

## **TAX EDUCATION IN MALAYSIA — FOOD FOR THOUGHT**

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### **SINOPSIS**

*Rencana ini cuba menghuraikan keperluan kepada satu usaha yang berkesan dijalankan untuk memberi pengetahuan kepada masyarakat tentang hal-hal percukuan. Perbincangan didalamnya diolah disekitar beberapa faktor penting yang mesti diambilkira terlebih dahulu sebelum usaha tersebut dapat dijalankan. Adalah diharapkan kertas ini akan merupakan satu usaha mula kepada lebih banyak lagi perbincangan dan kajian dimasa akan datang.*

### **SYNOPSIS**

*This paper attempts to explore the need for an effort to educate the public on tax matters. Discussions are focused on looking at several factors involved before a concerted approach can be attempted. It is hoped that this paper will be the start of more discussions and research on this subject.*

### **INTRODUCTION**

The receipt of any letter from the Jabatan Hasil Dalam Negeri is always accompanied by a sense of trepidation. It has the effect of making people nervous, and at times giving rise to insourmia. How it that such a letter can have such an effect on so many of the law-abiding citizens like us? Is it possible to reverse the effect? Is there a need for a programme to enable tax payers to be conscious of paying their taxes willingly? Yong Poh Chye<sup>1</sup> had touched on this and if I can still remember, there was quite an interesting discussion on the topic that day.

This paper will attempt to start where Yong left off. What I will do here is to explore the need for a concerted approach to educate the public regarding tax. Our discussion will focus on looking at several factors involved before we can come up with a programme on tax education.

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<sup>1</sup>Yong Poh Chye, *Malaysia Tax Reform*; paper presented at the 2nd. National Tax Seminar held at UKM from 21st to 23rd February, 1983.

## DEFINATIONS

Before getting further into the discussion, it will be wise if certain matters are put in their right perspective.

2.1 "Tax refers to money paid by the people to the government. Tax may be direct or indirect. In simple terms, direct tax is one which the taxpayer pays directly based on his/her earnings as outlined in section 4 of the Income Tax Act 1967. On the other hand, indirect tax refer to those types of taxes that we pay through consuming certain goods or enjoying certain facilities. For example, the money we pay for a ticket to a movie is tax inclusive and this kind is called indirect tax.

2.2 "Education" involves actions which involves two parties. The first is the more knowledgeable of the two, and he imparts his knowledge to make the second party better and more aware than before. Actions can either be verbal or written or both.

Therefore when we talk about "tax-education" what is referred to is educating the party which is less knowledgeable, on tax matters. The tools and techniques to be used, then, must be different, depending on the group that is going to be educated.

So let us proceed to examine critically some of the important factors that need to be looked into before a comprehensive tax education programme can be realised.

## DETERMINE THE NEED

Before we can even start to think about introducing something, what we must do is to determine whether or not the thing is viable economically, socially, and technologically. Current situations must be analysed and studies carried out. Few indicators can be used as criteria for evaluation. These can include the benefits to be reaped and costs to be incurred.

### BENEFITS TO BE REAPED

This must be one of the most important criteria to be used as a yardstick. One of the potential benefits of introducing tax education can be in the form of increase in the amount of tax collected for the year by the Department of Inland Revenue.

Table 1 below highlights the amount of tax collected for the period 1970 – 1979 in West Malaysia alone. It shows a six fold increase during that 10 years period. Even though the increase in the amount was mainly due to the changing tax structure, we can also see the corresponding increase in the number of tax payers in the country as shown in Table 2.

Table 1 demonstrates the significance of the contribution of the taxation system to the government coffers and Table 2 shows the increasing trend in the number of taxpayers in the country. The question now is, will the contribution increase if a tax education programme is introduced? It may and it may not — depending on the effectiveness of the programme and certain other factors. But if its introduction will increase the awareness of the people to pay their tax promptly and willingly, then the programme should be introduced. This brings

**Table 1.** Tax Collected in West Malaysia and the Yearly Percentage Increase for the Period 1970 – 1979

Year	Amount of Tax Collected	% increase
1970	\$538,963,643.13	
1971	\$554,103,704.04	2.81
1972	\$619,060,077.18	11.87
1973	\$710,060,077.18	14.55
1974	\$1,100,057,879.41	54.92
1975	\$1,730,830,207.61	57.34
1976	\$1,797,123,296.85	3.83
1977	\$2,461,248,543.63	36.95
1978	\$2,811,916,686.16	14.25
1979	\$2,249,479,977.47	(15.21)

us to another factor that can be used as a yardstick to evaluate the benefits of the programme — increase in the awareness of the people on tax matters.

Any programme that is aimed at educating people must have, as its main objective, to increase the awareness of the people exposed to the programme. Increasing the awareness of the people on tax matters can be measured in several ways. One of them will be the decrease in tax cases involving first offenders for failure to pay their taxes promptly. The next method will be the increase in the number of enquiries from those who had not received their tax return form. The decrease in the number of appeal for longer period of payment can also be a good indicator of the increase in awareness of the taxpayers on tax matters.

Finally, the benefits of introducing the programme can also be measured in terms of decreasing cost of administering the Income Tax Department per dollar of tax collected.

**Table 2.** Total Tax Paid by Individuals and Companies for the Period 1968 – 1977 (March 31st)

Year	No. of Assesed taxpayer	Amount of tax collected	No. of Companies assesed	Tax Collected
		\$		\$.
1968	168,829	110,360,778	3823	224,188,449
1969	177,171	116,151,476	4303	275,505,218
1970	179,820	132,324,320	4446	301,357,945
1971	204,745	158,482,917	5112	408,532,565
1972	194,963	168,539,114	5368	643,484,037
1973	218,673	184,050,098	5753	477,005,823
1974	235,027	210,829,718	6341	504,866,148
1975	289,222	289,839,913	7414	795,594,688
1976	355,088	328,231,692	8150	962,527,998
1977	407,224	388,842,604	10110	838,548,789

**Note:**

The figures in Table 1 and Table 2 were condensed from the annual reports of the Department of Inland Revenue.

**THE COST TO BE INCURRED**

Every programme that is going to be implemented will incur costs. In this aspect cost is expected to be incurred in developing the programme and implementing it.

Finally the benefits to be obtained and the cost that will be incurred must be compared.

**DEFINITIONS OF OBJECTIVES**

Once decision had been reached that the introduction of such a programme is feasible, an objective or a set of objectives must be formulated. This is done in order to give a clear indication of what we are going to attempt. By defining the objective or a set of objectives for the programme, proper planning can be started and developmental effort will not be handicapped by misunderstandings between the planners and the implementers.

A properly formulated goal or objective will provide the basis for determining the gross programme specifications or performance criteria which serve as meaningful guide throughout the entire design effort.

For a tax-education programme to be meaningful to our Malaysian society, all or most of the following must be its main objectives;

1. To create more awareness on matters regarding tax.
2. To reduce the cost of administering the tax collection departments.
3. To increase the amount of tax collected.
4. To provide an initial platform towards a self assessment system.

### CHOOSING THE TARGET GROUP

Tax-education programme will involve educating at least three main groups. The first will be the tax-educators. This group is the most important and should thus be the first group to be "educated" Education to the tax-educators here does not mean that they have to study more about tax but rather on how to educate people on tax matters. They are indispensable because without them the programme cannot be implemented.

The second and which forms the largest group is the public in general or tax payers or potential tax payers in particular. Educating this group will be more difficult as their number will be too large to be handled by an individual. Therefore this is the group that "tax-education" as a programme per se, must be centred on.

The final group that must be educated will be the people in the mass media that are going to be used as intermediaries between the educator and those going to be educated. In one aspect, this will be easy because these people will fall in either one of the two groups discussed above. However it is more than just that. The people under this category must not only be educated in tax-matters but must also be competent enough to handle their work.

It will be ideal if the people of the third group belongs to the same class as that of the first. Even if it is not so, it will be desirable for the first and third group to work hand-in-hand.

### DECIDE ON THE APPROACH TO BE EMPHASISED

The approach here refers to the area on which the programme can be concentrated or centred. This is vital because stated objectives can be achieved by several means using different methods. Therefore one must be sure of the direction to which this programme will follow, after all, people can be educated in various aspects of tax depending on what was taught to them.

So, we must determine which area of tax we must educate the taxpayers, to arrive at the desired result. This means that the programme itself must specify whether its main mission is to educate the public in general or the taxpayers in particular, in either the Malaysian tax structures, or the Malaysian tax laws, or why they must pay tax, or just to teach or enable them to fill their income tax return forms or something else.

It is important for the tax-education programme to have specific mission because coordination can be initiated in the planning and the implementation phases. Different missions will require different approaches, as well as different ways of handling it.

### PLAN HOW THE PROGRAMME CAN BE DEVELOPED AND IMPLEMENTED

Once the objectives had been set, a specific group had been chosen and an approach was adopted, we must start to plan on how the programme can be developed and finally implemented.

Here, the vital question to be answered is — who will be responsible? Once a party is given that responsibility, it must get down to the serious business of planning the development of such a programme. Qualified personnel must be employed to decide on the curriculum for the programme. Consensus must be reached on who will be involved in managing it and have responsibility for any research on the programme. Finally, how funds to sponsor the programme can be obtained must be decided.

Once a comprehensive programme has been developed, certain things have to be done like determining who will be the educators, how to get the maximum exposure out of the implementation, media to be used and staffs involved in the day-to-day administration of the programme.

Several avenues are open for tax education programme to be channelled to the group concerned. Special tax programmes and series of talks and articles on radio, television and newspapers can be the main ones. More tax subjects can be introduced at all institutions of higher learning or more people be exposed to tax subjects or subject with tax elements in it. Introduction of tax advice or service bureaux can be another.

### DECIDE ON THE TIME TABLE FOR THE IMPLEMENTATION

This will be the final phase once the programme had been developed and ready for implementation. To a large extent, the decision on when

to implement the programme will be dictated by the urgency of the need and the availability of all machinery to run the programme.

Decision must also be reached on the length of time within which the programme is to be conducted; the frequency of circulation (if it is to be carried out by the mass media) and the period of exposure to the particular group for which the programme is directed.

### PERSONAL VIEWS ON THE NEED FOR A TAX EDUCATION PROGRAMME IN MALAYSIA

I am of the opinion that the time has come for a concerted effort to be made to realise such a programme. The need for the programme is obvious. Random survey will tell us that many people are not only ignorant on matters regarding tax, but a fair percentage of the taxpayers, do not know how to fill their income tax returns form properly. Thus, it is time now that their awareness be enhanced through a specific programme such as this.

Malaysia is a rich country, and a fair number of her population are educated in matters relating to tax. UKM, UM, ITM, a few colleges and institutions of higher learning have in their curriculum, subjects relating to tax. There are also enough accounting firms to cater for the needs of taxpayers in the country. In this aspect the need for tax-educators can be taken care off and a specific programme to educate them will not be necessary.

Hence, the groups that the programme should be focussed will be the second and the third as discussed in Part 5. Of this, the taxpayers and the public must be given priority. The media must also play their role in that more space and time should be given to inform the public on matters regarding tax.

The immediate need is a programme to increase the awareness of the public towards their responsibility as a taxpayer. They must be made to realise why tax must be paid and how by paying tax they contribute to the development of their own country. Once there is an awareness among the masses on the need to pay their tax promptly and willingly, then all other objectives as listed in part 4 will be realised.

At the moment, tax are collected by various government departments. Road tax is collected by the Road and Transport Department, personal and company tax by the Income Tax Department, indirect taxes by the Royal Customs and Excise Departments and few others. Therefore it will be difficult to give the responsibility of developing and implementing the tax-education programme to a specific department. However, it is clear that the Department of Inland Revenue on behalf of the Ministry of Finance, Ministry of Information and to a certain extent, the Ministry of Education have a big role to play.

Filling of the income tax return form must be made to look simple. Special programme on how to fill the form must be carried out at regular intervals. Here, the mass media can play a leading role. Special day or week can be chosen when serialised talks, articles and all other promotional activities can be carried out by both the televisions and newspapers. This will enable us to overcome the problem of apathy and lack of exposure of the public on tax matters.

Another avenue to increase the awareness of the public on the subject will be the introduction of tax elements into the school curriculum as soon as the children are exposed to school life. This programme will have a greater chance to be effective and enable future generations to be more aware of tax matters. This method will be necessary if the approach of the programme is to enable the public to understand the country's tax systems and structures, as they will form the bulk of future tax payers of this country.

Videos can also be another means of educating the public on tax matters. Demonstrations and lectures on selected topics or answers and discussions to questions that most tax payers asked or concerned with, can be videotaped and sold to the public. With the present video networks and the number of public owning the video set, this will be a viable method. However special attention must be taken to ensure that it is conveyed in a manner that is understood by the ordinary people in the street.

Income Tax Department, Customs and Excise Department and all other departments that collect taxes for the government must publish more informations in the form of small booklets, pamphlets, and other methods so as to enhance the awareness of the public on the importance of paying tax, type of taxes to be paid and how it can be made. A tax-calender for tax payers can be drawn to acquaint them with various dates on which returns are due and tax to be paid.

Finally, tax service bureau can be initiated and established by tax practioners to serve the public. If the lawyers had shown the lead in this, there is no reason why the tax-practioners should not.

## CONCLUSION

Formal education is nothing new to this country but a specific programme on tax will be. Therefore, before we can come out with a programme on how to educate the masses on matters regarding tax, there are a number of things that must be looked into first.

The paper briefly describes some of them. Since the aim is mainly to explore areas for consideration, the discussions were basically tailored to highlight matters relating to the need for such a programme and if the programme is a viable and feasible project, what must be considered, who will be involved, how it can be done and when it should be developed and carried out.



My personal views on this matter were based on the present condition and state of knowledge on tax among the people in Malaysia. It is not analysed from a specific research but more of personnel observations and experience. It is my intention that this paper will be the start of more papers and research on this subject.

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