> </ul>
Incorrect returns: Voluntary disclosure by taxpayer during a tax investigation	Up to 100%	From 45% to 100%***	Voluntary disclosure within 14 days from the date of the IRB inspection: <ul style="list-style-type: none"> <li>• Full payment: 20%</li> <li>• Initial payment of 50% and remaining in 6 instalments: 25%</li> </ul>
Incorrect returns: Voluntary disclosure	Within x period from the statutory due date for furnishing the tax return***: <ul style="list-style-type: none"> <li>• Within 60 days: 10%</li> <li>• After 60 days to 6 months: 15.5%</li> </ul>		Full payment: 15% <ul style="list-style-type: none"> <li>• Payment in 6 instalments: 20%</li> </ul>
	Up to 100%	x period from the statutory due date for furnishing the tax return: <ul style="list-style-type: none"> <li>• After 6 months to 1 year: 20%</li> <li>• After 1 year to 3 years: 25%</li> <li>• Beyond 3 years: 30%</li> </ul>	
Incorrect returns: Discovery by the IRB during a tax audit	Up to 100%	45% or 100%****	<ul style="list-style-type: none"> <li>• Full payment: 25%</li> <li>• Payment in 6 instalments: 35%</li> </ul>

Incorrect returns: Discovery by the IRB during a tax investigation	Up to 100%	From 45% to 100%****	<ul style="list-style-type: none"> <li>• Full payment: 25%</li> <li>• Initial payment of 50% and remaining in 6 instalments: 35% Applicable to: <ul style="list-style-type: none"> <li>• Unresolved cases as of 31 December 2015: Settlement by 31 July 2016</li> <li>• Taxpayers who were subject to tax investigation from 1 January 2016: Settlement by 15 December 2016</li> </ul> </li> </ul>
Failure to furnish RPGT form by the stipulated due date	Up to 300%		<ul style="list-style-type: none"> <li>• Full payment: 5%</li> <li>• Payment in 6 instalments: 8%</li> </ul>
Failure to present an instrument for stamping within the stipulated period	x period from the stipulated due date for presenting an instrument for stamping (whichever is greater): <ul style="list-style-type: none"> <li>• Within 3 months: RM25 or 5%</li> <li>• After 3 months to 6 months: RM50 or 10%</li> <li>• Beyond 6 months: RM100 or 20%</li> </ul>		<p>Stamping of the instrument and payment of stamp duty made:</p> <ul style="list-style-type: none"> <li>• From 1 March 2016 to 30 June 2016: 5%</li> <li>• From 1 July 2016 to 15 December 2016: 10%</li> </ul>

Notes: All the penalties above reflect the position where no precaution is initiated.

\*Based on the “Garis Panduan Operasi Bil 1 Tahun 2016 – Tawaran Pengurangan Penalty dan Penghapusan Kenaikan Cukai” issued by the IRB on 10 February 2016

\*\*Based on “Garis Panduan Operasi Bil 1 Tahun 2015 – Pengenaan Penalti di bawah Subseksyen 112 (3) Akta Cukai Pendapatan 1967” issued by the IRB on 5 March 2015

\*\*\*Based on the Petroleum Tax Audit Framework, the Tax Investigation Framework and the Tax Audit Framework issued by the IRB on 1 April 2013, 1 October 2013 and 1 February 2015 respectively

\*\*\*\*The penalty rate for taxpayers who are listed in the Monitoring Deliberate Tax Defaulter Programme is 100%



## **Literature Review**

Empirical studies have addressed essential ways wherein amnesties can have an effect on tax sales amassed: direct gains from participation inside the amnesty (Alm and Beck, 1991; Fisher et al., 1989; Hasseldine, 1998; Luitel & Sobel, 2007) and indirect effects on tax compliance following an amnesty (Alm et al., 1990; Alm & Beck, 1993; Andreoni, 1991; Christian et al., 2002; LópezLaborda & Rodrigo, 2003; Luna et al., 2006; Malik & Schwab, 1991; Rechberger et al., 2010; Torgler & Schaltegger, 2005; Young, 1994). This literature makes a specialty of the effects of put up-amnesty revenue series or taxpayers' compliance

subsequent to an amnesty rather than taxpayers' underlying motivations to take part in an amnesty programme. Nevertheless, the findings of each are shortly described to be able to figure out possible reasons that can be influential in the tax amnesty participation selection.

Fisher et al. (1989) examined the effectiveness of a state tax amnesty in Michigan, and found that overall revenues did not increase substantially due to the amnesty. Alm & Beck (1991) increased a financial version of amnesty participation to check the usage of facts from twenty-8 states inside the USA and discovered that taxpayers divulge more in an amnesty application with the increase in possibility of detection and consequences. Hasseldine (1998) reviewed 43 state tax amnesty programmes in the United States identifying tax amnesty revenues as a percentage of state tax revenues ranging from 0.008 to 2 percent and found that revenue collection declines with repeated amnesty programmes. Luitel & Sobel (2007) stated that states that offer repeated tax amnesties generate less revenue from the subsequent amnesties than the initial tax amnesties and present reduced compliance following tax amnesties. Alm et al. (1990) have also observed that compliance decreases after an amnesty.

One economic model developed by Andreoni (1991) predicted that cheating increases when a permanent tax amnesty is enacted. Similarly, Malik & Schwab (1991)'s economic model showed that taxpayers reported less income as the probability of an amnesty rises. Alm & Beck (1993) conducted a time-series economic analysis on a Colorado state tax amnesty and suggest that this amnesty did not result in significant long-term post-amnesty revenue collection. Young (1994) examined the characteristics of amnesty participants and stated that single males and individuals with occupations in sales or self-employed are more likely to participate in tax amnesties. Christian et al. (2002) found that the increase in tax revenues following a Michigan state tax amnesty was negligible. López-Laborda & Rodrigo (2003) evaluated the long-term impact of a Spanish tax amnesty and found that the amnesty had no effect on tax collection in the short- or long-term. Torgler & Schaltegger (2005) experimentally tested the effects of taxpayers' voting approval for a tax amnesty on next reporting compliance and mentioned that tax compliance is multiplied only after institution dialogue and balloting. Luna et al. (2006) conducted an evaluation on several kingdom tax amnesties to identify the functions of each one of them and concluded that the lengthy-time period compliance effect is uncertain. Rechberger et al. (2010) examined the perceived justice of a tax amnesty on subsequent reporting compliance and demonstrated that this relation is mediated by retribution and value restoration.

These studies have a tendency to summarise that revenue collection outcomes of amnesties are modest at quality and that reporting compliance following an amnesty tends to go through. Amnesties generate surprisingly little sales in element due to the low participation in amnesties. This current study specialises in antecedents of participation, which has the capacity to enhance revenue series. There is one effective study (Alm & Beck, 1991) that explicitly identifies possible motives that might influence taxpayer participation in tax amnesties. Alm & Beck (1991) concluded that the probability of detection and penalties are important motives. For the majority of studies, the reason why taxpayers participate in tax amnesties was not stated and implied to be economic in nature. Consequently, much remained to be learned as to why taxpayers might be inclined to participate in a tax amnesty programme.

Employee's experience about coming to work affords the motivation to sustain and increase productivity. McGuine & McLaren (2009) identified a strong fine hyperlink between the working environment and employee commitment. Meanwhile, Akintayo (2010) stated that retaining workers' happiness and productivity requires popular and open communication. Anugwom (2004) stated that un-conducive work environment creates a feeling of un-fulfilment, inhuman therapy and forget for the workers and that with these feelings, they can clearly do in their best. Lee et al. (2014) then added that working prerequisites have significant impact on workers' exceptional of lifestyles as they spend extra than 1/2 of their waking hours on working. Onogori (2007) asserted that when the workers failed to find their work fulfilling and satisfying, it will effect to boredom, reduced efficiency, fatigue, frustration and dependency.

Akporhe (2011) said that there are three sorts of running environment known as right, moderate and terrible working environment. He additionally mentioned that right surroundings are the kind of working surroundings that offer process pride to a personnel. It is a situation that places all the essential conditions and lodging to assist the employees to do their work.

Acknowledging ergonomics for work region plan can assist to remove the threat of stress in a working station (Tarcan et al., 2004). He also stated that if an enterprise does no longer have a decent working environment to employees including having an accurate workplace design, the chance of workers giving excuses and hesitant to go to work will increase.

### **Tax compliance in Malaysia**

Braithwaite (2009) defined tax compliance as taxes due paid in full payment. To date, there is no specific definition found by previous studies. However, some researchers such as Long and Swingen (1991), Hasseldine and Li (1999) and Devos (2009) as cited in Ghani et al. (2012) in page 3 have used the definition as provided by Roth, Scholtz, & Witte (1989) defining tax compliance as tax liability outlined in tax code & regulation and submission of tax filing submitted within the deadline. This is also supported by Kasipillai and Hijatullah (2006), Kamleitner et al. (2012) and Roth et al. (1989) emphasising that the non-compliance to tax occurs when there is a variance between the amount of tax declared and paid with the amount of taxes owed due to under claiming or over claiming the expenses, income or any deductions. Non-compliance comprises both evasion with intention and non-compliance without intention (no intention to evade) in terms of wrong calculation due to lack of knowledge on the tax laws. According to Kuisma, Laukkanen, & Hiltunen (2007) many customers are afraid to lose money while performing a transaction

or transfer money through the internet. According to (Murat.M, Shahimi, M., Abdul, A. A., 2016) stated that Online banking transaction presents less guarantee given in the traditional environment through official proceedings and receipts. Therefore, users often have difficulty to request compensation when the error of the transaction occurs.

Recently, the prevalence of tax non-compliance became more intense globally mainly among most people of tax directors. The failure to exercise effective tax and voluntary compliance will provide terrible implications to the financial system. Ghani et al. (2012) found that tax non-compliance and tax evasion exist in every country including Malaysia. In the case of tax fraud/ evasion and some criminal activities in the United Kingdom from 2008-2009, a tax gap of £42 billion has been predicted to occur (HMRC, 2010). In 2013, the Inland Revenue Board of Malaysia (IRBM) has reported that the additional taxes and

penalties in year 2013 have amounted to RM 4,300.79 million compared to year 2012, which amounted to RM 2,647.55 million displaying an increase of 62.44%. Out of 62,717 audited cases in 2013, non-compliance rate on PCB had increased from 17% (2012) to 20% (2013). Meanwhile, the collection of tax undercharged in 2013 was reduced by 11.29% from RM66.98 million to RM59.42 million, whereas the compound charged has increased up to 12.20% from RM7.13 million to RM8 million (IRBM, 2013). Allingham and Sandmo (1972) debated that the effective way to reduce non-compliance is by increasing the tax penalty towards non-complying tax payers or to the rising numbers of tax audit. In Malaysia, starting the year assessment (YA) 2008, penalty for understatement income has been declared and discovered through tax audit to be equal to the amount of tax undercharged (100%) as stated in Section 113 (2) of the Income Tax Act (1967). Arguably, this penalty rate is rather high.

Limited studies had been carried out on tax non-compliance among corporate tax payers in Malaysia (Isa & Pope, 2011; Mohd, Ahmad, & Norman, 2010; Zainal Abidin, Hasseldine and Paton, 2010). However, researchers were unable to identify the types of non-compliance due to inadequate data. The government has taken the initiative to educate the taxpayers in 2009 by reducing the penalty rate from 300% to 100% on any incorrect income or omission of revenue declared, which was revealed by tax audit. In fact, a concessionary rate of 45% will be imposed for the first offense. Besides, penalties at a lower rate of 10% or 15.5% were imposed on the additional tax payable arising from voluntary disclosures made by taxpayers within 12 months from the date of submission of tax returns. To enhance voluntary compliance, the government has proposed various strategies with a major change introducing SAS to replace the Official Assessment System (OAS) in 2001. Tax compliance under SAS is fully depending on the integrity and honesty of the taxpayers because the tax income declared by the taxpayers is considered as final and accepted at face value. The undertaking of SAS is to assess and accumulate the exact income as consistent with tax law in the greenest way at minimal value to inculcate self-belief among public on the equity and reliability of the tax gadget and to promote voluntary tax compliance (IRBM, 2012). 'Voluntary compliance' is referred to the purpose of complying with the requirement of tax with none enforcement mechanism (Isa & Pope, 2011).

It is normal if the taxpayers have the intention to evade taxes and influence them to prepare different sets of account for three (3) types of purpose; for management, financial institution and for the tax purposes (Mamo & Aliaj, 2014). Knowing the common strategies usually carried out by the public, IRBM has taken the initiative to provide many tax educations and tax audit programmes to ensure the success of the SAS where many tax

educations and tax audit programmes have been conducted. Tax education applications are honestly considerable to enhance taxpayers' consciousness and their understanding on the rights and obligations under SAS while enhancing the self-assurance level of the taxpayers on the device (Mustafa, 1996). Unfortunately, the problem of unintentional tax non-compliance becomes crucial after the full adoption of SAS (Hai & See, 2011). Hence, the government has introduced tax audit to inspect the business accounts including the taxpayer finances in ensuring that the tax payable amount has been sufficiently declared and paid in accordance to the tax laws and regulations. Recently, tax audit has become one of the core activities of IRBM. It works as a mechanism to educate taxpayers on voluntary tax compliance significantly contributing to the enhancements of tax system administration such as educating taxpayers on the tax laws application and to detect enhancement required for record-keeping as well as to determine the areas of tax laws that require further clarification.

### **Taxpayer's taxes liability and tax amnesty programme**

According to (Robinson & Cole, 2010) in accordance with the legislation proposed by Governor Patrick and passed by the General Court in November 2009, the Massachusetts Department of Revenue (DOR) has established a tax amnesty programme specifically targeted to those taxpayers with business tax liabilities. The taxes concerned the income and use, meals, profits withholding, pass-via entity withholding and the excised taxes on room occupancy, cigarettes, cigars and smoking tobacco as well as gasoline. Tax liabilities springing up from character profits and enterprise excise taxes are excluded from the tax amnesty software. The amnesty programme is available for a two-month period beginning April 1, 2010 and ending June 1, 2010. Under the programme, if an eligible taxpayer pays the full amount of outstanding tax and interest by June 1, 2010, the DOR will waive all unpaid penalties as well as interest directly attributable to those penalties. The penalties eligible to be waived include those for late filing, late payment, failure to file a proper return, failure to file, report, or pay electronically and the failure to pay a proper amount of any estimated tax payment. However, interest accrued on the outstanding tax liability will not be waived.

The amnesty programme is a revenue acceleration programme aiming at taxpayers with assessed and unpaid tax liabilities for periods ending on or before December 31, 2009. To participate in the amnesty programme, the taxpayer must receive a Tax Amnesty Notice from the DOR. Any taxpayer subjected to a criminal prosecution or investigation is not eligible to participate in the amnesty programme. Moreover, taxpayers who have formerly signed settlement agreements or those who have paid all taxes and interests due but are disputing consequences are no longer qualify for the amnesty. Unlike most amnesty and voluntary disclosure applications, the charge for the remarkable liability does not represent a forfeiture of the taxpayer's statutory right to enchantment and taxpayers who have already filed appeals are eligible to participate and hold to pursue their appeals. An eligible taxpayer who fails to participate in the amnesty programme and to pay the outstanding balance of tax and interest may be assessed an additional penalty below \$500. The DOR was expected to send Tax Amnesty Notices to 36,000 business taxpayers in the early April and estimate that the programme could generate approximately \$20 million in collection.

## **Implementation of Tax Amnesty Programmes in Malaysia and other countries**

To evaluate tax amnesty implementation, this study used the indicators explained by Alm and Rath (1998) such as existing tax compliance, prospective changes in law enforcement, eligibility, coverage, incentives and duration. The authors also analysed whether the tax amnesty implementation in those nations turned into a success or fail. In addition, they tested the elements that turn out to be the source of attainment and failure of tax amnesty application in the above nations. Below is the implementation of tax amnesty programme in nine countries in Asia.

### **1. Bangladesh**

Bangladesh is a country experiencing an acute poverty (Sarker, 2004). Therefore, the tax burden is only shared by a limited number of individuals and corporations or only  $\leq 1\%$  of its 133 million population (Sarker, 2004). There is a dearth of studies mentioning the period of tax amnesty implementation in Bangladesh. Bangladesh has launched tax amnesty for 18 times between 1971 until 2013 (Ahmed, 2016). Table 1 describes the amount of tax amnesty collected since 1976 until 2010.

The tax amnesty software in Bangladesh has created a destructive effect on the country economy. The taxpayers who joined the tax amnesty application are protected by the government even though they only mentioned 1% of their black money as they got a license of whitening some black money (Waris and Abdul Latif, 2014). The 2013-2014 tax amnesty has only succeeded in collecting 18 crores from 205 individuals.

### **2. India**

India has conducted repeated tax amnesty programme in 1951, 1965, 1975, 1975, 1980, 1985, 1986, 1991, 1997, 2013 and the most recently in 2016 (Bamzai, 2016; Beniwal and Shrivastava, 2016; Das-Gupta and Mookherjee, 1995).

The 1997 tax amnesty or the Voluntary Disclosure of Income Scheme (VDIS) was proposed to reduce black economy. The programme was targeted to the corporate and individuals that set the 35% rate and 30% rate of tax for each party to legitimise their assets without any retrospective penalties (Banerzi, 2016). The 1997 tax amnesty programme succeeded in raising 3.6% of the gross domestic products from 3% or less in the previous 5 years (Beniwal and Shrivastava, 2016). The VDIS was able to attract more than 350,000 individuals and companies to disclose their undisclosed income. Despite its significant success, a Public Interest Litigation was filed in the Supreme Court in 1997 debating that the tax amnesty programme penalised obedient and genuine taxpayers while encouraging errant tax evaders (Bamzai, 2016).

The Supreme Court then ruled out that the Indian government is not allowed to offers tax amnesty scheme after 1997 (Bamzai, 2016). The second most recent tax amnesty introduced on June-September 2016 has succeeded in attracting 64,275

declarations resulted in Rs. 294 billion in government revenue (Mundy, 2016). The taxpayers are only required to pay a 31% tax against 45% tax stipulated in the Income Declaration Scheme 2016 (Ramakrishnan, 2016). The Indian government then launched the last resort tax amnesty that lasts from December 2016 until March 2017. The taxpayers who declared their undeclared income should pay the tax, surcharge and penalty totalling in all to 49.9% (Adhia, 2016).

### 3. Indonesia

Similar to India, Indonesia is experiencing a very serious tax problem. Indonesia had launched its tax amnesty programme in 1964, 1984 and 2008, but all of those tax amnesty programmes were failed due to the weak legal issue. The third tax amnesty was able to collect 7.46 trillion rupiahs from 5,635,128 individuals, but the amount collected was lower than that targeted by the tax office service (Ahmed, 2016). Table 2 presents the results of tax amnesty collection in Bangladesh while Table 2 demonstrates the results of the Indonesia tax amnesty tariff.

Table 2: Tax amnesty collection in Bangladesh

Year	Disclosed amount (in Bangladesh)	Collection of tax through tax amnesty program	% amnesty tax of total income tax collection
1976-1977	114.64	10	8.72
1987-1988	664.29	40	6.02
1988-1989	705.93	25	3.54
1989-1990	782.24	40	5.11
2000-2001	3,500.82	100	2.85
2002-2005	14,520.00	No Tax	0.00
2005-2006	7,162.01	345	4.81
2006-2007	8,721.24	687.43	7.88
2007-2008	11,744.66	800.03	6.81
2008-2009	13,857.74	100.08	0.72
2009-2010	17,042.28	121	0.70
1976-1977	114.64	10	8.72

Source: NBR Bangladesh in Ahmed 2016

Assets	Phase 1 0-3 months	Phase 2 >3-6 months	Phase 3 >6-9 months
Declaration of offshore without repatriation	4	6	10
Onshore assets or repatriated offshore assets	2	3	5

Table 3: Indonesian tax amnesty tariff

#### 4. Malaysia

There is very limited information available either from the scholarly database or from the popular sources (newspaper, website) regarding the tax amnesty programme in Malaysia. Historically, there was only one-time full-scale tax amnesty given to tax evaders in the 1960s (Wallschutzky and Singh, 1995). In 2015, Malaysian Inland Revenue Board launched tax amnesty programme for only a short period until 30 November 2015. The tax amnesty programme was then extended from 1 March 2016 until 16 December 2016 (Aspa, 2016; EY, 2016). This tax amnesty programme was designed to boost voluntary disclosures and early settlement of tax debts among taxpayers. While most people in the countries that applies tax amnesty within the global cover the repatriation of the offshore belongings and the whitening of the black cash, the Malaysian tax amnesty does not cover both issues due to the Anti-Money Laundering, Anti-Terrorism Financing and Proceeds of Unlawful Activities Act 2001 (Malaymail, 2015).

#### 5. Kazakhstan

Kazakhstan had accredited the tax amnesty application in connection with the legalisation of the assets for three instances. The first campaign was held in 2001 and succeeded in legalised \$480 million only in one month. The second legalisation was conducted in 2006-2007 resulting in \$6.8 billion of tax revenue from capital and property tax (OECD 2014). The third tax amnesty programme was quite successful as it was able to collect 5.7 trillio tenges (around \$17 billion) from more than 140.000 taxpayers (KazWold.info, 2017).

#### 6. Pakistan

There may be no comprehensive records in the history of tax amnesty in Pakistan. The most recent tax amnesty in Pakistan was conducted only very recently between December 7 and December 26, 2016 (PKRevenue.com, 2016). The tax amnesty was targeted only to the property sector, which has failed since there was only 1919 transactions made with only Rs. 50 million (\$0.0004 billion) taxes collected under the programme (PKRevenue.com, 2016).

The failure of the 2016 tax sales had made the Pakistan federal board of revenue to give greater trendy tax amnesty in the destiny to cowl all the area and all Pakistanis residents and nonresidents (Thenews.com.pk, 2017). The 2016 real estate tax amnesty had destroyed the tax structure in Pakistan as it gives a privilege to the real estate investors to pay taxes at a rate of only 3% (ghar47.com, 2016). In contrast, Pakistan individuals have to pay a maximum of 35% taxes on their earnings with

100% penalty for the late payment (ghar47.com, 2016). It directly penalises the truthful taxpayers. The 2016 real estate tax amnesty also gave a legal license to real estate investor to whiten black money. In addition, the tax amnesty had increased the price of the properties in Pakistan due to the repatriation of black money to the property sector (ghar47.com, 2016).

## 7. Philippines

The Philippines have a very long experience with tax amnesty. There were 10 different tax amnesties launched between 1972 until 1981 during the Marcos regime (Aspa, 2016). The first tax amnesty was introduced in 1972 covering the untaxed income/ wealth, motor vehicles, goods and delinquent accounts (Aspa, 2016). Although the first tax amnesty was considered successful, the rest of the tax amnesty during the Marcos regime was not really successful due to the frequent launch of the programme (Aspa, 2016). The grand total for the 10 tax amnesty during the Marcos regime was PhP1,884.19 (Aspa, 2016).

Tax amnesty was launched in three periods during the Corazon Q. Aquino presidency (Aspa, 2016), which were in 1986, 1987 and 1991 (Aspa 2016). The total revenue collected in her time was PhP1, 366.50 (Aspa, 2016). The tax amnesty programme was then continued during the Ramos administration where the tax amnesty programme was held in 1997 and succeeded in collecting PhP2,765 (Aspa, 2016).

During the Estrada administration, the tax amnesty was introduced in 1999. The tax amnesty was able to collect PhP3,531 tax revenue (Aspa, 2016). Tax amnesty was also launched during Aroyo's administration. There was 21 regulations launched during the period of tax amnesty from 2001-2008 (Aspa, 2016). The 2008 tax amnesty covers the earnings tax, estate and donor's tax, capital profits tax, cost introduced tax, other percentage taxes, excise and documentary stamp taxes (now not blanketed were withholding taxes with admire to withholding tax retailers). Under one of Aroyo's regulations, she was able to collect PhP5.90 billion of tax revenue from 20,629 taxpayers.

## 8. Thailand

Thailand offers a range of new tax rate reductions and exemptions to the corporation through its latest tax amnesty in 2016. The tax amnesty was only held for 2.5 months from 1 January 2016 to 15 March 2016 (Richter, 2016). The 2.5 months tax amnesty programme had accumulated more than 40,000 companies (Nikita, 2016).

On the overall, Table 4 below depicts that Indonesia has become the country collecting the highest amount of tax revenue from tax amnesty despite its limited frequency of tax amnesty. The study was aligned with the previous study, which found that too frequent tax amnesty would result in a negative effect on taxpayers' behaviour (Parle and Hirlinger, 1986). Predictable tax amnesty would make the tax evader to wait until the future tax amnesty gives them the best tax rate.



Table 4: Implementation of tax amnesty in 9 countries

Country	Frequency of tax amnesty	The most recent tax amnesty	Duration	Amount collected 9 (bn)d
Bangladesh	18	2013-2014 <sup>b</sup>	2 years	\$2.2
India	11	2016	4 months	\$9.8
Indonesia	4	2016	9 months	\$365a
Kazakhstan	3	2014-2016	16 months	\$17
Malaysia	NA	2016	8.5 months	NA
Pakistan	NA	2016	1 month	0.0004
Philippines	<sup>c</sup>	2007-2008	Until March 2008	0.1117
Sri Lanka	11	2003	NA	NA
Thailand		2006	2.5 months	NA

<sup>a</sup>Data until the end of tax amnesty programme in March 2017 from available data source in 2014. The Philippines was seen to have a series of tax amnesties and pseudo-tax amnesty where the currency was converted to US

### **Benefits of tax amnesty programme from the perspective of the taxpayers**

Amnesties in trendy have seven predominant blessings. Firstly, an amnesty may additionally allow the collection of a share beyond the money owed, which might otherwise be uncollectable with delinquents presenting the danger to 'clear the slate'. Secondly, amnesties inspire renewed compliance. This benefit is particularly sturdy while in the absence of an amnesty, there may be a robust incentive for delinquents to stay so. Thirdly, imparting an amnesty regularly makes the society able to control the future (Leonard and Zeckhauser, 1984).

Tax amnesty makes destiny adherence to the tax laws much more likely by removing the desire to hide beyond wrongdoing. An amnesty is suited if it lowers the fee of behaving properly inside the future. Fourth, amnesties allow the society to forgive violators who are not likely to be repeated offenders. Fifth, they assist in decreasing or putting off deadweight burdens from a social schism or from character guilt. Sixth, amnesties may permit the society to declare its mistake and wants to exchange its mind. Changing the perspective of a society may additionally cause many varieties of behaviour hitherto deemed socially unwanted, greater attractive and undercut hooked up social norms. It is obvious now that not all members of a society will see this as a gain. Eventually, amnesties can make the transition to a new enforcement regime seems extra equitable. While society systematically fails or unable to put into effect a regulation over a long period, it implicitly creates a presumption that the offence is not always serious, encouraging otherwise honest people to pick noncompliance (Leonard and Zeckhauser, 1984).

## Conceptual Framework

This study is mainly on the benefits with tax amnesty programmes from the perspective of the taxpayers. According to Figure 1, there are three variables classified as independent and dependent variables. The independent variables include taxpayer's tax liability, affordability, and morality that contributes to the tax amnesty. Meanwhile, dependent variables include worker dedication in which this study aims to improve the relationship of workplace environment and employees' commitment.

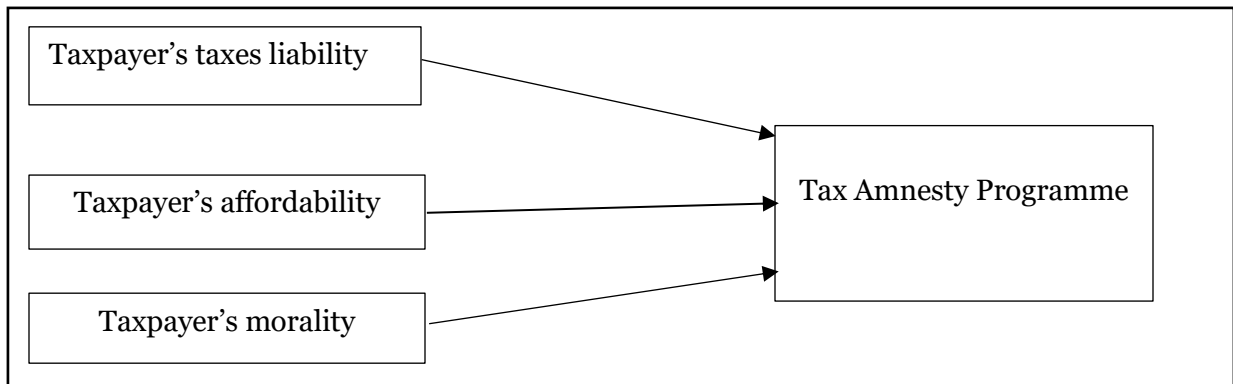


Figure 1: Conceptual Framework for Tax Amnesty: Tax Amnesty in Malaysia

## Research Methodology

### i. Sampling Procedure

According to Sakran and Bougie (2011), sampling refers to the technique of selecting a number of elements from the population. The sampling technique used for this study is probability method. Under probability method, simple random sampling technique was used into the study. According to the rule of thumb for determining sample size as proposed by Roscoe (1975), the sample sizes larger than 30 and less than 500 are appropriate for most studies. Within this limit, it is recommended that the sample size is about 10% of the population. All taxpayers throughout Selangor and Kuala Lumpur are selected as the population of this study. Therefore, each taxpayer has an equal chance to be chosen in the sample of the study. The sampling frame was sourced from which a sample is drawn. The sampling frame used in this study is collected from the areas of Selangor and Kuala Lumpur, which are opened to all taxpayers regardless of background. The sampling focused on the Tax Amnesty Programme in Malaysia.

### ii. Data Collection of Procedure

Data collection method is an important part of a research. Researchers use questionnaire as the instrument to collect all the data. Questionnaire is described as a list of survey questions requested to the respondents and designed to extract specific information (Khalid, 2006). The processes used for series of information from the respondents are the questionnaires sent via electronic mail incorporating the introduction of the survey and the link for the participants to reply the survey. The URL for the questionnaire is (<http://www.surveygizmo.com/s3/3932087/A-Survey-on-the-Tax-Amnesty-in-Malaysia>). This URL link was also sent through WhatsApp application to directly reach some of the participants. All the answers from each participant remained confidential and were only use for the analysis purpose.

## Findings and Discussions

### A. Parametric Test

Each independent and dependent variable was measured in interval scale, suggesting that they are continuous scale. Discussions from the previous section unconcealed that the information for each variable are commonly distributed roughly. Therefore, to determine the relationship between independent and dependent variables, this study will use parametric statistical tool. This study used bivariate correlation namely Pearson's product-moment correlation coefficient to identify the correlation between both variables since it meets the assumptions.

### B. Regression Analysis

The Pearson's Product-Moment Correlation Coefficient was used to determine the existence of any significant relationship between the independent and the dependent variable. The result showed that all independent variables have significant negative association with the dependent variable. However, based on the r coefficient, the correlation was interpreted to be little, if any, since all values were below .30. Among all the independent variables, morality has the strongest correlation with the dependent variable compared to others, which was followed by tax liabilities. Nevertheless, correlation analysis could only explain about the relationship between two variables in terms of their magnitude and direction, which is an undirected relationship.

### C. Multiple Linear Regression

Multiple Linear Regression can be used to examine the linear relationship between one dependent variable and two or more independent variables. Thus, it can be used to determine the relationship between independent variables and dependent variable in this study. There were three independent variables, which are taxpayer's tax liability, affordability and morality.

The results of the regression are discussed as follows. Based on results displayed in Table 5, the R Square was .137. This means that 13.7% of the variation in tax amnesty was explained by the variation in tax liabilities, affordability and morality.

Table 5

*Model summary of regression*

Model Summary of Regression				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.370 <sup>a</sup>	.137	.111	.419

a. Predictors: (Constant), Total\_meanIV\_affordability, Total\_meanIV\_morality, Total\_meanIV\_taxliabilities

In order to determine whether there is a linear relationship between all of the IV considered and DV, F-test was conducted to show the overall significance of the model. The null hypothesis showed no linear relationship while the alternate hypothesis displayed at least one IV to affect DV. The hypotheses are shown as below:

$$H_0: \beta_1 = \beta_2 = \beta_3 = \beta_4 = 0$$

$$H_1: \text{at least one } \beta_1 \neq 0$$

Based on Table 6, the F test statistic was 5.338. The F critical value is obtained from F distribution table with 3 and 101 degrees of freedom. Hence, the null hypothesis was rejected ( $p = .005$ ,  $p < .05$ ). Hence, it was evident that at least one independent variable can affect dependent variable suggesting that at least one area of independent variable will affect tax amnesty.

Table 6  
ANOVA

ANOVA <sup>a</sup>						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	2.810	3	.937	5.338	.002 <sup>b</sup>
	Residual	17.724	101	.175		
	Total	20.534	104			

a. Dependent Variable: Total\_meanDV\_taxamnesty

b. Predictors: (Constant), Total\_meanIV\_affordability, Total\_meanIV\_morality, Total\_meanIV\_taxliabilities

### Hypotheses Testing

Table 7  
Hypotheses Testing

Hypotheses	Results
H <sub>1</sub> : There is a relationship between tax liability and tax amnesty in Malaysia.	Supported
H <sub>2</sub> : There is a relationship between affordability and tax amnesty in Malaysia.	Not Supported
H <sub>3</sub> : There is a relationship between morality and tax amnesty in Malaysia.	Supported

### Conclusion

This study examined the influence of taxpayers' tax liability, affordability and morality on tax amnesty program in Malaysia. Based on the findings of this study, it has been found that there was a significant but weak relationship towards tax amnesty programme. This possibility occurred due to low score on independent variable meaning that it strongly agree those independent variables. Therefore, based on the result, all correlations coefficients between independent variables and dependent variable are less than .30, meaning that if there is any relationship, the correlation will just be little. It could possibly be no correlation at all.

This study extended the analysis taxpayer's affordability. Thus, to achieve objective two of this study, the relationship between taxpayer's affordability with tax amnesty programme was examined. The result of the analysis showed that taxpayer's affordability has significantly influenced the tax amnesty programme with a weak relationship for both variables. The result was consistent with that achieved in objective one where the tax liabilities was consistent with tax amnesty programme. This possibility occurred because the taxpayers were not familiar with tax amnesty programme in Malaysia or they may have little information about the tax amnesty program in Malaysia.

Finally, Objective 3 was made to determine the relationship between taxpayer's moralities with tax amnesty programme. The result showed that taxpayer's morality was significantly related to tax amnesty programme but with weak relationship. Tax amnesties, which are synonymous with voluntary disclosure programmes, are noticeably low-price compliance initiatives wherein taxpayers are given the opportunity to self-accurate errors on previously filed tax returns. Via self-

correcting, taxpayers are able to pay the taxes that would have resulted in the amount successfully stated, but regularly avoid the penalties and sanctions that might be imposed if the tax authority had located the mistakes. Tax authorities have increasingly turned to tax amnesties as a way to increase tax revenues. Slemrod (2007) stated that compliance study tends to examine factors that can increase tax adherence and prevent tax evasion. Tax compliance consists of correctly reporting all items of income and deductions as mandated by law, whereas tax evasion is the intentional disregard of tax laws (Slemrod, 2007). Typically, sanctions and penalties are used to prevent tax evasion, and while effective, this deterrence approach is very costly, resulting in significant reliance on voluntary reporting. Consequently, tax governments are inquisitive about fee-effective processes to enhance compliance.

#### Implication of the research findings

Based on the above analysis, several recommendations were concluded to conduct a successful tax amnesty. Firstly, in terms of duration, it is not recommended for the government to have a long-term tax amnesty programme as it will ruin the credibility of the government as what has been experienced in Bangladesh. Second, in terms of frequency, it is not recommended for the government to launch frequent tax amnesty programme as in the case of India. Too frequent tax amnesty would penalise the genuine taxpayers and encourage the potential taxpayers to hold the taxes payment and wait until the same scheme is offered in the future. Third, it is recommended for the government to have a progressive rate of tax if they want to hold frequent tax amnesty programme so that the tax evaders will have more incentive to join the tax amnesty as soon as possible. Another implication of the current findings specific to tax amnesties is that authorities may be most likely to encourage taxpayers' participation in an amnesty if taxpayers know that they can avoid penalties since it is important in this study. Thus, tax authorities could promote tax amnesties focusing on penalty avoidance. Since tax authorities worldwide are increasingly adopting permanent amnesty programmes, promoting the awareness on these initiatives is increasingly important as it will tailor a message to encourage taxpayers to self-correct.

#### Limitations and future research of the study

This study has identified a few critical issues, which have the potential for further study in the future and limited by geographical coverage and time. Therefore, it only covered samples from two states (Kuala Lumpur and Selangor). The questionnaires were distributed to all taxpayers' regardless background. As an extension of this study, increasing the number of samples, larger coverage of areas and longer time and resources could provide greater validity. This study has shown a negative impact on tax liability, affordability, and morality collections following the amnesty. It is not clear whether or not the effect was due to other confounding factors. Although it is reasonable to attribute the increase in collection to amnesty, it is somehow limited to interpretation. The study on the penalty amnesty must be taken with caution since there may be other factors that were not included in this study.

#### References

A.Lerman, 'Tax Amnesty: The Federal Perspective', (1986) 39 National Tax Journal 325. 13. R. Fisher, J. Goddeeris and J. Young, 'Participation in Tax Amnesties: The Individual Income Tax', (1989) 42 National Tax Journal 15.

Adhia, H. (2016), Centre to Keep 50% Tax Amnesty Window Open Till March 31; 2017. Available from: <http://www.thehindu.com/business/Centre-to-keep-50-tax-amnesty-window-open-till-March-31-2017/article16867449.ece1>. [Last retrieved on 2017 Feb 25].

Ahmed, S.U. (2016), Improving Compliance of Income Tax in Developing Countries: Bangladesh Perspective. Deakin University. Available from: <http://www.dro.deakin.edu.au/eserv/DU:30088871/ahmedimprovingcompliance-2016A.pdf>.

Alm, J., & Beck, W. (1991). Wiping the slate clean: Individual response to state tax amnesties. *Southern Economic Journal*, 57(4), 1043-1053.

Alm, J., & Beck, W. (1993). Tax amnesties and compliance in the long run: A time series analysis. *National Tax Journal*, 46(1), 53-60.

Alm, J., & Torgler, B. (2006). Tax morale and culture differences in the United States and Europe. *Journal of Economic Psychology*, 27(3), 224-246

Alm, J., McKee, M., & Beck, W. (1990). Amazing grace: Tax amnesties and compliance. *National Tax Journal*, 43(1), 23-37.

Alm, J., Rath, D. (1998), Tax policy analysis: The introduction of a Russian Tax Amnesty. GSU Andrew Young School of Policy Studies. DOI: 10.2139/ssrn.471321.

Andreoni, J. (1991), The desirability amnesty of a permanent tax. *Journal of Public Economics*, 45, 143-159.

Andreoni, J. (1991). The desirability of a permanent tax amnesty. *Journal of Public Economics*, 45(1), 143-159. Andreoni, J., Erard, B., & Feinstein, J. (1998). Tax compliance. *The Journal of Economic Literature*, 36(2), 818-860.

Aspa, R.D. (2016), The Philippine experience with tax amnesties. *NTRC Tax Research Journal*, XXVIII(5), 27-53.

Banzai, S. (2016), Will Govt's Tax Amnesty Schemes Work? Available from: <http://www.orfonline.org/expert-speaks/will-govts-taxamnesty-schemes-work>. [Last retrieved on 2017 Feb 25].

Banerzi, S. (2016), Jaitley's Amnesty Scheme is Not Like Chidambaram's VDIS in 1997. Available from: <http://www.businesstoday.in/unionbudget-2016-17/decoding-the-budget/arun-jaitley-amnesty-schemelike-chidambaram-vdis-in-1997/story/229733.html>. [Last retrieved on 2017 May 17].

Beniwal, V., Shrivastava, B. (2016), First India Tax Amnesty Since 1997 Seeks to Boost Compliance. Available from: <https://www.bloomberg.com>.

Birmingham, P., Davies, C. and Greiffenhagen, C. (2002, forthcoming) 'Turn to face the bard: making sense of three-way interactions between teacher, pupils and technology in the classroom', *Education, Communication and Information*.

Christian, C., Gupta, S., & Young, J. (2002). Evidence on subsequent filing from the state of Michigan's income tax amnesty. *National Tax Journal*, 55(4), 703-721.

Cordes, C. L., & Dougherty, T. W. (1993). A review and an integration of research on job burnout. *Academy of management review*, 18(4), 621-656.

Craswell, Richard (1989), 'Contract Law, Default Rules, and the Philosophy of Promising', 88 *Michigan Law Review*, 489-529.

Fisher, R., Goddeeris, J., & Young, J. (1989). Participation in tax amnesties: The individual income tax. *National Tax Journal*, 42(1), 15-27.

G. Guttman, (1984), 'IRS Tax Amnesty', *Tax Notes* 1367. 12.

Hinkle, Wiersma, & Jurs. (1998). Guidelines for interpreting correlation coefficients. (p.105) Internal Revenue Service (US) Request for comments regarding additional requirements for tax-exempt hospitals. Notice 2010-39. [cited 2010 Sep 28]. Available from: URL: <http://www.irs.gov/pub/irs-drop/n-10-39.pdf><http://www.irs.gov/pub/irs-drop/n-10-39.pdf>.

John Prebble and Zoe Prebble (2010), "The Morality of Tax Avoidance" 20 *Creighton Law Review* 101.

Khalid, Ahmed M. (2006) Is Inflation Targeting the Best Policy Choice for Emerging Economies? A Survey of Emerging Market Experiences and Lessons for Pakistan. *SBP-Research Bulletin* (forthcoming)

Le Borgne, E., Baer, K. (2008), *Tax Amnesties: Theory, Trends, and Some Alternatives*. Washington, DC: International Monetary Fund.

López-Laborda, J., & Rodrigo, F. (2003). Tax amnesties and income tax compliance: The case of Spain. *Fiscal Studies*, 24(1), 73-96.

Luitel, H., & Sobel, R. (2007). The revenue impact of repeated tax amnesties. *Public Budgeting & Finance*, 27(3), 19-38.

Luitel, H.S. and Sobel, R. S. (2005). The revenue impact of repeated Amnesties.

Luitel, H.S., Tosun, M.S. (2013), A reexamination of state fiscal health and amnesty enactment. *International Tax and Public Finance*, 21, 874-893.

Luitel, H.S., Tosun, M.S. (2013), A reexamination of state fiscal health and amnesty enactment. *International Tax and Public Finance*, 21, 874-893.

Malaymail. (2015), Local Tax Amnesty to Increase Tax Collection. Available from: <http://www.epaper.themalaymailonline.com/2016/09/05/local-tax-amnesty-to-increase-tax-collection>.

Malik A, S. and Schwab, R. M. (1991). Economies of Tax Amnesties, *Journal of public economies* 1:29-49

Mayer, J. P., & Herscovitch, L. (2001). Commitment in the workplace: Toward a general model. *Human Resources Management Review*.

McKerchar, M., Bloomquist, K., and Pope, J. (2013). Indicators of tax morale: An exploratory study. *eJournal of Tax Research*, 11(1), 5-22.

Mikesell, J.L., Ross, J.M. (2012), Fast money? The contribution of state tax amnesties to public revenue systems. *National Tax Journal*, 65(3), 529-562.

Mohd Faisol, I. (2009). The Relationship Between Monetary Policy and Islamic Stock Market. *Labuan e-Journal of Muamalat and Society*, Vol. 3, 2009, pp. 49-64.

Mundy, S. (2016), India Tax Amnesty Uncovers Nearly \$10bn in Hidden Assets: Evasion Crackdown. Sri Lanka Financial Times.

Murat, M., Shahimi, M., Abdul Aziz, O., (2016). Examining The Influences of Risk Towards Adoption of Mobile Banking In Malaysia: An Extended Decomposed Theory of Planned Behavior. Labuan e-Journal of Muamalat and Society, Vol. 10, 2016, pp. 1-15.

Nikita. (2016), Tax Amnesty and Tax Holidays in Thailand in 2016. Available from: <http://www.ewrgroup.ru/en/info/amnesty-thailand>. [Last retrieved on 2017 Feb 27].

O'Malley, L., M. Patterson and H. Kelly-Holmes (2008) "Death of A Metaphor: Re-Viewing the 'Marketing as Relationships' Frame", *Marketing Theory*, 8(2), 167-187.

Parle, W.M., Hirlinger, M.W. (1986), Evaluating the use of tax amnesty by state governments. *Public Administration Review*, 46(3), 246-255.

Patient Protection and Affordable Care Act, 42 U.S.C. § 18001 (2010).

PKRevenue.com. (2016), Senate Committee Advises FBR to Launch Tax Amnesty for All. Available from: <http://www.pkrevenue.com/inlandrevenue/senate-committee-advises-fbr-to-launch-tax-amnesty-forall/#more-9102>. [Last retrieved on 2017 Feb 26].

Robinson & Cole LLP 280 Trumbull Street Hartford, CT 06103 Attn: Business Development and Marketing <http://www.rc.com/publications/upload/1885.pdf>

Ross, B.G. (1986), Federal tax amnesty: Reflecting on the states experience. *The Tax Lawyer*, 40(1), 145-184.

Salkind, N. J. (2009). *Exploring research* (7th ed.). Upper Saddle River, NJ: Pearson.

Salkind, N. J. (2014). *Exploring Research: Pearson new International Edition*. (8th ed.).

Sandmo, A. (2005). The theory of tax evasion: A retrospective view. *National Tax Journal*, 58(4), 643-663.

Sarker, T.K. (2004), Incidence of Income Taxation in Bangladesh. Available from: <http://www.citeseerx.ist.psu.edu/viewdoc/download?doi=10.1.1.595.8967&rep=rep1&type=pdf>.

Sawitri, A.A., Wibisono, L.G. (2016), Tax Amnesty Collects Rp101tn Revenue. Available from: <https://www.en.tempo.co/read/news/2016/12/21/056829555/Tax-Amnesty-Collects-Rp101tnRevenue>. [Last retrieved on 2017 Feb 25].

Sekaran, U. and Bougie, R. (2011) *Research Methods for Business: A Skill-Building Approach*. 6th Edition, Wiley, New York.

*Statistics for People Who (Think They) Hate Statistics* N. J. Salkind 2014 New York Sage 484 pp., £50.00 ISBN 978-1-452-27771-4

Torgler, B. (2007). *Tax compliance and tax morale: A theoretical and empirical analysis*. Cheltenham, UK: Edward Elgar Publishing.

Torgler, B., & Schaltegger, C. (2005). Tax amnesties and political participation. *Public Finance Review*, 33(3), 403-431.

Torgler, Schaltegger, and Christophe, A. (2003). Tax amnesty and political participation, University of Basel, WWZ. *Journal of political Economy*.



Wallschutzky, I., Singh, V. (1995), Opportunities for tax avoidance and tax evasion in the Malaysian income tax system. *The International Tax Journal*, 21(1), 42-71.

Wallschutzky, I., Singh, V. (1995), Opportunities for tax avoidance and tax evasion in the Malaysian income tax system. *The International Tax Journal*, 21(1), 42-71.

Wilkinson, D. (ed.) (2002) *The Researcher's Toolkit: The Complete Guide to Practitioner Research*, London: RoutledgeFalmer.

Zulnaidi, Y. (2009). The Effect of Reward Systems on The Implementation of Cost Savings Strategies in Local Authorities. *Labuan e-Journal of Muamalat and Society*, Vol. 3, 2009, pp. 9-24.