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Abstract

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A Study of Individual Taxpayer's Perception of Tax Practitioners in Malaysia

Chee-Keong Choong, Chue-Qun Tong ** and Kok-Eng Tan****

The paper examines Malaysian taxpayers' perceptions of their current tax practitioner as well as the attributes of the ideal tax practitioners that they are looking for. The study shows that gender, age and education level are significantly correlated with the attributes of their ideal tax practitioners. Majority of females, in the age group over 31 years and with higher education level, tend to have high priority for 'low risk with no fuss' as compared to males, with lower education level and age group below 31 years who display priority for 'creative accounting, aggressive tax planning'. Besides, the most welcome kind of tax practitioner is one with 'low risk with no fuss' and whom taxpayers categorize as an honest person. This is followed by 'creative accounting, aggressive tax planning', where taxpayers seek for a tax practitioner who is familiar with the grey area, clever in tax minimizing and aware of the major areas that Inland Revenue Board (IRB) check on. The last is the 'cautions minimization of tax', which is the least popular. Here, the taxpayers want the tax practitioner to help them minimize the tax, but at the same time also warn them against getting involved in tax planning schemes. The findings also indicate that most of the taxpayers are able to engage tax practitioners who have the attributes that they rate as the most important ones.

Introduction

Taxation is one of the economic tools that the government uses to regulate the economic activities. The main objectives of implementing tax policies are to encourage economic growth through the granting of fiscal incentives to finance the various developmental programs, and to improve the undeveloped sectors of the society or such other social agendas. Following the announcement of 1999 budget and the subsequent release of Income Tax (Amendment) Act 2002, the official assessment system had been changed to the self-assessment of individual taxpayers, effective from 2004 in Malaysia.

This tax system was introduced to replace the system of checking and assessment, which was formerly undertaken by Inland Revenue Board (IRB), Malaysia. In other words, it reduces

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the workload of IRB to enable them to concentrate on areas, which have a high tax risk and potentially cause a significant loss of government revenue. Under the self-assessment system, individual taxpayers are legally held responsible for the accuracy of the tax return that they declared. Consequently, the cost burden of computing taxpayer's liability moved from IRB to individual taxpayers. The burden of keeping appropriate income and expense records and computing their tax bases and liability led to considerable numbers of taxpayers seeking advice from tax practitioners. This is because tax practitioners would help taxpayers to reduce their perceptions on complexity in computing and legal uncertainty, save time or even exploit 'grey areas' of the law. Thus, depending upon the motivations of the taxpayers, the technical knowledge and professional experience of tax practitioners can be used to improve compliance or undermine it.

Tax practitioners, sometimes referred to as tax agents, depend on the tax jurisdiction. They are crucial gatekeepers to the tax system for taxpayers (Newberry *et al.,* 1993; Hite and McGill, 1992; and Tan, 1999). Tax practitioners must be a credible source of information for taxpayers, if they are to offer tax advice and have it accepted (Hansen *et al.*, 1992). As tax systems become more complex, taxpayers turn to tax practitioners for expert advice. According to Sakurai and Braithwaite (2001), most of the taxpayers are less confident about their capacity to perform the task of completing a tax return on their own. Tax practitioners, therefore, have to play a role in setting standard and defining acceptable risks in the future. In contrast, for those taxpayers who are confident, who have fairly good understanding of Tax Office expectations and computing their tax liability within the self-assessment system, their reliance on tax practitioners should be based more on convenience than necessity.

Tan (1999) also indicates that taxpayers tend to accept the recommendation given by tax advisers, regardless of whether it is aggressive or conservative. Furthermore, the taxpayers' decision to continue or terminate the services of their tax practitioners depends less upon the type of advice the tax practitioners provide, but rather on their working relationship. This implies that taxpayers' compliance behavior may be strongly affected by their tax advisers. For example, as revealed by Sakurai and Braithwaite (2001), Australian taxpayers trust tax practitioners on the tax matter in taking care and keeping them on the right side of the law. Some studies have highlighted not only taxpayer reliance on tax practitioners, but also the influence tax practitioners exert over the compliance behavior of taxpayers (Schisler, 1994; Marshall *et al.,* 1998; and Tan, 1999). Whatever the reason for taxpayers to consult tax practitioners, the partnership of taxpayer and tax practitioner is a significant one. Previous studies show that paid-prepared tax returns tend to be more aggressive than taxpayer-prepared returns (Erard, 1993; Hite and Sawyer, 1998; Klepper and Nagin, 1989).

There is a great debate on the role of tax practitioner, whether they play "as government agents to collect tax or client advocates" (Jackson and Milliron, 1989; Hansen *et al.,* 1992; Rosen, 1999; and Grbich, 2002). The code of ethics of the accountancy professional has been questioned by the public upon corporate collapses such as Enron and Worldcom. The idea that tax practitioners lead taxpayers into greater non-compliance, has not gone unchallenged (Marshall *et al.,* 1997; and Finn *et al.*, 1988). On the contrary, some studies indicate that tax practitioners view their clients as initiators of aggressive tax reporting (Klepper and Nagin, 1989; Tooley, 1992; Schisler, 1994; and Attwell and Sawyer, 2001). There is evidence that taxpayers intentionally understate income or overstate deductions (Hasseldine and Kaplan, 1990). A few studies demonstrated that the main reason for taxpayers to use tax practitioners is to file an accurate tax return (Collins *et al*., 1990; and Tan, 1999) and that taxpayers prefer conservative advice rather than aggressive advice from their tax practitioners (Hite and McGill, 1992). Tax practitioners are operating in a competitive market, and while tax laws are sufficiently ambiguous to allow them to use the law to suit their client's purpose of tax avoidance, practitioners direct their professional skills to exploiting legal loopholes to serve their clients' interests (Klepper and Nagin, 1989; and Klepper *et al.,* 1991).

With both sides presenting persuasive arguments to support their case, new questions have been raised about the relationship between the taxpayer and the tax practitioner (Tan, 1999). A considerable body of research has documented the way in which individual and contextual factors affect the behavior of the tax preparer (Duncan *et al.,* 1989). The study, therefore, aims to investigate the taxpayer's perception of the tax practitioner either playing safe or saving dollars. In addition, it also examines whether they found the tax practitioners, who meet their expectations.

Data and Methodology

The Sample

This study focuses on individual taxpayers. Thus, the target population is working adults and self-business persons, including sole proprietorships and partnerships. A total number of 100 respondents are selected for the purpose. A non-probability sampling technique is used to select eligible respondents for the survey. The sample is taken from Kuala Lumpur, Petaling Jaya, and Bandar Sungai Long in Malaysia.

Data Collection

The study uses a questionnaire on a five-point Likert scale to collect primary information from individual taxpayers, about their perception of tax practitioners whether they are 'playing safe or saving dollars'. The questions have been drawn from previous research, in particular, the questionnaire included in the study of Sakurai and Braithwaite (2001). The questionnaire consists of the following sections:

Section A: Personal Particulars;

Section B: Taxpayer's Competence and Diligence;

Section C: Ideal Characteristics and Attributes of Tax Practitioners; and

Section D: Overall Satisfaction Level of Taxpayers.

Organization of Fieldwork and Data Processing

The initial questionnaire was reviewed in order to gauge anticipated reaction, to check for ambiguities in the questions and the level of understanding of the questions. A second draft of the questionnaire was sent out to two respondents for pilot testing; both of them responded and helped to remove ambiguity and to refine the questions. The final questionnaire was distributed to hundred individual taxpayers, where all of them replied with completed questionnaires. The completed questionnaires were checked prior to coding. The data was then entered into the computer and analyzed using a computer software named Statistical Package for Social Sciences (SPSS).

Hypothesis Test

Two hypotheses are tested in this research.

1. H_0: *There is no significant relationship between ideal tax practitioner's characteristic and demographic factors.*

   H_1: *There is a significant relationship between ideal tax practitioner's characteristic and demographic factors.*

2. H_0: *Taxpayers are unable to find a tax practitioner who suits their needs.*

   H_1: *Taxpayers are able to find a tax practitioner who suits their needs.*

Results and Interpretation

Descriptive Analysis on the Demographic Characteristics

The respondents in the sample consisted of 48 males and 52 females. Therefore, we have almost equal gender balance of respondents in our research sample. The Chinese made up 70% of the sample with some 19% being Malays and 11% Indians. This means that there is an over-representation of the Chinese and under-representation of Malays and Indians in the sample.

The respondents with Diploma and technical certificate are almost equal, i.e., 36% and 37% respectively, whereas 23% are Degree holders. Only 4% are of lower level of education. There are three main job sectors of the respondents, such as government sector, private (under-employment) and business/self-employed. Majority (73%) of the respondents are self-employed or conducting their own business. This is followed by those under employment in private sector (24%). The least are from government sector (3%).

According to Table 1, 39% of respondents say that they have extremely good or good understanding of the expectation of Inland Revenue Board (IRB). Percentages of respondents who have reasonable understanding are 31% and the remaining 30% of respondents have partial or poor understanding. 37% and 36% of respondents respectively, felt that they have little bit and a fair bit competence in completing their own income tax return, whereas 17% of respondents are capable of completing their tax return and 10% of the respondents totally unable to do it at all.

Table 1: Level of Understanding on Inland Revenue Board's Expectation

Response Categories	Percentage
Extremely Good	8
Good	31
Reasonable	31
Partial	22
Poor	8

Hypothesis 1

H_0: *There is no significant relationship between the perception of ideal tax practitioners and demographic factors.*

H_1: *There is a significant relationship between the perception of ideal tax practitioners and demographic factors.*

Table 2 shows that the gender, age and education level are significant at the level of 1%. Therefore, H_0 is rejected and H_1 is accepted. As a result, this indicates that gender, age and education level have a significant relationship with ideal tax practitioners' characteristics, which are low risk with no fuss, minimizing with conflict avoidance, creative accounting and aggressive tax planning. A further test has been conducted for those demographic factors that have significant relationship with low risk with no fuss, minimizing with conflict avoidance, creative accounting, and aggressive tax planning.

Table 2: Relationship between Demographic Factors and Ideal Tax Practitioners

	Low Risk with No Fuss	Minimizing with Conflict Avoidance	Creative Accounting, Aggressive Tax Planning
Gender	25.724***	16.013***	16.091***
Ethnic Group	5.566*	3.593*	2.146*
Age	20.501***	30.761***	43.072***
Education Level	15.280**	19.483***	15.337**
Job Sector	5.313*	6.624*	4.393*
Annual Income	7.676*	9.117*	8.886*

Note: ***, ** and * indicate significance at 0.01, 0.05 and 0.1 marginal levels, respectively.

For low risk with no fuss, majority of the female respondents rank a high priority and male respondents show a contrary result. In minimizing with conflict avoidance, both males and females show a similar result by choosing medium priority. Lastly, most males assigned a high priority for creative accounting, aggressive tax planning, whereas, females showed a low priority.

In Table 3, it appears that majority of females have high priority for low risk with no fuss as compared to males who have a high priority for creative accounting, aggressive tax planning. The differences in outcome between males and females can be explained by natural behavior. Females normally fear to take risk and prefer to have a more secure lifestyle. In contrast, males, are more exposed to excitement and able to take risk. It can be seen that lots of the males are more willing to take risk by starting up their own business. While, majority of females are more likely to be hired as an employee, because they are looking for a more stable life, where they do not need to worry about the monthly income, rather than doing business which has no fixed income and high risk. This statement can be supported by the studies done in the United

Table 3: Relationship between Gender and Ideal Tax Practitioners					
		Low Risk with No Fuss			Total
		Low Priority	Medium Priority	High Priority	
Gender	Male	19	15	14	**48**
	Female	15	–	37	**52**
Total		**34**	**15**	**51**	**100**
		Minimizing with Conflict Avoidance			Total
		Low Priority	Medium Priority	High Priority	
Gender	Male	13	24	11	**48**
	Female	1	43	8	**52**
Total		**14**	**67**	**19**	**100**
		Creative Accounting, Aggressive Tax Planning			Total
		Low Priority	Medium Priority	High Priority	
Gender	Male	16	9	23	**48**
	Female	36	9	7	**52**
Total		**52**	**18**	**30**	**100**

States, where males are considered as adventurous and dare to take risk, whereas females are more timid and do not dare to take high risk. Other studies also show that the financial choices of men are more risk-seeking than women.

Table 4 indicates that the younger generation (30 years and below) place a low priority in low risk with no fuss. While, the age group over 31 years have ranked it at a high priority. In terms of minimizing with conflict avoidance, all age groups select a medium priority unanimously. On the other hand, younger generation would give a high priority to creative accounting, aggressive tax planning, and those aged above 31 years show contrary results.

In short, the younger generation is said to prefer creative accounting, aggressive tax planning. However, for those respondents who are aged above 31 years, are more in favor of low risk with no fuss. It is generally agreed that the views of the older generation are different from the younger generation. The older generation are usually married and have responsibilities over their families, hence they are usually more conservative and more careful. Whereas, the younger generation are usually still single and are more daring as they have less or no responsibilities to be considered.

The older generation believes that to be successful, they must have professional jobs such as doctors, lawyers, etc., who have higher and stable income. Besides that, they also have a principle in their life that it is important to be an honest and trustworthy person. Unfortunately, the younger generation disagree with these perceptions. They think that in order to be successful, they must be able to grab the opportunity that comes along even though

Table 4: Relationship between Age and Ideal Tax Practitioners					
		Low Risk with No Fuss			Total
		Low Priority	Medium Priority	High Priority	
Age	30 years and below	18	3	9	**30**
	31 to 40 years	14	8	21	**43**
	41 to 50 years	2	4	16	**22**
	51 and above	–	–	5	**5**
Total		**34**	**15**	**51**	**100**
		Minimizing with Conflict Avoidance			Total
		Low Priority	Medium Priority	High Priority	
Age	30 years and below	3	27	–	**30**
	31 to 40 years	5	20	18	**43**
	41 to 50 years	6	15	1	**22**
	51 and above	–	5	–	**5**
Total		**14**	**67**	**19**	**100**
		Creative Accounting, Aggressive Tax Planning			Total
		Low Priority	Medium Priority	High Priority	
Age	30 years and below	9	–	21	**30**
	31 to 40 years	24	15	4	**43**
	41 to 50 years	14	3	5	**22**
	51 and above	5	–	–	**5**
Total		**52**	**18**	**30**	**100**

it involves high risk. These statements can be supported by the majority of economic studies, which found out that the risk behavior between young and old generation are different.

Table 5 indicates that education level is an important factor in determining a relationship with the ideal characteristic of tax practitioners. For low risk without fuss, the lower educated respondents tend to place it the least important. However, both diploma and technical certificate categories give high priority to it. Findings reveal that degree/professional holders, tend to have a low priority for low risk without fuss.

In findings of minimizing tax without conflict with tax regulation, all groups of education level have selected medium priority, except for secondary school group, which gave high priority to minimizing tax without conflict. It can be seen that the lowest educated respondents have chosen a medium priority for creative accounting, aggressive tax planning. Secondary school, technical certificate, diploma and degree/professional categorized it as low priority.

Table 5: Relationship between Education Level and Ideal Tax Practitioners

		Low Risk with No Fuss			Total
		Low Priority	Medium Priority	High Priority	
Education Level	Secondary	3	–	1	**4**
	Technical Certificate	7	3	27	**37**
	Diploma	14	6	16	**36**
	Degree/Professional	10	6	7	**23**
Total		**34**	**15**	**51**	**100**
		Minimizing with Conflict Avoidance			**Total**
		Low Priority	**Medium Priority**	**High Priority**	
Education Level	Secondary	–	1	3	**4**
	Technical Certificate	6	29	2	**37**
	Diploma	5	26	5	**36**
	Degree/Professional	3	11	9	**23**
Total		**14**	**67**	**19**	**100**
		Creative Accounting, Aggressive Tax Planning			**Total**
		Low Priority	**Medium Priority**	**High Priority**	
Education Level	Secondary	1	3	–	**4**
	Technical Certificate	24	5	8	**37**
	Diploma	17	4	15	**36**
	Degree/Professional	10	6	7	**23**
Total		**52**	**18**	**30**	**100**

Based on the findings, it is noted that higher education level tends to go for low risk with no fuss instead of tax minimizing scheme, while the lower education choose creative accounting. This is due to the fact that those who have a higher qualification, are more likely to be aware about the current issues. Therefore, they notice that subject to heavy penalty they go against the tax rule by understating the income and overstating the expenses deduction, especially during self-assessment systems. If the tax audit discovers that there is an omission or non-disclosure of information, which will affect their tax liability, the penalty imposed on them can be as high as 60%.

Table 6 shows the attributes of tax practitioners that the respondents look for. Honesty in tax practitioners is the most emphasized attribute (M = 3.83). Second, those who provide warning against tax planning (M = 3.66), followed by cleverness in minimizing tax (M = 3.56). Then, the ability to interpret ambiguities in tax law (M = 3.30); tax practitioners who suggest complicated avoidance scheme is the lowest (M = 3.20).

The study discovered that the Malaysian population is more likely to engage an honest tax practitioner. The results are the same in the case of Australia, where the respondents are very

Table 6: Perceived Attributes of Tax Practitioners		
Descriptive	**Mean**	**Standard Deviation**
(a) My tax agent is a very honest person.	3.83	0.911
(b) My tax agent helps me interpret ambiguous or grey areas of the tax law in my favor.	3.30	0.847
(c) I have a tax agent who is clever in the way he/she arranges my affairs to minimize tax.	3.56	1.076
(d) My tax agent has warned me against getting involved in tax planning schemes.	3.66	0.844
(e) My tax agent has suggested complicated schemes I could get into to avoid tax.	3.20	1.101

particular about honesty of tax practitioners. Under the self-assessment system, taxpayers are personally liable for what they have declared. Any mistake of over claiming deduction, which is not allowed under the Act, is not acceptable. It is currently so structured that the tax system will subject the taxpayer to heavy penalty, if they are found to be dishonest in declaring their income even though tax practitioner files the return.

Apart from penalty imposed by IRB, taxpayers have to incur additional expenses if they want to sue their tax practitioner. Ultimately, they need to bear the burden of extra cost. Hence, they are unlikely to seek a dishonest tax practitioner. Furthermore, with the collapse of the Enron case, taxpayers feel that law is unable to control one's behavior as it ultimately depends on conscience. Therefore, taxpayers might think that there is a need to have an honest tax practitioner for guidance and giving confidence to them on tax matters. So they can ensure that their declared tax liability is under control and on the right track of the law. This reduces the risk of being penalized. These data, support the findings of Sakurai and Braithwaite (2001) suggesting that tax practitioners are people that taxpayers can trust to keep them in line with tax law.

Hypothesis 2

H_0: *Taxpayers are unable to find a tax practitioner who suits their needs.*

H_1: *Taxpayers are able to find a tax practitioner who suits their needs.*

Based on Table 7 for low risk with no fuss, there is a significant relationship at a level of 5% between honest tax agent, ability to interpret grey area and cleverness in minimizing tax. There is a law to moderate positive relationship between those respondents who prefer low risk with no fuss and honest tax practitioners with the correlation coefficient of 0.399. Meanwhile, the ability to interpret ambiguous or grey areas (–0.317), cleverness in minimizing tax (–0.357), warning against tax planning (–0.122) and suggested complicated avoidance tax schemes (–0.156), show a negative relationship. Whereas, the ability to interpret ambiguous or grey areas and cleverness in minimizing tax, indicated a moderate negative relationship, the other factors indicated low negative relationship.

Table 7: Correlations between the Ideal and Currently Engaged Tax Practitioners

	Perceived Attributes of Current Tax Practitioners	Preferred Attributes of Tax Practitioners		
		Low Risk with No Fuss	Minimizing with Conflict avoidance	Creative Accounting, Aggressive Tax Planning
a)	My tax agent is a very honest person	0.399**	-0.064*	–0.369**
b)	My tax agent helps me interpret ambiguous or grey areas of the tax law in my favor	–0.317**	0.061*	0.287**
c)	I have a tax agent who is clever in the way he/she arranges my affairs to minimize tax	–0.357**	0.150*	0.270**
d)	My tax agent has warned me against getting involved in tax planning schemes	–0.122*	0.302**	–0.070*
e)	My tax agent has suggested complicated schemes I could get into to avoid tax	–0.156*	0.026*	0.144*

Note: ***significance at 0.01 level, **significance at 0.05 level, *significance at 0.1 level.

The studies on minimizing with conflict avoidance show a significant relationship at a level of 5% for those tax practitioners who warned against tax planning. Only honest tax practitioners have a very low negative relationship of 0.064 with minimizing with conflict avoidance. The remaining gives a direct relationship. A moderate positive relationship is shown under tax agent who warned against tax planning (0.302). Further, the perceived attribute of cleverness in minimizing tax (0.150) has moderate low relationship with this preferred attribute. The correlation between minimizing without conflict, with ability to interpret ambiguous or grey areas (0.061) and suggested complicated schemes to avoid tax (0.026) is a very low relationship.

It is noted that there is a significant relationship at the level of 5% for creative accounting, aggressive tax planning with honest tax practitioners, ability to interpret grey area and cleverness in minimizing tax. There is a moderate low negative correlation of 0.369 between creative accounting and honest person as well as a very low negative correlation of 0.070 for warning against tax planning schemes. While the rest of the attributes show a positive correlation, the ability to interpret grey area, cleverness in minimizing tax shows a moderate low positive correlation of 0.287 and 0.270 respectively. For suggested complicated schemes to avoid tax, it shows a low positive correlation of 0.144.

Based on the matching process of taxpayers' perception with currently engaged tax practitioners, it was found that respondents who prefer low risk without fuss found their tax practitioners appear different from those who chose tax minimizing and creative accounting. This is because they are unlikely to consider whether the tax practitioner is able to interpret grey areas, clever in minimizing tax, give warning when involved in tax planning schemes and suggest complicated schemes to avoid tax. The low risk with no fuss approach fits the profiles of those who put a priority on enforcer role over the exploiter role. The results are consistent with Sakurai findings, where it was reported that taxpayers whose preference was for low risk with no fuss, found that their tax practitioners were less likely to suggest complicated tax avoidance schemes.

A totally different pattern of correlating appeared for those respondents who wished to go for cleverness in tax minimizing or creative accounting and aggressive tax planning. That is, they were engaging a similar type of tax practitioner, as the difference between the two groups were only to what extend they determined the risk level regarding to the tax matters. They found that their tax practitioners were able to help them to interpret the grey areas of tax law, clever in reducing tax and suggest complicated tax avoidance schemes, which does not take into consideration about having an honest tax practitioners. This is because an honest tax practitioner may feel reluctant to go against the code of practices by requesting them to suggest a complicated avoidance schemes.

Overall, these findings fit comfortably with those of Sakurai and Braithwaite (2001), who have shown that taxpayers who prefer tax practitioners, who can minimize their tax, actually find the tax agents who are good in finding loopholes; while those who prefer low risk without fuss also find their tax practitioner fits the description. The analysis shows that there is a clear distinction in the minds of taxpayers when they describe the attributes of their preferred tax practitioner for low risk without fuss and tax minimizing.

Conclusion

The main focus of this research is to judge the taxpayers competence and diligence in preparing their income tax return, how the taxpayer's demographic factors affect the perception of tax practitioner, the attributes that taxpayers are looking for in tax practitioners and whether they can find the tax practitioners who can meet their needs.

Overall, taxpayers are comfortable and do not find any problem with the currently implemented self-assessment system, although some of the respondents do not have a high qualification. The majority of taxpayers reported confidence in the legitimacy of incomes and expenses they claimed, because all of them had a tax practitioner to look after their tax matters. Over two third of the taxpayers tend to complete the income tax return right before the due date. There is a significant relationship between the demographic factors like gender, age and education level of taxpayers, which affect their perception of the ideal tax practitioner.

In general, most taxpayers prefer to have an honest tax practitioner to help them to comply with the income tax laws. In fact, most of the taxpayers rated the honesty of the tax practitioner as the most important attribute. Therefore, honesty of the tax practitioner is the priority, followed by minimizing with conflict avoidance and creative accounting and aggressive tax planning.

This survey reported that taxpayers have found a practitioner who matches their needs. Taxpayers who placed a priority on minimizing their tax, have found practitioners who can perform the task, in addition to offering clever strategies and suggesting aggressive tax minimization schemes. Those taxpayers who choose to comply with the income tax laws, are able to find an honest tax practitioner. The overall discussion has met the objectives of the research study, where the Malaysian taxpayers are able to find the tax practitioners who suit their needs, no matter whether they choose for playing safe or for dollar savings.

The results from this study would be beneficial to tax practitioners and other researchers who are looking forward to conduct a study in this area. It is suggested that the tax practitioner's ethical behavior may be strongly influenced by the taxpayer's perception. In other words, tax practitioners are more diligent in finding ways to minimize tax because taxpayers expect them to minimize their tax. However, it seems that a majority of the practitioners are likely to exploit loopholes in the law to suit taxpayer's needs of tax avoidance, but they are unlikely to put themselves in illegal schemes that will put them in an uncomfortable situation. The degree to which they are going to exploit the grey area of tax law will depend much on the level of risk preferences of taxpayers. Likewise, in the Malaysia scenario, this study indicates that most of the taxpayers have ideally chosen 'low risk without fuss' as the main preference. Indirectly, it means taxpayers chose to 'play safe rather than saving dollars'.■

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Appendix

A Study of Individual Taxpayer's Perception of Tax Practitioners: Playing Safe or Saving Dollars

To Whosoever it May Concern,

This research is conducted for the purpose of seeking the taxpayers' perception of tax practitioners and whether their role is to ensure that the taxpayer is paying the correct amount of tax that he/she is supposed to pay or help him/her in minimizing the amount of payable tax. We are interested to examine the taxpayers' perception on understanding and competence in completing income tax returns, the sources of support that were most commonly used, as well as the desired qualities of the ideal tax practitioners. Finally, we would like to know whether taxpayers actually find a tax practitioner who meets their needs.

You are one of the respondents, being selected randomly to give your opinion on this issue. The questionnaire will only take you a couple of minutes. We are looking forward to your full cooperation in assisting us to complete this research.

We appreciate your willingness to participate in this survey. You can be assured that all the information furnished by you will be kept strictly private and confidential.

Thank you.

Yours sincerely,
Chue-Qun Tong
Kok-Eng Tan
Chee-Keong Choong

Section A: Personal Particulars

Tick ☑ where is applicable.

1) Gender

Male

Female

2) Ethnic Group

Malay

Chinese

Indians

Others: ____________

(Contd...)

Appendix

(...contd)

A Study of Individual Taxpayer's Perception of Tax Practitioners: Playing Safe or Saving Dollars

3) Age

- 30 years and below
- 31 to 40 years
- 41 to 50 years
- 51 and above

4) Education Level

- Secondary or equivalent
- Technical certificate or equivalent
- Diploma or equivalent
- Degree/Professional

5) Job Sector

- Government sector
- Private (Under-employment)
- Business/Self-employed

6) Annual Income

- Below RM12, 001 (Average per month RM1000)
- RM12, 001 – RM24, 000 (Average per month RM1500)
- RM24, 001 – RM48, 000 (Average per month RM3000)
- RM48, 001 – RM96, 000 (Average per month RM6000)
- Above RM96, 000 (Average per month RM8000)

Section B: Individual Taxpayer's Competence and Diligence

Tick ☑ where is applicable.

7) When you are preparing for the lodgments of your 2004 income tax return, how well did you understand what the Inland Revenue Board expects from you?

Would you say your understanding was ___________

- Extremely Good
- Good
- Reasonable
- Partial
- Poor

(Contd...)

Appendix

(...contd)

A Study of Individual Taxpayer's Perception of Tax Practitioners: Playing Safe or Saving Dollars

8) How much is the following like you:

I feel competent to do my own income tax return.

- Not at all
- A little bit
- A fair bit
- Very much

9) Think of the annual incomes and deductions that you declared and claimed in your 2003 income tax return.

Would you say you were ______________

- Absolutely confident that they are all right
- A bit unsure about some of them
- Pretty unsure about quite a lot
- Haven't got a clue, someone else did it for me

10) How much is the following like you:

I tend to put my income tax return off, until the last minute.

- Not at all
- A little bit
- A fair bit
- Very much like me

11) How much is the following like you:

I have someone else who looks after my tax matters for me.

- Not at all
- A little bit
- A fair bit
- Very much

12) State the persons/sources who can assist you in filling your 2004 income tax return.

- Myself
- Family members/friends
- Tax agent
- Lembaga Hasil Dalam Negeri's counter staff
- Others: ___________

(Contd...)

Appendix

(...contd)

A Study of Individual Taxpayer's Perception of Tax Practitioners: Playing Safe or Saving Dollars

Section C: Ideal Factors and Actual Attributers of Tax Agent

For this question, please rank from 1-3, the importance of each criterion, which affects your opinion of your preferred tax agent:

Low priority – 1 Medium priority – 2 High Priority – 3

13) What is your ideal tax agent's characteristic?

	Ranking (1-3)
Low risk with no fuss	( )
Minimizing with conflict avoidance	( )
Creative accounting, aggressive tax planning	( )

For this question, please circle the level of satisfaction based on your perception:

14) What are the attributes of tax practitioners that you have actually engaged?

	Strongly Disagree				Strongly Agree
(a) My tax agent is a very honest person.	1	2	3	4	5
(b) My tax agent helps me interpret ambiguous or grey areas of the tax law in my favor.	1	2	3	4	5
(c) I have a tax agent who is clever in the way he/she arranges my affairs to minimize tax.	1	2	3	4	5
(d) My tax agent has warned me against getting involved in tax planning schemes.	1	2	3	4	5
(e) My tax agent has suggested complicated schemes I could get into to avoid tax.	1	2	3	4	5

Section D: Overall Level of Satisfaction of Individual's Taxpayers

For this question, please circle the level of satisfaction based on your perception:

15) Do you have the tax practitioners who match your ideal?

	Totally Unmatched				Totally Matched
(a) My tax agent is a very honest person.	1	2	3	4	5
(b) My tax agent helps me interpret ambiguous or grey areas of the tax law in my favor.	1	2	3	4	5
(c) I have a tax agent who is clever in the way he/she arranges my affairs to minimize tax.	1	2	3	4	5
(d) My tax agent has warned me against getting involved in tax planning schemes.	1	2	3	4	5
(e) My tax agent has suggested complicated schemes I could get into to avoid tax.	1	2	3	4	5

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